

Louisiana State Board of Home Inspectors
Financial Statements
June 30, 2002 and 2001

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 2/19/03

WILLIAM E. DELONCH
 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, 2000 and 2001**

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 5, 2001

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, 2000 and 2001

CONTENTS

	Page No.
Independent Auditor's Report on the Financial Statements	2
Basic Financial Statements:	
Statement of Net Assets	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements	10

William E. DeLoach
Certified Public Accountant

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Independent Auditor's Report
on the Financial Statements

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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, 2002 and 2001. 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 3, 2002, 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 aspects, the financial position of the Louisiana State Board of Home Inspectors as of June 30, 2002 and 2001, 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 3, 2002

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

Statement of Net Assets
 June 30, 1990 and 1991

	June 30, 1990	June 30, 1991
ASSETS (CURRENT)		
Cash	\$24,798	\$11,853
Repayable Deposits	1,957	.00
TOTAL CURRENT ASSETS	<u>\$26,755</u>	<u>\$11,853</u>
CAPITAL ASSETS		
Furniture & Equipment	1,314	1,993
Less Accumulated Depreciation	(1,317)	(266)
TOTAL CAPITAL ASSETS	<u>1,000</u>	<u>1,727</u>
OTHER ASSETS		
Deposits	<u>800</u>	<u>1</u>
TOTAL ASSETS	<u>\$28,555</u>	<u>\$13,581</u>
LIABILITIES (CURRENT)		
Loans from AHB	-	\$7,688
Physicians	1,247	8,447
TOTAL LIABILITIES	<u>1,247</u>	<u>16,135</u>
NET ASSETS - UNRESTRICTED	<u>\$27,308</u>	<u>(2,554)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$28,555</u>	<u>\$13,581</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, 2002 and 2001

	June 30, 2002	June 30, 2001
OPERATING REVENUES		
Application Fees	\$21,950	\$24,000
Renewal Fees	7,800	-
Inspection Fees	88,833	23,630
Other	35	35
Total Operating Revenue	<u>118,618</u>	<u>48,665</u>
OPERATING EXPENSES		
Operating Services & Supplies	25,968	13,780
Depreciation	743	427
Contract Labor	48,000	22,983
Professional Fees	17,712	12,482
Total operating expenses	<u>92,423</u>	<u>49,672</u>
OPERATING INCOME (LOSS)	26,195	(846)
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>780</u>	<u>780</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 29,194</u>	<u>\$ (66)</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, 2002 and 2001

	June 30, 2002	June 30, 2001
Cash flows from operating activities:		
Cash received from fees, including cash deposits	\$119,538	\$48,675
Disbursed for operating expenses	(98,435)	(40,847)
Net cash provided by operating activities	<u>21,103</u>	<u>7,828</u>
Cash flows from investing activities -		
Purchase of furniture and equipment	(1,290)	(2,411)
Cash flows from financing activities:		
Loan proceeds (repayment)	(7,000)	3,000
Net increase (decrease) in cash	15,013	8,322
Cash at beginning of year	<u>11,593</u>	<u>3,264</u>
Cash at end of year	<u>\$26,606</u>	<u>\$11,586</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$29,420	(1044)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	747	417
(Increase) decrease in prepaid items	(4,242)	(195)
Increase (decrease) in payables	(2,505)	2,447
Net cash used by operating activities	<u>\$23,420</u>	<u>\$7,733</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, 2002 and 2001**

INTRODUCTION

The Louisiana State Board of Home Inspectors was created in 1999 in accordance with Louisiana Revised Statutes (R.S.) 33:1479-1488. 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.

I. 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 inspector subject to sanctions by the state board. In addition, lapsed inspectors must retest to the board monthly, a list of inspections along with a certificate 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 (bank balances) totaling \$26,709 at June 30, 2002, and \$11,503 at June 30, 2001. 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 and depreciates all furniture and equipment with an expected life from 5-10 years. The straight line method of depreciation is used for financial statements presentation purposes.

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment 2001	1,571	1,412	-0-	3,083
Equipment 2002	3,983	1,298	-0-	5,281

**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, 2002, and 2001.

3. PAYABLES

The board has payable balances as follows:

	June 30, 2002	June 30, 2001
Payable to vendors	\$5,840	-
Loan from ASHI	-	\$7,000
Total	\$5,840	\$7,000

4. LOAN OBLIGATION

A non-interest bearing loan from the American Society of Home Inspectors was made to provide start-up funding for the operation of the board. The loan has been repaid from self-generated funds.

5. LEASE OBLIGATION

The board has a lease obligation to rent office space as of June 30, 2002 for \$200 per month. The lease expires on December 31, 2002. The board has no capital leases.

6. LITIGATION AND CLAIMS

No litigation is pending against the board as of June 30, 2002.

7. RELATED PARTY TRANSACTIONS

The board was not involved in any related party transactions for the two-year period ended June 30, 2002.

8. NET ASSETS

As of June 30, 2002 and 2001 the board has net asset balances of \$29,254 and \$4,146, respectively.

William E. DeLoach
Certified Public Accountant

December 5, 2002

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**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, 2002 and 2001 and have issued my reports thereon dated December 5, 2002. 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 these 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 5, 2002.

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 relating to the internal control over financial reporting and its operation that I consider to be a reportable condition. The matter relates to the board's operations 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
OFFICE OF THE GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Compliance and Internal Control Report
December 3, 2003
Page 2

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 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. 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. DuLoach
Certified Public Accountant

December 3, 2002

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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, 2000 and 2001, I considered the organization's internal control in order to determine my *testing* 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 November 3, 2002, on the financial statements of the Louisiana State Board of Home Inspectors.

I will review the status of these comments during our next audit engagements. 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:

Compliance with Payroll Requirements

The board may not have complied with federal regulations and state civil service rules regarding payroll as employees. The chief operating officer may be an employee for federal and state tax purposes and may be classified as an unclassified employee under Louisiana civil service rules.

Timely Deposits

Collections of license and inspection fees were not deposited timely on several occasions. The board should have procedures that require that deposits be made in a timely manner to prevent loss due to theft or disaster.

Incomplete Files

Several inspector files were found to have missing documentation. The board should require that files be kept up to date to comply with the board's record keeping policies.

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

Contracts

I noted instances in which there were vendors that provided services to the board that were not under contract. The board should require a policy that all vendors that provide services be under contract.

Budgets

Louisiana law requires that budgets be submitted in a timely manner. The budgets were not submitted as required. The board should also follow the format as required by law.

Insurance and Bonding

The board should have insurance for directors and officers and officials in charge of handling cash funds should be bonded.

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 those specified parties. Under Louisiana Revised Statute 24:113, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



William E. DeLoach, MBA, CPA



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Ralph "Dick" Chavez
 Director

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

Greg Mangione
 Vice Director

Board Members

February 11, 2003

Office of the Legislative Auditor
 Attention: Governor Austin, Interim Legislative Auditor
 P.O. Box 94387
 Baton Rouge, LA 70804-9387

Dear Mr. Austin:

The following are the Board's responses to the audit findings of William E. DeLaurie, CPA dated December 5, 2002:

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.

Compliance with Payroll Requirements

The Board is working with the Louisiana Civil Service and legal counsel to implement corrective measures on this finding. The Board anticipates resolving this situation within 30 days.

Timely Deposits

The Board has implemented corrective measures in this area.

Incomplete Files

The Board is in the process of corrective measures in the area and should be completed within the next 30 days.

Contracts

The Board has implemented corrective measures in this area.

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Office of the Legislative Auditor
Attention: Grover Austin, Interim Legislative Auditor
Page 2

Budget

The Board has implemented corrective measures in this area.

Insurance and Bonding

The Board, with advice of legal counsel, is in the process of implementing corrective measures in this area. The Board anticipates implementing corrective measures within the next 30 days.

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

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

Sincerely,



Don Lewis, Chief Operating Officer
Louisiana State Board of Home Inspectors