

Louisiana State Board of Home Inspectors**Financial Statements****June 30, 2003 and 2002**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-18-04**WILLIAM E. DELOACH**
Certified Public Accountant

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Basic Financial Statements
and Independent Auditor's Reports
As of and for the Years Ended
June 30, 2003 and 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 31, 2003

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**

Basic Financial Statements
and Independent Auditor's Report
As of and for the Years Ended
June 30, 2003 and 2002

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William E. DeLoach
Certified Public Accountant

5516 Superior Drive Suite B
Baton Rouge, Louisiana 70816-8022

Independent Auditor's Report
on the Financial Statements

Office 225-293-0372
Fax 225-293-0473
bill@williamdeloachcpa.com

LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana

I have audited the accompanying statements of net assets, activities, and cash flows of the Louisiana State Board of Home Inspectors for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the Louisiana State Board of Home Inspectors' management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 31, 2003, on my consideration of the Louisiana State Board of Home Inspectors' internal control over financial reporting and 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 my audit.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana State Board of Home Inspectors as of June 30, 2003 and 2002, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountant

December 31, 2003

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**

**Statement of Financial Position
June 30, 2003 and 2002**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
ASSETS (CURRENT)		
Cash	\$59,942	\$26,705
Prepaid Expenses	5,583	3,937
NSF Receivable	103	-
TOTAL CURRENT ASSETS	<u>65,628</u>	<u>30,642</u>
CAPITAL ASSETS		
Furniture & Equipment	9,804	5,281
Less Accumulated Depreciation	<u>(2,406)</u>	<u>(1,227)</u>
TOTAL CAPITAL ASSETS	<u>7,398</u>	<u>4,054</u>
OTHER ASSETS		
Deposits	<u>500</u>	<u>500</u>
TOTAL ASSETS	<u>\$73,526</u>	<u>\$35,196</u>
LIABILITIES (CURRENT)		
Payables	<u>13,092</u>	<u>5,942</u>
TOTAL LIABILITIES	<u>13,092</u>	<u>5,942</u>
NET ASSETS - UNRESTRICTED	<u>60,434</u>	<u>29,254</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$73,526</u>	<u>\$35,196</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**

**Statement of Activities
and Changes in Net Assets
For the Years Ended June 30, 2003 and 2002**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
OPERATING REVENUES		
Application & Renewal Fees	\$34,400	\$30,250
Inspection Fees	102,290	89,583
Fines & Penalties	9,760	-
Other	-	25
Total Operating Revenue	<u>146,450</u>	<u>119,858</u>
OPERATING EXPENSES		
Operating Services & Supplies	27,695	25,966
Depreciation	1,179	747
Contract Labor	48,628	40,000
Professional Fees	37,768	23,725
Total operating expenses	<u>115,270</u>	<u>90,438</u>
CHANGE IN NET ASSETS	31,180	29,420
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>29,254</u>	<u>(166)</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 60,434</u>	<u>\$ 29,254</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Years Ended June 30, 2003 and 2002**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Cash flows from operating activities:		
Cash received from fees, including cash deposits	\$146,347	\$119,858
Disbursed for operating expenses	(108,587)	(96,438)
Net cash provided by operating activities	<u>37,760</u>	<u>23,420</u>
Cash flows from investing activities -		
Purchase of furniture and equipment	(4,523)	(1,298)
Cash flows from financing activities		
Loan proceeds (repayment)	-	(7,000)
Net increase (decrease) in cash	33,237	15,122
Cash at beginning of year	<u>26,705</u>	<u>11,583</u>
Cash at end of year	<u>\$59,942</u>	<u>\$26,705</u>
Reconciliation of operating loss to net cash used by operating activities		
Change in Net Assets	\$31,180	\$29,420
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	1,179	747
(Increase) decrease in prepaid items	(1,749)	(4,242)
Increase (decrease) in payables	7,150	(2,505)
Net cash provided by operating activities	<u>\$37,760</u>	<u>\$23,420</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Years Ended
June 30, 2003 and 2002

INTRODUCTION

The Louisiana State Board of Home Inspectors was created in 1999 in accordance with Louisiana Revised Statutes (R.S.) 37:1471-1489. The board is situated under the Office of the Governor and is domiciled in Baton Rouge, Louisiana. The board is composed of a single member from each congressional district and is appointed by the governor for six year terms. The board members serve without compensation. The board is charged with the responsibility of regulating all persons engaged in the business of inspecting existing residential homes for compensation, and advising persons utilizing such services, and the general public of the legal obligations and responsibilities of residential home inspectors. The operations of the board are funded by license applications, license renewals, and fees from inspections performed by home inspectors. The board's Secretary-Treasurer, who is not a board member, is the Chief Operating Officer and is responsible for and performs all accounting functions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. 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. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The board is considered a component unit of the State of Louisiana because the state has financial accountability over the board in that the governor appoints the board members and can impose his will on the board. The accompanying financial statements present information only as to the transactions and activities of the Louisiana State Board of Home Inspectors.

C. FUND ACCOUNTING

All activities of the board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the board is determined by its measurement focus. The transactions of the board are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets.

The board uses the following practices in recording revenues and expenses:

Revenues

Inspector fees from license applications, renewals, and inspection fees are recognized as revenue when collected. Inspectors are not billed for license applications and renewals. An inspector's license expires one year from the date of board approval. If an inspector does not submit a renewal application and fees prior to the date of expiration, the inspector is not allowed to continue practicing as a home inspectors subject to sanctions by the state board. In addition, licensed inspectors must remit to the board monthly, a list of inspections along with a remittance of \$5.00 for each inspection performed.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Expenses

Expenses are recognized on the accrual basis of accounting; therefore, expenses are recognized in the period incurred, if measurable.

E. CASH

Cash consists of the amount in a non-interest-bearing demand deposit account. Under state law, the board may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the board may invest in time certificates of deposit of state banks organized under the laws of the State of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

The board has cash (book balance) totaling \$59,942 at June 30, 2003, and \$26,705 at June 30, 2002. 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.

F. FURNITURE AND EQUIPMENT

The board capitalizes all furniture and equipment \$500 and over at cost and depreciates with an expected life from 5-10 years. The straight-line method of depreciation is used for financial statement presentation purposes.

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Equipment 2002	3,983	1,298	-0-	5,281
Equipment 2003	5,281	4,523	-0-	9,804

**G. COMPENSATED ABSENCES, PENSION
BENEFITS, AND POSTRETIREMENT
HEALTH CARE AND LIFE INSURANCE
BENEFITS**

The board has a single employee; however, no compensated absences, pension benefits, or postretirement benefits are provided by the board.

**LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

2. PREPAID EXPENSES

Some expenditures were incurred that benefit periods beyond the periods ended June 30, 2003, and 2002.

3. PAYABLES

The board has payable balances as follows:

	June 30, 2003	June 30, 2002
Payable to vendors	\$13,092	\$5,942
Total	<u>\$13,092</u>	<u>\$5,942</u>

4. LEASE OBLIGATION

The board has a lease obligation to rent office space as of June 30, 2002 for \$500 per month. The lease expires on December 31, 2002. The board has not capital leases.

5. LITIGATION AND CLAIMS

According to board legal counsel, a suit filed against the board was dismissed and a suit pending against a board member is expected to have little or no financial consequence.

7. RELATED PARTY TRANSACTIONS

The board was not involved in any related party transactions for the two-year period ended June 30, 2003.

8. NET ASSETS

As of June 30, 2003 and 2002 the board has net asset balances of \$60,434 and \$29,254 respectively.

William E. DeLoach
Certified Public Accountant

5516 Superior Drive Suite B
Baton Rouge, Louisiana 70816-8022

December 31, 2003

Office 225-293-0372
Fax 225-293-0473
bill@williamdeloachcpa.com

**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit
of the Basic Financial Statements**

LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana

I have audited the basic financial statements of the Louisiana State Board of Home Inspectors, for the years ended June 30, 2003 and 2002 and have issued my reports thereon dated December 31, 2003. I conducted my 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 Louisiana State Board of Home Inspectors basic financial statements are free of material misstatement, I 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 my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. I did note certain immaterial instances of noncompliance, which I have reported to the management of the Louisiana State Board of Home Inspectors in a separate letter dated December 31, 2003.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Louisiana State Board of Home Inspectors internal control over financial reporting to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I noted one matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. The matter relates to the board's operation and its limited staff that precludes an adequate segregation of duties and other features of an adequate system of internal control,

LOUISIANA STATE BOARD OF HOME INSPECTORS
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STATE OF LOUISIANA
Compliance and Internal Control Report
December 31, 2003
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although to employ such controls may not be cost beneficial. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Louisiana State Board of Home Inspectors 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 misstatement 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider the inadequate segregation of duties, described previously, to be a material weakness.

Respectfully submitted,



William E. DeLoach, MBA, CPA

William E. DeLoach
Certified Public Accountant

5516 Superior Drive Suite B
Baton Rouge, Louisiana 70816-8022

December 31, 2003

Office 225-293-0372
Fax 225-293-0473
bill@williamdeloachcpa.com

LOUISIANA STATE BOARD OF HOME INSPECTORS
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana

In planning and performing my audit of the financial statements of Louisiana State Board of Home Inspectors, Inc. for the years ended June 30, 2003 and 2002, I considered the organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated December 31, 2003, on the financial statements of the Louisiana State Board of Home Inspectors.

I will review the status of these comments during our next audit engagement. I have already discussed many of these comments and suggestions with management, and I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study on these matters, or to assist you in implementing the recommendations. My comments are summarized below:

Personal Service Contracts

I noted an instance in which a vendor that provided personal services to the board was not under contract as required under Title 34. The board should require a policy that all vendors that provide services be under contract. This is a repeat finding.

Mileage Reimbursements

Board members were reimbursed for business miles in excess of cost allowed by the rules promulgated by the Division of Administration. The cost allowed is 32 cents and the reimbursements were for 34.5 cents as allowed under IRS rules.

Potential Conflict of Interest

A vendor providing personal services to the board may also be an employee of a board member. This may be a possible conflict with rules regarding related party transactions.

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OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana
Page 2

This report is intended solely for the information and use of the Louisiana State Board of Home Inspectors 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,

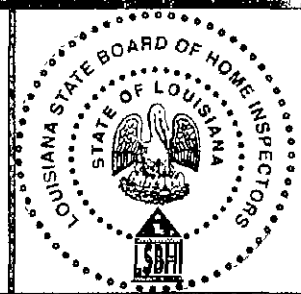
A handwritten signature in black ink, appearing to read 'W. DeLoach', written in a cursive style.

William E. DeLoach, MBA, CPA



RECEIVED
LEGISLATIVE AUDITOR
FEB 13 AM 11:48

LOUISIANA STATE BOARD OF HOME INSPECTORS
POST OFFICE BOX 14868
BATON ROUGE, LOUISIANA 70898-4868
PHONE (225) 248-1334 • FACSIMILE (225) 248-1335 • TOLL FREE 1-866-244-1334



Ralph "Dick" Chance
Chairman

M. J. "Mike" Foster, Jr.
Governor

Greg Mangiaracina
Vice Chairman

Board Members

February 10, 2004

Office of the Legislative Auditor
Attention: Grover Austin, Interim Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

The following are the Board's responses to the audit findings of William E. DeLoach, CPA dated December 31, 2003.

Material Weakness-Internal Control

Due to the Board's limited staff, it is the Board's opinion that implementation of internal controls is not economically feasible at this time.

Personal Service Contracts

The Board has implemented corrective measures in this area.

Mileage Reimbursements

The Board has implemented corrective measures in this area.

Potential Conflicts of Interest

The Board has implemented corrective measures in this area.

1st Congressional District

Vice Chairman
Greg Mangiaracina
3525 N.Causeway Blvd., Suite 105
Metairie, Louisiana 70002
office phone: 504-885-8888
facsimile: 504-885-2252
e-mail: greg@a-pro.net

2nd Congressional District

Ray Treadaway
752 Beau Chene Drive
Mandeville, Louisiana 70471
office phone: 504-845-7777
pager: 504-556-1502
e-mail: RTread1@aol.com

3rd Congressional District

William "Bill" Hatchett
1732 Hampton Drive
Harvey, Louisiana 70058
office phone: (504) 368-6860
facsimile: (504) 368-6860
e-mail: bhatchet@belsouth.net

4th Congressional District

Kinsey James Sitter
9522 Teche Way Drive
Shreveport, Louisiana 71118
office phone: (318) 686-8111
facsimile: (318) 226-8754
e-mail: JimmySitter@earthlink.com

5th Congressional District

Chairman
Ralph "Dick" Chance
423 East Ridge Trail
Pinville, Louisiana 71360
office phone: (318) 445-7234
facsimile: (318) 445-7234
e-mail: Rrchance@aol.com

6th Congressional District

Sidney J. Chelsson Jr., P.E.
811 West Woodruff Drive
Baton Rouge, Louisiana 70808
office phone: (225) 769-6696
facsimile: (225) 769-6696
e-mail: SJChelsson@aol.com

7th Congressional District

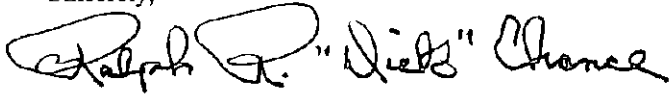
Douglas Brunet
Post Office Box 90332
Lafayette, Louisiana 70509
office phone: (337) 235-0440
facsimile: (337) 233-4894
e-mail: dbrunet@worknet.la.net

Office of the Legislative Auditor
Attention: Grover Austin, Interim Legislative Auditor

We believe the above corrective measures are responsive to the findings of the audit.

The persons responsible for implementing the above corrective measures is Ralph R. "Dick" Chance, Chair, Louisiana State Board Home Inspectors, and Don Lewis, Chief Operating Officer, Louisiana State Board of Home Inspectors.

Sincerely,

A handwritten signature in black ink that reads "Ralph R. 'Dick' Chance". The signature is written in a cursive style with a large, looping initial "R".

Ralph R. "Dick" Chance, Chairman of the Board
Louisiana State Board of Home Inspectors