

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Elections and Registration  
State of Louisiana  
Baton Rouge, Louisiana

December 28, 2000



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE***  
***Legislative Auditor***

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**LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

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**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 2000  
With Supplemental Information Schedules

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

December 28, 2000

**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA**

Special Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 2000  
With Supplemental Information Schedules

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OFFICE OF  
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December 20, 2000

Independent Auditor's Report  
on the Financial Statements

**HONORABLE SUZANNE HAIK TERRELL**  
**COMMISSIONER OF ELECTIONS**  
**DEPARTMENT OF ELECTIONS**  
**AND REGISTRATION**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Department of Elections and Registration, a department within Louisiana state government, as of June 30, 2000, and for the year then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Department of Elections and Registration. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in note 1 to the financial statements, the accompanying special purpose financial statements present only the funds of the Department of Elections and Registration. As such, they present the appropriated and non-appropriated activity of the department that are part of the accounts and fund structure of the State of Louisiana. The appropriated fund reflects appropriated activity of the department that is part of the General Fund of the State of Louisiana. The non-appropriated funds are individual funds of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated funds. These procedures differ from generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

## LEGISLATIVE AUDITOR

HONORABLE SUZANNE HAIK TERRELL  
COMMISSIONER OF ELECTIONS  
DEPARTMENT OF ELECTIONS  
AND REGISTRATION  
STATE OF LOUISIANA  
Audit Report, June 30, 2000

As discussed in Exhibit A, there were questionable payments made by the department to a voting machine parts supplier reported in an Investigative Audit report, dated August 9, 1999, issued by the Office of the Legislative Auditor. In addition, the former commissioner of the department pleaded guilty to charges of conspiracy to launder money, malfeasance in office, and federal tax fraud relating to these payments. These conditions made it impractical to apply sufficient audit procedures to enable us to determine the propriety of the payments totaling \$1,477,269 made by the department to the voting machine parts supplier.

As of the year ended June 30, 1999, the Department of Elections and Registration's internal controls contained material weaknesses. As a result of those weaknesses, we were unable to render an opinion on the department's financial statements. Accordingly, we were unable to satisfy ourselves about the beginning fund balances and reserves at July 1, 1999.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to satisfy ourselves about the propriety of payments made to a voting machine parts supplier and about the beginning fund balances and reserves as discussed in the preceding paragraphs, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Department of Elections and Registration at June 30, 2000, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-B.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2000, on our consideration of the Department of Elections and Registration's internal control over financial reporting and our tests of its compliance with certain laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

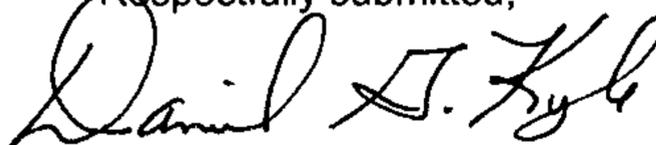
Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements of the Department of Elections and Registration taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to satisfy ourselves about the propriety of payments made to a voting machine parts supplier and about the beginning fund balances and reserves as discussed previously, are stated fairly in all material respects in relation to the financial statements taken as a whole.

LEGISLATIVE AUDITOR

HONORABLE SUZANNE HAIK TERRELL  
COMMISSIONER OF ELECTIONS  
DEPARTMENT OF ELECTIONS  
AND REGISTRATION  
STATE OF LOUISIANA  
Audit Report, June 30, 2000

This report is intended solely for the information and use of the Department of Elections and Registration and the department's management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

APD:THC:RCL:ss

[ELECTION]

DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS

## Balance Sheet (Legal Basis), June 30, 2000

	APPROPRIATED	NON-APPROPRIATED		TOTAL (MEMORANDUM ONLY)
	FUND - GENERAL APPROPRIATION	PAYROLL CLEARING	INCOME NOT AVAILABLE	
<b>ASSETS</b>				
Cash (note 1-C)	\$1,511,995	\$190,305		\$1,702,300
Receivables:				
Fees and self-generated revenues	414,506			414,506
Other	15,680		\$4,641	20,321
Inventory of materials and supplies	1,758,159			1,758,159
<b>TOTAL ASSETS</b>	<b>\$3,700,340</b>	<b>\$190,305</b>	<b>\$4,641</b>	<b>\$3,895,286</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Payables (note 2)	\$405,903	\$190,305		\$596,208
Advances from state treasury (note 8)	207,700			207,700
Due to state General Fund	1,510,930		\$4,641	1,515,571
Total Liabilities	2,124,533	190,305	4,641	2,319,479
Fund Equity - fund balances:				
Reserved for inventory of materials and supplies	1,758,159			1,758,159
Unreserved - undesignated (note 9)	(182,352)			(182,352)
Total Fund Equity	1,575,807	NONE	NONE	1,575,807
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$3,700,340</b>	<b>\$190,305</b>	<b>\$4,641</b>	<b>\$3,895,286</b>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance (Legal Basis)  
For the Year Ended June 30, 2000**

**REVENUES**

Appropriated by legislature:	
State General Fund	\$26,073,778
State General Fund by fees and self-generated revenues	1,928,455
Total revenues	<u>28,002,233</u>

**EXPENDITURES**

Appropriated expenditures:	
Administrative Program	1,289,295
Voting Machines Program	3,730,227
Voter Registration Program	7,086,596
Elections Program	15,604,180
Total expenditures	<u>27,710,298</u>

<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	291,935
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	1,642,906
<b>DECREASE IN RESERVE FOR INVENTORY</b>	(351,571)
<b>ADJUSTMENT (note 10)</b>	<u>(7,463)</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$1,575,807</u></u>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and  
Unexpended Appropriation - Budget  
Comparison of Current-Year Appropriation -  
Budget (Legal Basis) and Actual  
For the Year Ended June 30, 2000**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Appropriated by legislature:			
State General Fund	\$33,069,618	\$26,073,778	(\$6,995,840)
State General Fund by fees and self-generated revenues	<u>2,834,000</u>	<u>1,928,455</u>	<u>(905,545)</u>
Total appropriated revenues	<u>35,903,618</u>	<u>28,002,233</u>	<u>(7,901,385)</u>
<b>EXPENDITURES</b>			
Appropriated for:			
Administrative Program	1,359,654	1,313,674	45,980
Voting Machines Program	4,041,167	3,798,745	242,422
Voter Registration Program	8,474,943	7,215,839	1,259,104
Elections Program	<u>22,027,854</u>	<u>15,665,340</u>	<u>6,362,514</u>
Total appropriated expenditures	<u>35,903,618</u>	<u>27,993,598</u>	<u>7,910,020</u>
<b>UNEXPENDED APPROPRIATION - CURRENT YEAR</b>	<u>NONE</u>	<u>\$8,635</u>	<u>\$8,635</u>

The accompanying notes are an integral part of this statement.

**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2000

**INTRODUCTION**

The Department of Elections and Registration is a department within the State of Louisiana reporting entity. The department was created in accordance with Title 18, Chapter 2 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is responsible for providing and maintaining voting machines and computer absentee counting equipment for all called public elections. The department also prescribes uniform policies and procedures for voter registration within the State of Louisiana and serves as a storehouse for statistical election information. During fiscal year 2000, the department had 92 regular employees; 66 warehouses; 3,899 precincts; and 2446 polling places throughout the state. The department administered the following number of elections during fiscal year 2000: 3 statewide, 609 parish/municipal primaries, 186 parish/municipal general, 135 special vacancies, and 305 local propositions.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles as explained in the following notes.

The State of Louisiana has been determined to be the reporting entity under generally accepted accounting principles. The accompanying financial statements represent activity of a department of state government and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements.

**A. FUND ACCOUNTING**

The Department of Elections and Registration uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position and results of operations of its non-appropriated funds. This differs from the fund accounting of generally accepted accounting principles where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of generally accepted accounting principles.

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, general fixed assets, and long-term liabilities are reflected in the State of Louisiana's general purpose financial statements.

The funds presented in the special purpose financial statements are described as follows:

**GENERAL APPROPRIATION FUND**

The General Appropriation Fund provides for the administrative and operating expenditures of the department.

**NON-APPROPRIATED FUNDS**

**Payroll Clearing Fund**

The Payroll Clearing Fund is used to account for payroll deductions and accrued benefits.

**Income Not Available**

The department collects funds specifically identified by the Division of Administration, State Budget Office, as income not available that are remitted to the state treasury. These amounts are not available to the department for expenditure and, therefore, are not included on Statement B but are detailed on Schedule 2.

The non-appropriated funds relating to income not available and payroll clearing funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**B. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of those resources by the department. This differs from generally accepted accounting principles in which the measurement focus would be to measure the flow of current resources.

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Division of Administration, Office of Statewide Reporting and Accounting Policy. These legal requirements differ from generally accepted accounting principles as follows:

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the department and not necessarily when the fund liability has been incurred.

Under the foregoing legal provisions, the department uses the following practices in recognizing revenues and expenditures:

**Revenues**

State General Fund appropriations are recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Fees and self-generated revenues are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the fiscal year.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that obligations of employees' vested annual and sick leave are recognized as expenditures when paid. Furthermore, any expenditures of a long-term nature for which funds have not been appropriated during the current year are not recognized in the accompanying financial statements.

**C. CASH**

Cash is composed of the following:

Under control of the department:	
Petty cash (on hand)	\$100
Cash in demand accounts	327,658
Cash on deposit with the state treasury	<u>1,374,542</u>
 Total	 <u><u>\$1,702,300</u></u>

Under state law, these deposits 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. The department has deposit balances (collected bank balances) of \$424,751 at June 30, 2000, for which the department has control. These deposits are fully secured from risk by \$100,000 of federal deposit insurance (GASB Risk Category 1) and \$324,751 of pledged securities jointly held in the Federal Reserve

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Bank in the name of the agency and the pledging fiscal agent bank (GASB Risk Category 1).

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by generally accepted accounting principles are included within the state's general purpose financial statements. The following is a summary of cash in the state treasury:

Means of finance	\$52,949
ISIS Operating	1,131,288
Payroll Clearing	<u>190,305</u>
 Total	 <u><u>\$1,374,542</u></u>

**D. INVENTORIES OF MATERIALS AND SUPPLIES**

Inventories are valued at cost and are recorded as expenditures at the time individual inventory items are purchased. The department uses both perpetual and periodic inventory systems. The perpetual inventory is valued by the weighted-average method. The periodic inventory is valued on the first-in, first-out (FIFO) basis, using the most recent cost of the inventory items, which approximates market. Reported inventories are equally offset by fund balance reserves that indicate they do not constitute available spendable resources even though they are components of net current assets.

**E. GENERAL FIXED ASSETS**

At June 30, 2000, the department has stewardship responsibility for \$38,776,971 in governmental movable property, valued at historical cost at the time of acquisition. The movable property is not reflected within the accompanying special purpose financial statements. A summary of changes in movable property follows:

	Balance July 1, 1999	Adjustments	Adjusted Balance At July 1, 1999	Additions	Deletions	Balance June 30, 2000
Movable Property	<u>\$39,246,335</u>	<u>(\$398,250)</u>	<u>\$38,848,085</u>	<u>\$109,967</u>	<u>\$181,081</u>	<u>\$38,776,971</u>

The \$398,250 adjustment to the movable property balance at July 1, 1999, is to write down equipment purchased in prior years to reflect its true historical cost. In accordance with Louisiana Revised Statutes (R.S.) 39:321-332, the department has complied with the movable property statutes of the State of Louisiana.

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
*Notes to the Financial Statements (Continued)*

**F. LONG-TERM OBLIGATIONS**

The department is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the department arising from lease commitments, installment purchases, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

**G. ENCUMBRANCE ACCOUNTING**

Encumbrances represent commitments relating to unperformed contracts for goods or services. The department employs encumbrance accounting during the year to ensure compliance with the annual appropriation act. The department has no encumbrances outstanding at June 30, 2000. Had there been any outstanding encumbrances, they would not have been reflected in the accompanying financial statements because the department does not have the ability to finance the liquidation of encumbrances after June 30, 2000, as provided by R.S. 39:82.

**H. BUDGET PRACTICES**

The appropriation made for the general operations of the department is an annual lapsing appropriation and is recorded in the General Appropriation Fund.

1. The budget process for the General Appropriation Fund is an annual appropriation valid for one year. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-B, except that salaries and related benefits are recognized when paid on Statement C. The expenditures of the department, as shown on Statement B, are reconciled with the respective amounts shown on Statement C as follows:

Statement B expenditures	\$27,710,298
Add - prior year payroll accrual	\$466,823
Less - current-year payroll accrual	<u>(\$183,523)</u>
 Statement C expenditures	 <u><u>\$27,993,598</u></u>

2. The department is prohibited by statute from over expending the program levels established in the general appropriation act.

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

3. Budget revisions are granted by the Joint Legislative Committee on the Budget. Interim emergency appropriations may be granted by the Interim Emergency Board. The budget information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

Original approved budget (Act 10 of 1999)	\$35,530,618
Increase for Voter Registration Program	<u>373,000</u>
Total budget amount	<u><u>\$35,903,618</u></u>

4. The non-appropriated funds are not subject to budgetary control.

**I. LEAVE BENEFITS**

Employees earn and accumulate annual and sick leave at various rates depending on their years of service, without limitation on the balance that can be accumulated. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay but are not compensated for unused sick leave. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. The liability for unused annual leave payable at June 30, 2000, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$957,265. The leave payable is not recorded in the accompanying special purpose financial statements.

Certain employees of the department are eligible to earn compensatory time as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees can earn and accumulate one hour or one and one-half hour for each hour of overtime worked, depending on their position and rate of pay. Generally, the employees are allowed to carry up to 360 hours of accrued compensatory leave from one calendar year to another. The liability for accrued compensatory leave at June 30, 2000, computed in accordance with GASB Codification Section C60.105, is estimated to be \$6,425. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

**J. TOTAL COLUMN ON BALANCE SHEET**

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations. Neither is such data comparable to a consolidation.

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**2. PAYABLES**

The following is a summary of payables at June 30, 2000:

	Appropriated Fund - General Appropriation	Non- Appropriated Fund - Payroll Clearing	Total
Accounts payable	\$222,380		\$222,380
Accrued payroll	183,523		183,523
Payroll deductions payable		\$102,319	102,319
Accrued employee benefits payable		87,986	87,986
	<u>\$405,903</u>	<u>\$190,305</u>	<u>\$596,208</u>
Total	<u>\$405,903</u>	<u>\$190,305</u>	<u>\$596,208</u>

**3. PENSION PLANS**

Substantially all employees of the department are members of two statewide, public retirement systems. Parish registrars and their employees are generally members of the Louisiana Registrar of Voters Retirement System (RVRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS), which are multiple-employer, defined benefit pension plans. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Required disclosures for LASERS for fiscal year 2000 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

Contributions to the RVRS are funded through employee contributions and an employer contribution. However, the Public Retirement System's Actuarial Committee decided that no employer contribution was required for the RVRS for the year ended June 30, 2000. The employee contribution rate of 7% is established by state statute. The department's employer contribution, if required, would be funded by the State of Louisiana through the annual appropriation to the department.

**4. POSTRETIREMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

The department provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the department's employees become eligible for these benefits if they reach normal retirement age while working for the department. These benefits for retirees

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the department. The department's costs of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2000, the costs of retiree benefits totaled \$314,430.

**5. JUDGMENTS, CLAIMS, AND SIMILAR CONTINGENCIES**

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by state General Fund appropriations and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

**6. LEASE OBLIGATIONS**

The department has noncancelable operating leases. The future annual operating lease payments are presented as follows:

<u>Fiscal Year</u>	<u>Equipment</u>	<u>Warehouse</u>	<u>Total</u>
2000-01	\$257,869	\$365,009	\$622,878
2001-02		214,626	214,626
2002-03		162,383	162,383
2003-04		48,115	48,115
2004-05 and thereafter		2,500	2,500
	<u>\$257,869</u>	<u>\$792,633</u>	<u>\$1,050,502</u>

All lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. Rental and lease expenditures for fiscal year ended June 30, 2000, totaled \$1,908,240. There were no capital leases for fiscal year ended June 30, 2000.

**7. INSTALLMENT PURCHASES**

The department has entered into installment purchase agreements with GE Capital Public Finance and IBM Corporation for the purchase of equipment. The following is a summary of the installment purchases of the department for the year ended June 30, 2000:

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Balance at July 1, 1999	\$5,298,228
Installment purchases	NONE
Installment payments	<u>(1,527,938)</u>
Installment purchases payable at June 30, 2000	<u><u>\$3,770,290</u></u>

The following is a summary of future minimum installment payments as of June 30, 2000:

Fiscal year:	
2000-01	\$1,136,114
2001-02	1,107,660
2002-03	1,107,660
2003-04	<u>418,856</u>
Net minimum lease payments	3,770,290
Less - amount representing interest	<u>(254,438)</u>
Present value of net minimum installment purchases	<u><u>\$3,515,852</u></u>

The installment purchase agreements have non-exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period. The liability for the installment purchases is not recorded in the accompanying financial statements.

**8. ADVANCES FROM STATE TREASURY**

The department has received advances from the state treasury for working capital/imprest fund operations totaling \$207,700. The advances, as reflected in the accompanying statements, represent a liability to the department and must be repaid if not authorized annually.

**9. UNRESERVED - UNDESIGNATED FUND BALANCE**

The General Appropriation had a deficit of \$182,352 for the year ended June 30, 2000. The deficit was the result of the recognition of accrued salaries and related benefits as required by the Office of the Governor, Division of Administration, and the fact that revenues to fund those accruals are appropriated in the subsequent year. The deficit will be resolved by paying for salaries and related benefits from fiscal year 2001 funds appropriated to pay those obligations of the 1999-2000 fiscal year.

**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Notes to the Financial Statement (Concluded)

**10. ADJUSTMENT TO FUND BALANCE  
AT BEGINNING OF YEAR**

The adjustment to the July 1, 1999, beginning fund balance of the General Appropriation Fund, as shown on Statement B, is the adjustment of prior year expenditures for \$7,463.

**11. DEFERRED COMPENSATION PLAN**

Certain employees of the department participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**12. RELATED PARTY TRANSACTIONS**

*During fiscal year 2000, the department had the following related party transactions:*

- Former Commissioner of Elections, Jerry Fowler's uncle owns Fowler Farms, a company that was paid \$15,656 by the Department of Elections and Registration for drayage services.
- Mr. Fowler's son-in-law is employed with Independent Voting Machines, a company that was paid \$1,477,269 for programming and maintenance services and voting machine parts by the Department of Elections and Registration.
- Former employee of the Department of Elections and Registration, Tammy Milazzo's brother-in-law was paid \$17,280 for a warehouse lease with the Department of Elections and Registration.
- Tammy Milazzo's husband and uncle are listed as officers of River Parish Office Supply, Inc., a company that was paid \$6,373 by the department for drayage services.

**13. SUBSEQUENT EVENTS**

On November 27, 2000, former Commissioner of Elections and Registration, Jerry M. Fowler, pleaded guilty in state court to one charge of conspiracy to launder money and one charge of malfeasance in office. Mr. Fowler also pleaded guilty to two federal tax fraud charges.

**DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
As of and for the Year Ended June 30, 2000**

**SCHEDULE OF CHANGES IN BALANCE**

Changes in balance for the Non-Appropriated - Payroll Clearing Fund for the year ended June 30, 2000, are presented on Schedule 1.

**SCHEDULE OF NON-APPROPRIATED REVENUES -  
INCOME NOT AVAILABLE**

Schedule 2 reflects income not available collected by the department during the year ended June 30, 2000, that was not available to the department for expenditures.

DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
NON-APPROPRIATED - PAYROLL CLEARING FUND

Schedule of Changes in Balance  
For the Year Ended June 30, 2000

<b>BALANCE AT JULY 1, 1999</b>	\$148,289
<b>ADDITIONS</b>	
Payroll deposits	<u>4,028,273</u>
Total	4,176,562
<b>DEDUCTIONS</b>	
Payroll deduction disbursements	<u>(3,986,257)</u>
<b>BALANCE AT JUNE 30, 2000</b>	<u><u>\$190,305</u></u>

DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA  
NON-APPROPRIATED FUND - INCOME NOT AVAILABLE

Schedule of Non-Appropriated Revenues  
For the Year Ended June 30, 2000

Cash receipts through June 30, 2000	\$802,036
Accounts receivable at June 30, 2000	<u>4,641</u>
Income not available at June 30, 2000	<u><u>\$806,677</u></u>

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

December 20, 2000

Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of the  
Special Purpose Financial Statements

**HONORABLE SUZANNE HAIK TERRELL**  
**COMMISSIONER OF ELECTIONS**  
**DEPARTMENT OF ELECTIONS AND REGISTRATION**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Department of Elections and Registration, a department within Louisiana state government, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 20, 2000. The scope of our audit was limited in that there were findings relating to questionable payments made to a voting machine parts supplier reported in an Investigative Audit report, dated August 9, 1999, issued by the Office of the Legislative Auditor. In addition, the former commissioner of the department pleaded guilty to charges of conspiracy to launder money, malfeasance in office, and federal tax fraud relating to these payments. These conditions made it impractical to apply sufficient audit procedures to enable us to determine the propriety of the payments to the voting machine parts supplier totaling \$1,477,269. In addition, we were unable to satisfy ourselves as to the department's beginning fund balance and reserves. This resulted in a qualified opinion on the special purpose financial statements. Except for this scope limitation, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Department of Elections and Registration's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that, although not material to the financial statements, are required to be reported herein under *Government Auditing Standards*.

**EXHIBIT A**

## LEGISLATIVE AUDITOR

HONORABLE SUZANNE HAIK TERRELL  
COMMISSIONER OF ELECTIONS  
DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA

Compliance and Internal Control Report

December 20, 2000

Page 2

### **Questionable Payments to a Voting Machine Parts Supplier**

In a report dated August 9, 1999, the Investigative Division of the Office of the Legislative Auditor reported that the Department of Elections and Registration, under former Commissioner of Elections Jerry Fowler, had committed various acts that may be violations of numerous state laws and regulations. Included among the findings listed in the report were questionable payments made to Independent Voting Machine Company as follows:

- From 1992 through 1998, the department purchased 122,650 AVM voting machine counters from Independent Voting Machine Company (IVM). The purchases totaled \$5,473,395 plus \$3,216,250 for installation. The counters were purchased at prices double the market rate and, in some instances, the department purchased counters removed from its own trade-in machines. The department paid a contractor nearly four times the available rate for installation. In some instances, department employees participated in the installation, and IVM billed the department twice for the same work. The total cost of the counters and installation for each machine was more than twice the cost of purchasing a completely reconditioned machine from an AVM dealer.
- IVM contributed money and incurred risk for a real estate investment on which Commissioner of Elections Jerry Fowler may have profited.

The findings from this report were referred to the District Attorney of the Nineteenth Judicial District of Louisiana for appropriate legal action. As a result, on November 27, 2000, former Commissioner Jerry M. Fowler pleaded guilty in state court to one charge of conspiracy to launder money and one charge of malfeasance in office. Mr. Fowler also pleaded guilty to two federal fraud charges.

In fiscal year 2000, Mr. Fowler served as commissioner of elections from July 1, 1999, through January 9, 2000. During that time, the Department of Elections and Registration made payments to IVM totaling approximately \$1,477,269. The circumstances surrounding these payments preclude the application of sufficient audit procedures to express an unqualified opinion on the department's financial statements which include these payments.

## LEGISLATIVE AUDITOR

**HONORABLE SUZANNE HAIK TERRELL  
COMMISSIONER OF ELECTIONS  
DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 20, 2000

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Recommendations for improvement and management's full response to these findings may be found in the audit report referred to previously.

### **Transfer of Annual and Sick Leave**

The Department of Elections and Registration inappropriately transferred an employee's leave earned during prior local government service to the employee's state leave records. State Civil Service rules 11:18 and 11:19 allow for the transfer of leave between state agencies and classified and unclassified service. Although the rules do not specifically prohibit transferring leave earned at a local government agency to the state, Mr. Allen Reynolds, Department of Civil Service Director, indicated in a letter to the department dated April 16, 1998, that leave accumulated during employment with a local parish government cannot be transferred to a state department. He stated that the leave was earned in a unit of local government and was controlled by a local governing authority, not by the state. This transfer of leave could be a violation of Article VII, Section 14(A) of the Louisiana Constitution, which provides that the funds, credit, property, or things of value of the state shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private.

In October 1999, the former Commissioner of Elections directed the department's payroll supervisor to add an employee's annual and sick leave, earned during his prior employment with a parish government, to the department's Current Leave Register. The transfer increased this employee's annual and sick leave balance by 3,157 hours. These transferred hours are available for the employee to take as annual or sick leave or *could be added into the employee's years of service at retirement, which would provide an increase in the employee's retirement benefit to which he is not entitled.*

The department should remove the transferred hours from the employee's leave record and should follow Civil Service guidance regarding the transfer of annual and sick leave. Management of the department concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

### **Untimely Submission of Quarterly Tax Forms**

During fiscal year 2000, the Department of Elections and Registration did not make timely withholding payments and did not timely file its Employer's Quarterly Federal Tax Return (Form 941) for three quarters including those quarters ending December 31, 1999, March 31, 2000, and June 30, 2000. *The Internal Revenue Service (IRS) requires that the department file Form 941 quarterly to report wages paid and social security and*

## LEGISLATIVE AUDITOR

**HONORABLE SUZANNE HAIK TERRELL  
COMMISSIONER OF ELECTIONS  
DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 20, 2000

Page 4

Medicare taxes withheld. Form 941 must be filed by the last day of the month following the end of the quarter. The department filed the form for the quarters ending December 31, 1999, March 31, 2000, and June 30, 2000, 126 days late, 37 days late, and 43 days late, respectively. In addition, the IRS determined that three withholding payments made by the department during the year were remitted between four and five months late.

The department did not place adequate emphasis on the timely submission of Form 941 and on timely withholding payments. Failure to file Form 941 and make withholding payments on time results in the assessment of interest and penalties by the IRS. The department paid \$3,852 in interest and penalties to the IRS as a result of untimely filing and payment of withholding taxes for the year ended June 30, 2000.

The department should file Form 941 and make withholding payments timely to ensure compliance with federal regulations and to avoid the assessment of interest and penalties. Management of the department concurred with the finding and recommendation (see Appendix A, page 2).

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department of Election and Registration's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted the matters mentioned in the compliance section of this report relating to questionable payments to a voting machine parts supplier and untimely submission of quarterly tax forms that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, of the reportable conditions described above, we consider the questionable payments to a voting machine parts supplier to be a material weakness.

LEGISLATIVE AUDITOR

HONORABLE SUZANNE HAIK TERRELL  
COMMISSIONER OF ELECTIONS  
DEPARTMENT OF ELECTIONS AND REGISTRATION  
STATE OF LOUISIANA

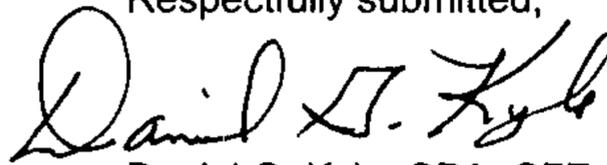
Compliance and Internal Control Report

December 20, 2000

Page 5

This report is intended solely for the information and use of the Department of Elections and Registration and the department's management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

APD:THC:RCL:ss

[ELECTION]

## Appendix A

# Management's Corrective Action Plans and Responses to the Findings and Recommendations



State of Louisiana  
DEPARTMENT OF ELECTIONS & REGISTRATION

SUZANNE HAIK TERRELL  
Commissioner of Elections

December 13, 2000

Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor  
State of Louisiana  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

RE: Audit Finding  
Fiscal Year 1999-2000  
"Transfer of Annual and Sick Leave"

Dear Dr. Kyle:

On December 5, 2000, Thomas H. Cole sent the Department a copy of the proposed audit finding for the Department of Elections and Registration for the fiscal year ended June 30, 2000. The finding was entitled "Transfer of Annual and Sick Leave."

The Department of Elections and Registration concurs with the audit finding as presented in said draft. Upon release of the audit report, Carol Guidry, Assistant Commissioner of Management and Finance, will notify the employee of the audit finding and will immediately take the necessary steps to reduce the employee's annual and sick leave balance by 3,157 hours.

Please feel free to call me or Carol Guidry if you should require additional documentation or information.

Sincerely,

  
Suzanne Haik Terrell  
Commissioner of Elections

SHT:cg

Enclosure

cc: Pat Bergeron  
Carol Guidry



State of Louisiana  
DEPARTMENT OF ELECTIONS & REGISTRATION  
December 18, 2000

SUZANNE HAIK TERRELL  
Commissioner of Elections

Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor  
State of Louisiana  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

RE: Audit Finding  
Fiscal Year 1999-2000  
"Untimely Submission of Quarterly Tax Forms"

Dear Dr. Kyle:

We are in receipt of the proposed audit finding entitled "Untimely Submission of Quarterly Tax Forms for the Department of Elections and Registration for the fiscal year ended June 30, 2000.

The Department of Elections and Registration concurs with the audit finding as presented in said draft. The Department had problems with a prior employee concerning late tax deposits and reporting of tax reports. Carol Guidry, Assistant Commissioner of Management and Finance, has reassigned these responsibilities to a new employee with the Department who will be responsible for ensuring that the Department will be in compliance with reporting and depositing requirements.

Please feel free to call me or Carol Guidry if you should require additional documentation or information.

Sincerely,

  
Suzanne Haik Terrell  
Commissioner of Elections

SHT:cg

Enclosure

cc: Pat Bergeron  
Carol Guidry