

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Office of the Lieutenant Governor
State of Louisiana
Baton Rouge, Louisiana

December 24, 2002



Financial and Compliance Audit Division

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

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OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2002

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 24, 2002

**OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA**

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2002

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

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December 17, 2002

Independent Auditor's Report
on the Financial Statements

HONORABLE KATHLEEN BABINEAUX BLANCO
LIEUTENANT GOVERNOR
OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Office of the Lieutenant Governor, an office within Louisiana state government, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of management of the Office of the Lieutenant Governor. Our responsibility is to express an opinion 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 *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 Office of the Lieutenant Governor. As such, they present the appropriated activity of the office that are part of the accounts and fund structure of the State of Louisiana. The General Appropriation Fund reflects appropriated activity of the department that is part of the General Fund of the State of Louisiana. 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. These procedures differ from accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the General Appropriation Fund of the Office of the Lieutenant Governor at June 30, 2002, and the transactions of this fund for the year then ended, on the basis of accounting described in note 1-B.

LEGISLATIVE AUDITOR

HONORABLE KATHLEEN BABINEAUX BLANCO
LIEUTENANT GOVERNOR
OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Audit Report, June 30, 2002

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2002, on our consideration of the Office of the Lieutenant Governor's internal control over financial reporting and on our tests of its compliance with certain provisions of 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.

This report is intended solely for the information and use of the Office of the Lieutenant Governor and its 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 fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

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[LTGOV02]

**OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND**

Balance Sheet (Legal Basis), June 30, 2002

ASSETS

Cash (note 1-C)	\$253,536
Receivables - due from:	
Federal government	463,881
Other agencies	103,127
	<hr/>
TOTAL ASSETS	<u><u>\$820,544</u></u>

LIABILITIES AND FUND EQUITY

Liabilities:	
Accounts payable	\$679,285
Payroll payable	16,005
Due to state General Fund	136,600
Deferred revenues	1,126
Total Liabilities	<hr/> 833,016
Fund Equity - unreserved - undesignated (deficit) (note 7)	<hr/> (12,472)
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$820,544</u></u>

The accompanying notes are an integral part of this statement.

**OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
GENERAL APPROPRIATION FUND**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance (Legal Basis)
For the Year Ended June 30, 2002**

REVENUES

State General Fund	\$859,295
Federal funds	2,500,050
Interagency receipts	412,502
Total revenues	<u>3,771,847</u>

EXPENDITURES

Administrative	1,538,809
Grants	2,735,368
Total expenditures	<u>4,274,177</u>

EXCESS OF EXPENDITURES OVER REVENUES (502,330)

OTHER APPROPRIATED FINANCING SOURCES

Transfers in	500,000
Total other appropriated financing sources	<u>500,000</u>

**EXCESS OF EXPENDITURES OVER
REVENUES AND OTHER SOURCES** (2,330)

FUND BALANCE AT BEGINNING OF YEAR (10,142)

FUND BALANCE AT END OF YEAR (\$12,472)

The accompanying notes are an integral part of this statement.

**OFFICE OF THE LIEUTENANT GOVERNOR
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, 2002**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
State General Fund	\$995,895	\$859,295	(\$136,600)
Interagency transfers	615,058	412,502	(202,556)
Statutory dedications	500,000	500,000	
Federal funds	<u>4,328,330</u>	<u>2,500,439</u>	<u>(1,827,891)</u>
Total revenues	<u>6,439,283</u>	<u>4,272,236</u>	<u>(2,167,047)</u>
EXPENDITURES			
Appropriated for:			
Administrative	2,495,895	1,536,639	959,256
Grants	<u>3,943,388</u>	<u>2,734,471</u>	<u>1,208,917</u>
Total expenditures	<u>6,439,283</u>	<u>4,271,110</u>	<u>2,168,173</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR			
	<u>NONE</u>	<u>\$1,126</u>	<u>\$1,126</u>

The accompanying notes are an integral part of this statement.

**OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2002

INTRODUCTION

The Office of the Lieutenant Governor is an office within the State of Louisiana reporting entity. The office was created in accordance with Article 4, Section 6 of the Louisiana Constitution of 1974, as a part of the executive branch of government. As set forth by the state constitution, the lieutenant governor serves as governor in the event of a vacancy in the Office of the Governor; serves as an ex-officio member of each committee, board, and commission on which the governor serves; and exercises any powers delegated to her by the governor in the performance of her assigned duties. Act 124 of 1986 placed the Louisiana Department of Culture, Recreation and Tourism under the control of the Office of the Lieutenant Governor. The Louisiana Department of Culture, Recreation and Tourism is responsible for the preservation and promotion of Louisiana's cultural attractions, state parks, and the development of tourism. The lieutenant governor has the authority to appoint the secretary and undersecretary of the Louisiana Department of Culture, Recreation and Tourism, as well as an assistant secretary for each office in the department. The staff of the Office of the Lieutenant Governor consists of 15 full-time employees at June 30, 2002. The financial statements for the Louisiana Department of Culture, Recreation and Tourism are reported separately and are not included in this report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America 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 prescribed by the Division of Administration, Office of Statewide Reporting and Accounting Policy, which differs from accounting principles generally accepted in the United States of America as explained in the following notes.

The State of Louisiana has been determined to be the reporting entity under accounting principles generally accepted in the United States of America. The accompanying financial statements represent activity of an office within state government and, therefore, are a part of the fund structure of the State of Louisiana and its basic financial statements. Annually, the State of Louisiana issues basic financial statements that are audited by the Louisiana Legislative Auditor.

A. FUND ACCOUNTING

The Office of the Lieutenant Governor uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act. This differs from the fund accounting of accounting principles generally accepted in the United States of America where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole.

OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

The General Appropriation Fund accounts for all appropriated revenues, operating expenditures, and minor capital acquisitions.

This fund does not include any noncurrent assets or liabilities. Noncurrent assets, capital assets, and long-term liabilities are reflected in the State of Louisiana's basic financial statements.

B. BASIS OF ACCOUNTING

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

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

Revenues

The state General Fund appropriation is recognized in the amounts appropriated, to the extent withdrawn from the state treasury. Interagency receipts are recognized in the amounts earned, to the extent that they will be collected within 45 days of the close of the fiscal year. Federal funds are recognized as revenue in the period in which they become susceptible to accrual or when the related expenditure is incurred.

Expenditures

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

OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Other Financing Sources (Uses)

Transfers are recognized in the year the office is authorized to receive or make the transfers.

C. CASH

Cash consists of \$253,536 on deposit with the state treasury. Cash balances are held and controlled by the state treasurer and are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States of America are included within the state's basic financial statements. The following is a summary of cash in the state treasury:

ISIS means of finance	\$136,178
ISIS operating	<u>117,358</u>
Total	<u><u>\$253,536</u></u>

D. LONG-TERM OBLIGATIONS

The office 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 office arising from lease commitments, installment purchases, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

E. OPERATING AND CAPITAL GRANTS

Operating grants represent the total amount of the grant revenue for the year that are restricted by the grantor for operating purposes or that may be used for either capital or operating purposes at the discretion of the grantee. Capital grants represent the total amount of the revenues for the year from grants restricted by the grantor for the acquisition, construction, or renovation of capital assets.

For fiscal year ended June 30, 2002, the total operating grants and contributions were \$2,500,050. The department had no capital grants and contributions.

F. BUDGET PRACTICES

The appropriation made for the general operations of the office is an annual lapsing appropriation valid for one year and is recorded in the General Appropriation Fund. Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-B, except that prior year cash carryovers and

OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

transfers are recognized as revenues or expenditures on Statement C, and accruals of payroll at fiscal year-end are not recognized as revenues and expenditures on Statement C. Revenues and expenditures per Statement B are reconciled with amounts reflected on the budget comparison, Statement C, as follows:

Revenues per Statement B	\$3,771,847
Fiscal year:	
2001-2002 payroll accrual - federal portion	(3,532)
2000-2001 payroll accrual - federal portion	2,795
Transfers in	500,000
Deferred revenues	<u>1,126</u>
Revenues per Statement C	<u><u>\$4,272,236</u></u>
Expenditures per Statement B	\$4,274,177
Fiscal year:	
2001-2002 payroll accrual	(16,005)
2000-2001 payroll accrual	<u>12,938</u>
Expenditures per Statement C	<u><u>\$4,271,110</u></u>

The office is prohibited by statute from overexpending the categories established in the General Appropriations Act. 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 12 of 2001	\$6,354,001
Increases - state General Fund	<u>85,282</u>
Total	<u><u>\$6,439,283</u></u>

G. 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 are used to compute retirement benefits. The liability for unused annual leave payable at June 30, 2002, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.104, is

OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

estimated to be \$70,294. The leave payable is not recorded in the accompanying special purpose financial statements.

Certain employees of the office 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 hours 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, 2002, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.104, is estimated to be \$8,152. Accumulated compensatory leave is not accrued (reflected) in the accompanying special purpose financial statements.

2. PENSION PLAN

Substantially all employees of the office are members of the Louisiana State Employees Retirement System, a cost-sharing, multiple-employer defined benefit pension plan. Required disclosures for the plan for fiscal year 2002 are included in the Louisiana Comprehensive Annual Financial Report prepared by the Division of Administration, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

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

The office provides certain continuing health care and life insurance benefits for its retired employee. Substantially all of the office's employees become eligible for these benefits if they reach normal retirement age while working for the office. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the office. The office'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, 2002, the costs of retiree benefits totaled \$6,714 for one retiree.

**4. 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 General Fund appropriation 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.

OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

5. LEASE OBLIGATIONS

The office has no capital leases but does have an operating lease for office space. The annual rental payments are as follows:

<u>Fiscal Year</u>	<u>Office Space</u>
2003	\$24,000
2004	24,000
2005	24,000
2006	24,000
2007	<u>4,000</u>
Total	<u><u>\$100,000</u></u>

The lease agreement has a non-appropriation exculpatory clause that allows for the lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period. The office paid operating lease expenditures for building, equipment, and other rent of \$62,061 during the fiscal year ended June 30, 2002.

6. TRANSFERS IN

As required by Louisiana Revised Statute 47:322.38, the Office of the Lieutenant Governor receives transfers in (statutory dedications) of \$500,000 for the New Orleans Visitors Information Center.

**7. UNRESERVED - UNDESIGNATED
FUND BALANCE (DEFICIT)**

As shown on Statement A, at June 30, 2002, the office has an unreserved - undesignated fund balance deficit of \$12,472. This was the result of the accrual of payroll payables that were required by the Office of the Governor, Division of Administration, but are not included in the 2001-2002 fiscal year budget and the accrual of deferred revenues relating to excess federal funds drawn down from the federal grantor. The deficit will be resolved by liquidating the payroll liabilities with funds appropriated in the 2002-2003 fiscal year and by reducing the subsequent federal draw for allowable program expenditures in fiscal year 2003 by the amount of the excess drawn.

OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

8. DEFERRED COMPENSATION PLAN

Certain employees of the Office of the Lieutenant Governor participate in the Louisiana Public Employees 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.

9. COOPERATIVE ENDEAVORS

The Office of the Lieutenant Governor has a cooperative endeavor agreement with the New Orleans Visitors Information Center to provide a visitor and information center for tourists of the state of Louisiana and the New Orleans area. As of June 30, 2002, the Office of the Lieutenant Governor had a liability of \$125,000 related to this agreement. The liability will be paid with statutorily dedicated revenues and is reflected in the financial statements.

The Office of the Lieutenant Governor has also entered into cooperative endeavor agreements totaling \$84,000 with eight entities for the purpose of marketing and attracting retirees to and retaining retirees in the state of Louisiana. As of June 30, 2002, no expenditures had occurred related to these agreements.

10. FOUNDATION

In December 2000, the executive director of the Louisiana Serve Commission, which is a commission established within the Office of the Lieutenant Governor, incorporated the Spirit of Louisiana Foundation, Inc., as a nonprofit organization. The board is composed of five members appointed by the Louisiana Serve Commission. The Foundation is responsible for future appointment of board members. The Foundation provides scholarships and awards funded by private contributions for service programs. The Foundation's financial activity is not included in the financial statements of the Office of the Lieutenant Governor.

11. SUBSEQUENT EVENT

In a letter dated December 5, 2002, the director of AmeriCorps State and National informed the Office of the Lieutenant Governor that it had not yet received the fiscal year 2003 appropriation and will operate under a continuing resolution through at least January 11, 2003. As a result, subgrantees of the Office of the Lieutenant Governor had to limit enrollment in programs that may reduce federal revenues by approximately \$250,000 in fiscal year 2003. The federal programs involved are State Commissions (CFDA 94.003), Planning and Program Development Grants (CFDA 94.007), and Training and Technical Assistance (CFDA 94.009).

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control 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

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December 17, 2002

Report on Compliance and on Internal Control Over Financial Reporting
Based Solely on an Audit of the Special Purpose Financial Statements
Performed in Accordance With *Government Auditing Standards*

HONORABLE KATHLEEN BABINEAUX BLANCO
LIEUTENANT GOVERNOR
OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the special purpose (legal basis) financial statements of the Office of the Lieutenant Governor, an office within Louisiana state government, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Office of the Lieutenant Governor's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of the Lieutenant Governor'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned

LEGISLATIVE AUDITOR

HONORABLE KATHLEEN BABINEAUX BLANCO
LIEUTENANT GOVERNOR
OFFICE OF THE LIEUTENANT GOVERNOR
STATE OF LOUISIANA

Compliance and Internal Control Report

December 17, 2002

Page 2

functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Office of the Lieutenant Governor and its 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 fluid and cursive, with a large initial "D" and "K".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DBS:EFS:PEP:ss

[LTGOV02]