

**THIRTY-FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS OFFICE**
Jennings, Louisiana

Annual Financial Statements
As of and For the Year
Ending June 30, 2017

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE

Jennings, Louisiana

Annual Financial Statements

As of and for the Year Ending June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Thirty-First Judicial District Public Defenders Office
Jefferson Davis Parish Police Jury
Jennings, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Thirty-First Judicial District Public Defenders Office (Public Defender), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Public Defender's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Public Defender, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 to 28 and the required supplementary information entitled Additional Pension/ Retirement Information on pages 29 to 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public Defender's financial statements as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplemental information, as listed in the table of contents (page 33), is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the Public Defender's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Public Defender's internal control over financial reporting and compliance.

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
December 18, 2017

BASIC FINANCIAL STATEMENTS

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Governmental Fund Balance Sheet / Statement of Net Position
June 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 197,572		197,572
Receivables, net	16,960		16,960
Accrued interest receivable	6		6
Capital assets, net of accumulated depreciation	-	1,988	1,988
Total Assets	<u>214,538</u>	<u>1,988</u>	<u>216,526</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow amounts on pension	-	15,961	15,961
Total Deferred Outflows of Resources	<u>-</u>	<u>15,961</u>	<u>15,961</u>
LIABILITIES			
Accounts payable	37,485		37,485
Professional services payable	75		75
Salaries and benefits payable	4,745		4,745
Long-term liabilities:			
Due within one year	-		-
Due in more than one year	-	12,886	12,886
Total Liabilities	<u>42,305</u>	<u>12,886</u>	<u>55,191</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow amounts on pension	-	2,369	2,369
Total Deferred Inflows of Resources	<u>-</u>	<u>2,369</u>	<u>2,369</u>
FUND BALANCE / NET POSITION			
Unassigned	172,233	(172,233)	-
Total Fund Balance	<u>172,233</u>	<u>(172,233)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 214,538</u>		
NET POSITION			
Net investment in capital assets		1,988	1,988
Unrestricted		172,939	172,939
Total Net Position		<u>\$ 174,927</u>	<u>174,927</u>

The accompanying notes are an integral part of this statement.

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2017

Statement B

Total Ending Fund Balances - Governmental Funds (Statement A) \$ 172,233

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial

Costs of capital assets	\$ 15,129	
Accumulated depreciation	<u>(13,141)</u>	1,988

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Net pension liability	<u>(12,886)</u>	(12,886)
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Deferred outflow and inflow of resources associated with pension and retirement are not current financial resources or uses and therefore are not reported in the governmental funds.

Deferred outflows-pension	\$ 15,961	
Deferred inflows-pension	<u>(2,369)</u>	13,592

Net Position (Statement A) \$ 174,927

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances / Statement of Activities
For the Year Ending June 30, 2017

Statement C

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/ EXPENSES :			
Current			
Judiciary:			
Professional legal services	\$ 432,868	-	432,868
Other contracted services	10,512	-	10,512
Personnel services and related benefits	68,946	1,287	70,233
Dues	1,976	-	1,976
Insurance	1,043	-	1,043
Miscellaneous expense	35	-	35
Office expense	14,513	-	14,513
Travel, meals, & seminars	1,956	-	1,956
Depreciation expense	-	1,260	1,260
Capital outlay			-
Total Expenditures / Expenses	<u>531,849</u>	<u>2,547</u>	<u>534,396</u>
PROGRAM REVENUES:			
Charges for services:			
Court costs on fines and forfeitures	281,674	-	281,674
Fees from indigents	8,525	-	8,525
Operating grants and contributions:			
State grants and contributions- operating	<u>307,318</u>	-	<u>307,318</u>
Total Program Revenues	<u>597,517</u>	<u>-</u>	<u>597,517</u>
Net Program Expenses			<u>63,121</u>
GENERAL REVENUES:			
Interest earned	615	-	615
Parish contribution to retirement system	673	(211)	462
Other income	-	-	-
Total General Revenues	<u>1,288</u>	<u>(211)</u>	<u>1,077</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	66,956	(66,956)	-
CHANGE IN NET POSITION	-	64,198	64,198
FUND BALANCE / NET POSITION:			
Beginning of the Year	105,277	5,452	110,729
End of the Year	<u>\$ 172,233</u>	<u>2,694</u>	<u>174,927</u>

The accompanying notes are an integral part of this statement.

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2017

Statement D

Total Net Change in Fund Balance - Governmental Funds (Statement C) \$ 66,956

Amounts reported for governmental activities in the statement of activities are different because:

In statement of activities pension expense is based on proportionate share computation based on changes in total net pension liability, and in governmental funds pension expense is measured by the amount of financial resources used (essentially employer contribution paid). (1,498)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period:

Depreciation expense	(1,260)	
Capital outlays	<u>-</u>	(1,260)

Change In Net Position of Governmental Activities (Statement B) \$ 64,198

NOTES TO THE BASIC FINANCIAL STATEMENTS

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE NOTES TO THE BASIC FINANCIAL STATEMENTS

INTRODUCTION

The Thirty-First Judicial District Public Defenders Office (Public Defender), was established in compliance with Louisiana Revised Statutes 15:144-149 and modified by Act 307 implemented August 15th 2007. The Public Defender provides counsel to represent indigents (needy individuals) in criminal and quasi-criminal cases at the district court level. The Thirty-First Judicial District encompasses Jefferson Davis Parish.

The Public Defender is composed of a Chief District Public Defender who works under the supervision of the Louisiana Public Defender Office. A State Louisiana Public Defender Board governs the Louisiana Public Defender Office.

Revenues to finance the Public Defender's operations are primarily provided from court costs on fines imposed by the Thirty-First Judicial District Court and the City of Jennings Court, and State Revenues received through distributions from the Louisiana Public Defender Office.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the Public Defender have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statement have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999.

B. REPORTING ENTITY

For financial statement reporting purposes, the Public Defender is a part of the district court system of the State of Louisiana. However, the state statutes that create the Public Defenders also give each of the Public Defenders control over all of their operations. This includes the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. The Public Defender is financially independent and operates independently from the district court system. The accompanying financial statements include only the transactions of the Public Defender.

C. FUND ACCOUNTING

The Public Defender uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain board functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds account for all or most of the Public Defender's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Public Defender. The following are the Public Defender's governmental funds:

General Fund – the primary operating fund of the Public Defender and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Public Defender's policy.

D. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Fund Financial Statements (FFS)

The amounts reflected in the General Fund of Statements A and B, are 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 statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Public Defender's operations.

The amounts reflected in the General Fund of Statements A and B use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Public Defender considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Court costs on fines and forfeitures are recorded in the month that the amounts are collected by the appropriate courts since they are measurable and available. Fees from indigents are recorded when received.

Expenditures

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

Government-Wide Financial Statements (GWFS)

The column labeled Statement of Net Position (Statement A) and the column labeled Statement of Activities (Statement B) display information about the Public Defender as a whole. These statements include all the financial activities of the Public Defender. Information contained in these columns reflect the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues – Program revenues included in the column labeled Statement of Activities (Statement B) are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the Public Defender's general revenues.

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

E. DEPOSITS AND INVESTMENTS

Deposits and investments include amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the Public Defender may deposit funds in demand deposits, interest-bearing deposits, money market accounts, or time deposits with state banks organized under Louisiana Law or any other state of the United States, or under the laws of the United States.

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 since the Public Defender does not have a formal investment policy. Funds which are available for investment and above immediate cash requirements can be invested in statutorily sanctioned investments including direct U.S. Treasury obligations, bonds, debentures, notes issued by or guaranteed by federal agencies, or certificates, or time certificates of deposit in any bank domiciled or having a branch office in Louisiana or any other federally insured investment. Statutorily sanctioned investments also include funds invested with external local government investment pools such as Louisiana Assets Management Pool.

When investments are present in the financial statements they are reflected at fair value except for the following which are permitted per GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*:

- 1) Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure. Interest-earning investment contracts include time deposits with financial institutions (such certificates of deposit), repurchase agreements, and guaranteed investment contracts.
- 2) Money-market investments and *participating* interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

F. CAPITAL ASSETS

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Public Defender maintains a threshold level of \$1,000 or more for capitalizing capital assets. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful life by type of assets is as follows:

Office equipment	5 years
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**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

G. FUND EQUITY

Fund Financial Statements

Governmental funds can report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form- prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance can be comprised of the remaining four classifications: restricted, committed, assigned, and unassigned defined as follows:

Restricted fund balance- This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance- These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Public Defender's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance- This classification reflects the amounts constrained by the Public Defender's "intent" to be used for specific purposes, but are neither restricted nor committed. The Chief District Public Defender has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance- This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Public Defender's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Public Defender's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

Invested in capital asset- 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.

Restricted net position- Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position- All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

When both restricted and unrestricted resources are available for use, it is the Public Defender's policy to use restricted resources first, then unrestricted resources- committed, assigned, and unassigned- in order as needed.

H. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

I. COMPENSATED ABSENCES

The Public Defender's employees earn up to a maximum of 10 days vacation leave per year after 1 to 3 years of service; 15 days vacation leave per year after 4 to 12 years of service; and 25 days vacation leave per year after 12 years of service. Vacation leave cannot be carried over and must be used during the year. Any vacation leave not used at year end is forfeited.

Employees earn one day of sick leave per month worked which can be accumulated up to 30 days. Upon termination, employees are not paid for unused sick leave. Due to the uncertainty of actual amount which will be paid for sick leave and the due to the fact that sick leave is forfeited upon termination, no accruals have been made at year end for such absences.

J. PENSION/ RETIREMENT SYSTEM

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees' Retirement System of Louisiana (PERS), and additions to/deductions from PERSs' and fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. PERS uses the accrual basis of accounting.

K. DEFERRED OUTFLOW/ INFLOWS OF RESOURCES

In addition to assets the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. All of the items that qualify for reporting in this category are related to pension amounts. See pension/ retirement footnote for further details of these items. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. All of the items that qualify for reporting in this category are related to pension amounts. See pension/ retirement footnote for further details of these items. No deferred inflows of resources affect the governmental funds financial statements in the current year.

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following individual funds had actual expenditures over budgeted appropriations for the fiscal year:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General	\$ 612,000	\$ 518,505	\$ 520,423	\$ 1,918

3. DEPOSITS

Deposits

The year end balances of deposits are as follows:

<u>Deposit Type</u>	<u>Bank Balances</u>	<u>Reported Amount</u>
Cash –demand deposits	\$ 203,923	\$ 139,103
Cash –time and savings deposits	58,469	58,469
Totals	<u>\$ 262,392</u>	<u>\$ 197,572</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that in the event of a bank failure, the Public Defender’s deposits may not be returned to it. The Public Defender’s deposit policy for custodial credit risk requires that all uninsured deposits must be secured with acceptable collateral as defined in LRS 39:1221 valued at market. As of June 30, 2017, the Public Defender had deposits (collected bank balances) totaling \$262,392. As of yearend all deposits were either insured by FDIC coverage or collateralized by securities held by the pledging financial institution’s agent in the name of the Public Defender.

4. RECEIVABLES

The receivables at year end are comprised of the following:

<u>Class of Receivable</u>	
Due from Other Governments:	
Court Costs on Fines & Forfeitures	\$ 16,960
Less Allowance for Doubtful Accounts	-
Total	<u>\$ 16,960</u>

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

5. CAPITAL ASSETS

Capital assets and depreciation activity as of year end were as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance Ending</u>
Capital assets being depreciated:				
Furniture and equipment	15,129	-	-	15,129
Total capital assets being Depreciated	<u>15,129</u>	<u>-</u>	<u>-</u>	<u>15,129</u>
Less accumulated depreciation for:				
Furniture and equipment	11,881	1,260	-	13,141
Total accumulated Depreciation	<u>11,881</u>	<u>1,260</u>	<u>-</u>	<u>13,141</u>
Capital assets, net	\$ <u>3,248</u>	<u>(1,260)</u>	<u>-</u>	<u>1,988</u>

6. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables were comprised of the following:

Professional Legal Services	\$ 37,485
Accounts payable	75
Salaries and Benefits	4,745
 Total	 <u>\$ 42,305</u>

7. LITIGATION

There is no known litigation pending against the Public Defender at year end that would have a material effect on the financial statements.

8. SIGNIFICANT CONTRACTUAL AGREEMENTS

The Public Defender has entered into contracts with five attorneys to provide criminal defense legal services to the Thirty-First Judicial District Court, Ward 2 Court and the Jennings City Court as appointed by the presiding judge of each court. Under the terms of each contract two of the attorneys are individually paid up to \$87,012 annually, one attorney is paid up to \$55,500 annually, one attorney is paid up to \$33,000 annually, two attorneys are paid up to \$28,970 annually, and the Chief Public Defender is paid \$87,889 annually. In addition, per contractual agreement, the Public Defender pays each attorney's dues for membership in the Louisiana Association of Criminal Defense Attorneys and the Louisiana Public Defender Association (LPDA), in addition to reasonable expenses for contract attorney's to attend seminars sponsored by the LPDA.

9. RISK MANAGMENT

The Public Defender is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees/ independent contractors; and natural disasters. The Board carries commercial insurance for some of the above identified risk. The Public Defender does require each

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

contracted attorney to provide proof of professional liability insurance coverage with a minimum liability limit of \$500,000. The Public Defender has not incurred any claims or settlements of claims for any risks in any of the past three years.

10. PENSION PLAN/ RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description

The Parochial Employees' Retirement System of Louisiana (PERS) is a cost-sharing multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish.

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace and parish presidents may no longer join the Retirement System.

Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the PERS to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Public Defender only participates in Plan A.

PERS is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2025, specifically, and other general laws of the State of Louisiana. PERS issues a publicly available financial report that can be obtained at www.persla.org.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general informational purposes only. PERS provides normal retirement, survivor's benefits, deferred retirement option (DROP), and disability benefits. Participants should refer to the appropriate statutes for more complete information.

Retirement Benefits:

A. Normal Retirement

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Any member of Plan B can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the members' final average compensation multiplied by his years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

B. Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE NOTES TO THE BASIC FINANCIAL STATEMENTS

C. Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

D. Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation for Plan A and 7.20% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2016 and 2015 was 13.00% and 14.50% for Plan A and 8.00% and 9.00% for Plan B.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

The Public Defender's contractually required employer contribution rate for the year ended June 30, 2017 was 12.50% from January 1, 2017 to June 30, 2017 and 13.00% from July 1, 2016 to December 31, 2016 of annual covered wages. Employer contributions to the pension plan from the Public Defender were \$5,951 for the year ended June 30, 2017. Non-employer contributions that represent $\frac{1}{4}$ of 1% of ad valorem taxes collected within Jefferson Davis Parish were \$673 for the year ending June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Public Defender reported a liability of \$12,886 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2016 and the total pension liability used to calculate the Net Pension Obligation was determined by an actuarial valuation as of that date. The Public Defender's proportion of the Net Pension Liability was based on a projection of the Public Defender's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the Public Defender's proportion was .006257%, which was a decrease of .008863% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2017, the Public Defender recognized pension expense of \$7,654 plus/(less) employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$201.

At June 30, 2017, the Public Defender reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 2,255
Changes of assumptions	2,447	-
Net difference between projected and actual earnings on pension plan investments	10,000	-
Changes in proportion and difference between Employer contributions and proportionate share of contributions	483	114
Employer contribution subsequent to the measurement date	3,031	-
Total	\$ <u>15,961</u>	\$ <u>2,369</u>

\$3,031 reported as deferred outflows of resources related to pensions resulting from Public Defender contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	3,983
2019		4,265
2020		2,583
2021		(270)
Thereafter		-

Deferred outflow/inflow resource amounts, except for net difference between projected and actual earnings on pension plan investments, are being recognized in employer's pension expense/(benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. Deferred amounts related to net difference between projected and actual earnings on pension plan investments is being recognized in pension expense/(benefit) using the straight-line method amortization method over a closed five-year period.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017, are as follows:

Valuation Date	December 31, 2016
Actuarial cost method	Plan A -Entry Age Normal Cost Plan B -Entry Age Normal Cost
Amortization approach	Closed

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Actuarial assumptions:	
Expected Remaining Service Lives	4 years
Investment rate of return	7.00% net of investment expenses, including inflation
Projected salary increases	Plan A -5.25% (2.75% Merit/2.5% Inflation) Plan B -5.25% (2.75% Merit/2.5% Inflation)
Cost-of-living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants

The discount rate used to measure the total pension liability was 7.00% for Plan A and 7.00% for Plan B. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.6% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternative	11%	0.67%
Real assets	2%	0.12%
Total	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Public Defender’s net pension liability calculated using the discount rate of 7.00%, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate:

Plan A:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	\$ 38,548	\$ 12,886	\$ (8,812)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS 2016 Annual Financial Report at www.persla.org.

Payables to the Pension Plan

As of June 30, 2017, the Public Defender owed \$1,441 in legally required contributions to PERS.

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

11. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions during the year:

	Balance <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Ending</u>	Due Within <u>One Year</u>
Other Obligations:					
Net pension liability	23,496	-	10,610	12,886	-
Governmental activity long-term liabilities	\$ 23,496	-	10,610	12,886	-

12. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

Retirement plan payments in the amount of \$673 were made by the Sheriff, acting in his capacity as Ex Officio Tax Collector, to The Parochial Employees' Retirement System of Louisiana on behalf of the Public Defender. These remittances represent a portion of the ad valorem taxes and state revenue sharing collections which are statutorily set aside for payment to The Parochial Employees' Retirement System of Louisiana on behalf of the Public Defender. These on-behalf payments have been recorded in the accompanying financial statements, in accordance with GASB Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* as revenues and expenditures in the General Fund.

13. GOVERNMENTAL FUND REVENUES AND EXPENDITURES

For the fiscal year, the major sources of governmental fund revenues were as follows:

	<u>Governmental Fund Revenues</u>
State Government	
Grants	\$ 307,318
Total	<u>307,318</u>
Local Government	
Statutory fines, forfeitures, fees, court cost, and other	281,674
On-behalf payments	673
Total	<u>282,347</u>
Charges for Services	8,525
Investment Earnings	615
Total Revenues	\$ <u><u>598,805</u></u>

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
NOTES TO THE BASIC FINANCIAL STATEMENTS**

For the fiscal year, the major sources of governmental fund expenditures were as follows:

	Governmental Fund Expenditures
Personnel Services and Benefits	
Salaries	\$ 46,982
Retirement contributions	5,982
On-behalf payments - retirement	674
Insurance	11,713
Payroll taxes	3,595
Total	<u>68,946</u>
Professional Development	
Dues, licenses, and registrations	2,139
Travel	1,793
Total	<u>3,932</u>
Operating Costs	
Contract services –attorney/legal	432,868
Contract services –other	10,512
Insurance	1,043
Supplies	2,265
Repairs and maintenance	3,000
Utilities and telephone	2,422
Other	6,861
Total	<u>458,971</u>
Capital Outlay	<u>-</u>
Total Expenditures	<u>\$ 531,849</u>

REQUIRED SUPPLEMENTAL INFORMATION

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
GOVERNMENTAL FUND - GENERAL FUND
Budgetary Comparison Schedule
For the Year Ending June 30, 2017

Schedule 1

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Court costs on fines and forfeitures	\$ 225,000	\$ 224,138	\$ 288,552	\$ 64,414
Fees from indigents	80,000	73,858	24,025	(49,833)
State grants and contributions	315,295	307,318	307,318	-
Interest	10	543	615	72
Other	15,300	22,986	673	(22,313)
Total Revenues	<u>635,605</u>	<u>628,843</u>	<u>621,183</u>	<u>(7,660)</u>
EXPENDITURES				
Current				
Judicial:				
Professional legal services	509,000	406,942	424,212	(17,270)
Other contracted services	13,700	11,381	10,797	584
Personnel services and related benefits	67,900	79,954	65,916	14,038
Dues	2,000	1,618	1,976	(358)
Library expense	1,000	676	-	676
Insurance	1,400	860	1,043	(183)
Miscellaneous expense	-	-	35	(35)
Office expense	11,300	10,581	14,488	(3,907)
Travel, meals, & seminars	3,200	1,869	1,956	(87)
Capital outlay	<u>2,500</u>	<u>4,624</u>	<u>-</u>	<u>4,624</u>
Total Expenditures	<u>612,000</u>	<u>518,505</u>	<u>520,423</u>	<u>(1,918)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>23,605</u>	<u>110,338</u>	<u>100,760</u>	<u>(9,578)</u>
BEGINNING CASH ON HAND	<u>87,330</u>	<u>96,812</u>	<u>96,812</u>	<u>-</u>
ENDING CASH ON HAND	<u>\$ 110,935</u>	<u>\$ 207,150</u>	<u>\$ 197,572</u>	<u>\$ (9,578)</u>

See accompanying note to budgetary comparison schedule.

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Notes to Budgetary Comparison Schedule
For the Year Ending June 30, 2017

A. BUDGETARY PRACTICES

General Budget Practices The Public Defenders Office follows the following procedures in establishing budgetary data reported in the accompanying budgetary comparison schedule:

Pursuant to the Louisiana Government Budget Act (LSA-RS 39:1301-1314), the Public Defenders Office is required to adopt an annual budget no later than fifteen days prior to the beginning of each fiscal year.

Each year prior to June 15th, the Public Defenders Office develops a proposed annual budget for the general fund. The budget includes proposed expenditures and the means of financing them. The proposed budget is advertised as available for public inspection at least 10 days prior to final adoption simultaneously with a notice of the date of public hearing. The public hearing is conducted during an open meeting to obtain public input. The budget is subsequently adopted by the Public Defenders Office through a formal budget resolution.

General fund appropriations (unexpended budget balances) lapse at end of fiscal year.

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed.

Formal budget integration (within the accounting records) is not employed as a management control device. The budget is controlled at the object level. Budget amounts included in the accompanying financial statements include the original budget and all subsequent amendments. All budget revisions are approved by the Chief Public Defender.

Budget Basis of Accounting The governmental fund budgets are prepared on the cash basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Legally, the Public Defenders Office cannot budget total expenditures and other financing uses which would exceed total budgeted revenues and other financing sources including beginning fund balance. State statutes require the Public Defenders Office to amend the budget to prevent overall projected revenues, expenditures, or beginning fund balance from causing an adverse budget variance of five percent or more in an individual fund. The Public Defenders Office approves budgets at the object level and management is allowed to transfer amounts between line items within an object.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL MAJOR FUNDS

The following budgeted major funds had actual expenditures over budgeted expenditures for the fiscal year:

Fund	Final Budget	Actual	Unfavorable Variance
General fund	\$ 518,505	\$ 520,423	\$ 1,918

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2017

C. BUDGET BASIS TO ACTUAL GAAP RECONCILIATION

The following reconciles the amount shown as excess of receipts over disbursements on the non-GAAP budget basis (page 26), with the amount shown on the GAAP basis (page 6):

Excess (Deficiency) of revenues and other sources over Expenditures and other uses (Non-GAAP Budgetary Basis) – page 26	\$ 100,760
Add:	
Current-year receivables	16,966
Prior-year payables and deferred revenues	30,878
Rounding	1
Less:	
Prior-year receivables	(39,344)
Current-year payables and deferred revenues	<u>(42,305)</u>
Excess (Deficiency) of revenues and other sources over expenditures and other uses (GAAP Basis) – page 6	<u>\$ 66,956</u>

The reconciliation of amounts reported on page 26 as fund balance at end of year to amounts reported as fund balance on page 4 is as follows:

Fund balance at end of year (Non-GAAP Budgetary Basis) – page 26	\$ 197,572
Revenue accruals	16,966
Expenditure accruals	<u>(42,305)</u>
Fund balance (GAAP Basis) – page 4	<u>\$ 172,233</u>

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
REQUIRED SUPPLEMENTARY INFORMATION
ADDITIONAL PENSION/ RETIREMENT INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017***

Parochial Retirement System of Louisiana:

Plan A:

Year Ending December 31st	Employer's proportion of net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.006257%	\$12,886	\$37,108	34.73%	94.15%
2015	0.008926%	\$23,496	\$41,731	56.30%	92.23%
2014	0.014814%	\$4,050	\$83,835	4.83%	99.15%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*The amounts presented have a measurement date of the previous December year end of the plan. Note that the Public Defender did not participate in Plan B during the current fiscal year.

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
 REQUIRED SUPPLEMENTARY INFORMATION
 ADDITIONAL PENSION/ RETIREMENT INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2017**

Parochial Retirement System of Louisiana:

Plan A:

Year Ending June 30th	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$5,951	\$5,951	-	\$46,707	12.74%
2016	\$4,630	\$4,630	-	\$33,450	13.84%
2015	\$11,145	\$11,145	-	\$72,691	15.33%

Additional Comments - Note that the above "Contributions as a % of Covered Employee Payroll" is a average contribution rate since the Public Defender's fiscal year overlaps the calendar year of the Parochial Employees' Retirement System of Louisiana (PERS). Typically, when rate changes are required, the PERS changes it contribution rates on January of each year. Note that the Public Defender did not participate in Plan B during the current fiscal year.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
REQUIRED SUPPLEMENTARY INFORMATION
ADDITIONAL PENSION/ RETIREMENT INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Parochial Retirement System of Louisiana:

Plan A:

Changes of Benefit Terms. None.

Changes of Assumptions. None.

Additional Comments - Note that the Public Defender did not participate in Plan B during the current fiscal year.

SUPPLEMENTAL INFORMATION

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Schedule of Compensation, Benefits and Other Payments to Agency Head
or Chief Executive Officer
For the Year Ended June 30, 2017

Schedule 5

Agency Head Name: David E. Marcantel

Professional contract fees	\$	87,889
Dues		150
Travel		266
Registration fees		210
Conference travel		1,091
	\$	<u>89,606</u>

OTHER REPORTS

Mike B. Gillespie

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Thirty-First Judicial District Public Defenders Office
Jennings, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund information of the Thirty-First Judicial District Public Defenders Office (Public Defender), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Public Defender's basic financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Public Defender's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Public Defender's internal control. Accordingly, we do not express an opinion on the effectiveness of the Public Defender's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, listed as finding 2016-1, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Public Defender's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-2.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Public Defender's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Public Defender's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Mike B. Gillespie, CPA, APAC

Certified Public Accountant

Jennings, Louisiana

December 18, 2017

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Jennings, Louisiana
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ending June 30, 2017

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FINANCIAL STATEMENTS

Current Year Findings:

2016-1: Internal control

Criteria/ Specific Requirement: An important element in the design of an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of duties. A good system of internal control provides for a proper segregation of the accounting functions. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. As an example, the same person should not be responsible for any two of the following functions: (1) authorization of a transaction, (2) recording of the transaction, or (3) custody of assets involved in the transaction.

Condition: There is a general overall lack of segregation of duties within the Public Defender's office.

Cause of Condition: Due to the small number of employees involved in the accounting functions, the Public Defender's office did not have adequate segregation of functions within the accounting system.

Potential Effect of Condition: The lack of adequate segregation of duties increases the risk that errors or fraud could occur and not be discovered in a timely manner.

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Management Response: Due to the small size of our office it is not practical nor cost effective to correct this weakness.

2016-2: State Budget Law Compliance

Criteria/ Specific Requirement: Procedures should be in place to insure compliance with the Louisiana Local Government Budget Act (R.S. 39:1301-15).

Condition: Potential noncompliance with the Louisiana Local Government Budget Act (R.S. 39:1301-15) regarding public participation requirements.

Cause of Condition: Political subdivisions with total proposed expenditures of five hundred thousand dollars or more are required to afford the public an opportunity to participate in the budgetary process prior to adoption of the budget. Public participation was not allowed in a timely manner as part of the budget process in the current fiscal year. Also, the budget was not made available to the public for

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Jennings, Louisiana
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ending June 30, 2017

inspection fifteen days prior to the beginning of the fiscal year. This condition also occurred for the fiscal year end June 30, 2018 budget process.

Potential Effect of Condition: Potential noncompliance with the Local Government Budget Act (R.S. 39:1301-15).

Recommendation: Management should adopt procedures to insure compliance with the Local Government Budget Act (R.S. 39:1301-15). A notice should be published in the local newspaper at least ten days prior to the date of the first public budget hearing. The proposed budget should be made available for public inspection no later than fifteen days prior to the beginning of the fiscal year.

Management Response: Management agrees with the finding and will implement recommendation for the adoption of the fiscal year end June 30, 2019 budget.

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

No findings reported.

SECTION III - MANAGEMENT LETTER

No findings reported.

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Jennings, Louisiana

**MANAGEMENT'S CORRECTIVE ACTION PLAN FOR
CURRENT YEAR FINDINGS**
For the Year Ending June 30, 2017

SECTION I –INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FINANCIAL STATEMENTS

2016-1: Internal control

Criteria/ Specific Requirement: An important element in the design of an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of duties. A good system of internal control provides for a proper segregation of the accounting functions. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. As an example, the same person should not be responsible for any two of the following functions: (1) authorization of a transaction, (2) recording of the transaction, or (3) custody of assets involved in the transaction.

Recommendation: If possible, management should adopt procedures in the office to mitigate lack of segregation of duties. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Management Response: Due to the small size of our office it is not practical nor cost effective to correct this weakness.

2016-2: State Budget Law Compliance

Criteria/ Specific Requirement: Procedures should be in place to insure compliance with the Louisiana Local Government Budget Act (R.S. 39:1301-15).

Recommendation: Management should adopt procedures to insure compliance with the Local Government Budget Act (R.S. 39:1301-15). A notice should be published in the local newspaper at least ten days prior to the date of the first public budget hearing. The proposed budget should be made available for public inspection no later than fifteen days prior to the beginning of the fiscal year.

Management Response: Management agrees with the finding and will implement recommendation for the adoption of the fiscal year end June 30, 2019 budget.

SECION II –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION III –MANAGEMENT LETTER

No findings reported.

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THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

THIRTY-FIRST JUDICIAL DISTRICT PUBLIC DEFENDERS OFFICE
Jennings, Louisiana

MANAGEMENT'S SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ending June 30, 2017

SECTION I –INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FINANCIAL STATEMENTS

No findings reported.

SECION II –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION III –MANAGEMENT LETTER

No findings reported.

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THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

Mike B. Gillespie
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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Thirty-First Judicial District Public Defenders Office
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Thirty-first Judicial District Public Defender's Office (JDPDO) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
Finding: Entity does not have written policies and procedures that address the functions noted above.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Finding: Entity does not have written policies and procedures that address the functions noted above.
 - c) ***Disbursements***, including processing, reviewing, and approving
Finding: Entity does not have written policies and procedures that address the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits

Finding: Entity does not have written policies and procedures that address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Finding: Entity does not have written policies and procedures that address the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Finding: Entity does not have written policies and procedures that address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

Finding: Not applicable. Entity does not have or use credit cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Entity does not have written policies and procedures that address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Finding: Entity does not have written policies and procedures that address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Finding: Entity does not have written policies and procedures that address the functions noted above.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

Finding: Not applicable. Entity does not have an appointed or elected board.

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Finding: Obtained listing of client bank accounts from management and management's representation that listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Finding: Obtained bank statements and reconciliations for all months in the fiscal year noting that reconciliation have been prepared for all months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Finding: Obtained bank statements and reconciliations for all months in the fiscal year noting no evidence of management review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Finding: Obtained bank statements and reconciliations for all months in the fiscal year noting no evidence of documentation of management's research for one \$2.00 check item that has been outstanding for more than 6 months.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Finding: Obtained listing of cash collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation

established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Finding: Obtained written documentation that all persons collecting cash are bonded. No written documentation exist for cash collection polices and procedures. Two people who handle cash collections are also responsible for depositing the cash in the bank and share the same cash drawer. One of these people also records the related transactions and reconciles the bank statements.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Finding: Written documentation of reconciliations of cash amounts collected to amounts recorded in the general ledger are not maintained.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Finding: Collection documentation was obtained. Fourteen of the deposits reviewed were not deposited within one day of receipt – fiver were more than twenty days; seven where between eight to thirteen days; one was within five days; and one within six days.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Finding: No exceptions noted as a result of applying this procedure.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Finding: Entity had no written documentation of process to determine completeness of all collection by a person who is not responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Finding: Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Finding: There was no purchase order system or equivalent electronic system in use that separates initiation from approval functions for purchases. Of the 25 disbursements selected 17 of them were for recurring transactions or services that would likely have not required a PO if such a system were in place.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Finding: There was no purchase order system or equivalent electronic system in use. In most cases approval of purchases are made verbally by someone that did not initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Finding: Of the 25 disbursements selected 17 of them were for recurring transactions or services that would likely have not required a PO if such a system were in place. Since there was no purchase order system in place the remaining disbursements were processed without an approved requisition and/or purchase order, or electronic equivalent. However, the person approving the disbursement did document approval on the invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Finding: No written or supporting documentation existed that prohibited the person responsible for processing payments from adding vendors to the entity's computer system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Finding: No written documentation or policies existed. The Chief Public Defender and one other public defender that can sign checks do not record purchases. However, the Chief Public Defender can initiate and approve purchases but does not record purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Finding: Blank check supply is maintained in an unlocked file drawer.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Finding: No signature stamp of signature machine is used.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Finding: Not applicable since entity does not have a credit card.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

Finding: Not applicable since entity does not have a credit card.

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Finding: Not applicable since entity does not have a credit card.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Finding: Not applicable since entity does not have a credit card.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

Finding: Not applicable since entity does not have a credit card.

- a) For each transaction, report whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Finding: The listing and management's representation that the listing was complete was obtained.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Finding: Entity does not have a written travel and expense reimbursement policy.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Finding: Entity does not have a written travel and expense reimbursement policy. One reimbursement for hotel in Baton Rouge for two nights was below the GSA rate if taxes and surcharges were excluded. However, if the person booking the room had requested state governmental rates the state sales tax of \$9.20 could have been avoided.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Finding: No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Finding: No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Finding: No exception noted.

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Finding: No exceptions noted.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Finding: One reimbursement selected was for Chief Public Defender and was not approved in writing by someone other than himself.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Finding: A listing of all contracts and management's representation that the listing is complete was obtained.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Finding: No exceptions noted.

b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Finding: Not applicable.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Finding: No exceptions noted.

c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Finding: No exceptions noted.

d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Finding: No exceptions noted.

e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Finding: Not applicable. Chief Public Defender approves all contracts.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Finding: Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Finding: No compensation exceptions were noted. However, the entities' documentation of employee pay rates are not formally maintained in a manner which demonstrates the effective date of authorization.

b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Finding: Entity does not have a written policy. The entities' documentation of employee pay rates are not formally maintained in a manner which demonstrates the effective date of authorization.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Finding: No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Finding: No exceptions noted.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Finding: No exceptions noted.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Finding: No exceptions noted.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Finding: No exceptions noted.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Finding: No exceptions noted.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Finding: No exceptions noted.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Finding: No debt was issued during fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Finding: No debt was outstanding during fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Finding: Entity had no tax millages for debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Finding: Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Finding: Required notice was posted on website but not at the entity's premises.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Finding: No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Mike B. Gillespie, CPA, APAC

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Jennings, Louisiana

December 18, 2017