

LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA



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FINANCIAL STATEMENT AUDIT  
ISSUED AUGUST 10, 2005

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**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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**LEGISLATIVE AUDITOR**

STEVE J. THERIOT, CPA

**DIRECTOR OF FINANCIAL AUDIT**

PAUL E. PENDAS, CPA

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.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
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April 14, 2005

Independent Auditor's Report  
on the Financial Statements

**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION**  
**OFFICE OF THE GOVERNOR**  
**STATE OF LOUISIANA**  
New Orleans, Louisiana

We were engaged to audit the accompanying basic financial statements of the Louisiana State Boxing and Wrestling Commission, a component unit of the State of Louisiana, as of June 30, 2004, and June 30, 2003, and for the years then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Louisiana State Boxing and Wrestling Commission.

As discussed in Exhibit A, the accompanying financial statements contained numerous errors and the commission's accounting records contained major inadequacies. These inadequacies made it impractical to apply sufficient audit procedures to enable us to express an opinion on the fair presentation of the accompanying basic financial statements.

Because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the revenues and expenses included in the basic financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying basic financial statements.

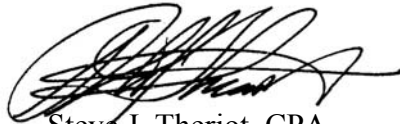
In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2005, except for management's response dated July 13, 2005, on our consideration of the Louisiana State Boxing and Wrestling Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## LOUISIANA STATE BOXING AND WRESTLING COMMISSION \_\_\_\_\_

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. However, management did not include this information in the financial statements for the fiscal years ended June 30, 2004, and June 30, 2003.

Our audit was conducted for the purpose of attempting to form an opinion on the Louisiana State Boxing and Wrestling Commission's basic financial statements. The accompanying supplementary information, as listed in the foregoing table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the fairness of the supplemental information in relation to the basic financial statements taken as a whole, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying supplemental information, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

RG:JR:PEP:dl

BWC04

**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Balance Sheet**

	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$13,667	\$10,041
Receivables	6,712	6,712
Total current assets	<u>20,379</u>	<u>16,753</u>
Noncurrent Assets - capital assets (net)	<u>5,682</u>	<u>5,682</u>
Total noncurrent assets	<u>5,682</u>	<u>5,682</u>
 TOTAL ASSETS	 <u><u>\$26,061</u></u>	 <u><u>\$22,435</u></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accruals	\$44,231	\$19,379
Total current liabilities	<u>44,231</u>	<u>19,379</u>
Total Liabilities	<u>44,231</u>	<u>19,379</u>
<b>NET ASSETS</b>		
Restricted for other specific purposes	(18,170)	
Unrestricted		3,056
Total Net Assets	<u>(18,170)</u>	<u>3,056</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$26,061</u></u>	 <u><u>\$22,435</u></u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,  
and Changes in Net Assets  
For the Years Ended June 30, 2004 and 2003**

	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
<b>OPERATING REVENUES</b>		
Licenses, taxes, permits, and fees	\$63,267	\$81,277
Total operating revenues	<u>63,267</u>	<u>81,277</u>
<b>OPERATING EXPENSES</b>		
Administrative	84,026	97,268
Total operating expenses	<u>84,026</u>	<u>97,268</u>
<b>OPERATING INCOME (Loss)</b>	<u>(20,759)</u>	<u>(15,991)</u>
<b>NONOPERATING REVENUES (Expenses)</b>	<u>NONE</u>	<u>NONE</u>
<b>INCOME (Loss) BEFORE CONTRIBUTIONS</b>	(20,759)	(15,991)
<b>CAPITAL CONTRIBUTIONS</b>	<u>NONE</u>	<u>NONE</u>
<b>CHANGE IN NET ASSETS</b>	(20,759)	(15,991)
<b>NET ASSETS AT BEGINNING OF YEAR - Restated</b>	<u>2,589</u>	<u>19,047</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>(\$18,170)</u></u>	<u><u>\$3,056</u></u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Statement of Activities  
For the Years Ended June 30, 2004 and 2003**

	JUNE 30, 2004			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
	EXPENSES	PROGRAM REVENUES		
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
BTA				
General revenues:				
Taxes				\$63,267
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				
Miscellaneous				
Special items				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				\$63,267

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA  
Statement of Activities, 2004 and 2003**

	JUNE 30, 2003			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Component Unit:				
Component Unit X				
General revenues:				
Taxes				\$81,277
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				
Miscellaneous				
Special items				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				\$81,277

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Years Ended June 30, 2004 and 2003**

	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$63,267	\$81,276
Cash payments to suppliers for goods and services	36,665	52,598
Cash payments to employees for services	47,361	44,670
Net cash used for operating activities	<u>(20,759)</u>	<u>(15,992)</u>
<b>Cash flows from noncapital financing activities:</b>		
Other	24,022	4,465
Net cash flows provided by noncapital financing activities	<u>24,022</u>	<u>4,465</u>
<b>Cash flows from capital and related financing activities:</b>		
Net cash used for capital and related financing activities	<u>NONE</u>	<u>NONE</u>
<b>Cash flows from investing activities:</b>		
Net cash provided for investing activities	<u>NONE</u>	<u>NONE</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	3,263	(20,457)
<b>Cash and cash equivalents at beginning of year</b>	<u>10,401</u>	<u>30,497</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$13,664</u></u>	<u><u>\$10,041</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA  
Statement of Cash Flows, 2004 and 2003**

	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Cash flows from operating activities:		
Operating income (loss)	<u>(\$20,759)</u>	<u>(\$15,991)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		
Changes in assets and liabilities:		
Increase in receivables		
Increase (decrease) in accounts payable and accruals	24,022	(4,465)
Decrease in accrued payroll and related benefits		
Net cash provided by operating activities	<u><u>\$3,263</u></u>	<u><u>(\$20,456)</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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**INTRODUCTION**

The Louisiana State Boxing and Wrestling Commission (BTA) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute \_\_\_\_\_. The following is a brief description of the operations of the Louisiana State Boxing and Wrestling Commission (BTA) which includes the parish/parishes in which the (BTA) is located:

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF ACCOUNTING**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). 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.

The accompanying financial statements of June 30, 2004, and June 30, 2003, present information only as to the transactions of the programs of the Louisiana State Boxing and Wrestling Commission as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Louisiana State Boxing and Wrestling Commission are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

**Revenue Recognition**

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

**Expense Recognition**

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

LOUISIANA STATE BOXING AND WRESTLING COMMISSION \_\_\_\_\_

**B. BUDGETARY ACCOUNTING**

The appropriations made for the operations of the various programs of the Louisiana State Boxing and Wrestling Commission (BTA) are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

	<u>Appropriations</u>
Original approved budget	\$ _____
Amendments:	_____
	_____
	_____
Final approved budget	\$ _____

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

(If all agency cash and investments are deposited in the State Treasury, disregard Note C.)

**1. DEPOSITS WITH FINANCIAL INSTITUTIONS**

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Louisiana State Boxing and Wrestling Commission (BTA) may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the (BTA) may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, and share accounts and share certificate accounts of federally or state chartered credit unions.



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## NOTES TO THE FINANCIAL STATEMENTS

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For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. 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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

Following the issuance of GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who held the collateral and how it was held.

Category 1 - Deposits that are covered by insurance (FDIC) or collateralized with securities that are held by the entity in the entity's name or registered in the entity's name. (separate disclosure no longer required)

Category 2 - Deposits that are not insured but are collateralized with securities that are held by the financial institution's trust department or agent and are in the entity's name. (separate disclosure no longer required)

Category 3 - Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution's trust department or agent and they are not in the entity's name. (separate disclosure still required)

GASB Statement 40 only requires category 3 deposits to be disclosed in the custodial credit risk section of Note C. If an entity has deposits exposed to custodial credit risk category 3, it should disclose the amount of those balances, the fact that they are uninsured, and whether the balances are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2004, consisted of the following:

LOUISIANA STATE BOXING AND WRESTLING COMMISSION \_\_\_\_\_

	Cash	Certificates of Deposit	Other (Describe)	2004 Total	2003 Total
Deposits in bank accounts per balance sheet	\$13,664			\$13,664	\$10,041
<b>Bank balances (category 3 only, if any)</b>					
<b>Identify amounts reported as category 3 by the descriptions below:</b>					
a. Uninsured and uncollateralized					
b. Uninsured and collateralized with securities held by the pledging institution					
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name					
<b>Total Category 3 bank balances</b>					
Total bank balances (All categories including category 3 reported above)	\$13,664			\$13,664	\$10,041

The following is a breakdown by banking institution, program, account number, and amount of the balances shown above:

<u>Banking Institution</u>	<u>Program</u>	<u>2004 Amount</u>	<u>2003 Amount</u>
1. Hibernia		\$13,664	\$10,041
2. _____			
3. _____			
4. _____			
Total		\$13,664	\$10,041

**D. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

The following adjustments were made to restate beginning net assets for June 30, 2003.

<u>Fund Balance July 1, 2002, Previously Reported</u>	<u>Adjustments + or (-)</u>	<u>Beginning Net Assets, July 1, 2003, As restated</u>
\$8,333	(\$2,651)	\$5,682
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

The schedules presented in this section, the Schedule of Balance Sheet Detail and the Schedule of Profit and Loss, are included to provide the reader with additional information pertaining to the financial statements.



**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Schedule of Balance Sheet Detail  
As of June 30, 2004 and 2003**

	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
<b>ASSETS</b>		
Current assets:		
Checking/savings - Hibernia National Bank	\$13,667	\$10,041
Accounts receivable	6,712	6,712
Total Current Assets	<u>20,379</u>	<u>16,753</u>
Fixed assets	<u>5,682</u>	<u>5,682</u>
 TOTAL ASSETS	 <u><u>\$26,061</u></u>	 <u><u>\$22,435</u></u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$27,814	\$19,379
Accrued salaries	16,417	
Total current liabilities	<u>44,231</u>	<u>19,379</u>
Equity:		
Opening equity	107	100
Retained earnings	2,482	18,947
Net income	(20,759)	(15,991)
Total equity	<u>(18,170)</u>	<u>3,056</u>
 TOTAL LIABILITIES AND EQUITY	 <u><u>\$26,061</u></u>	 <u><u>\$22,435</u></u>

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**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**

**Schedule of Profit and Loss  
For the Years Ended June 30, 2004 and 2003**

	<u>JUNE 30, 2004</u>	<u>JUNE 30, 2003</u>
<b>Ordinary Income/Expense</b>		
Income:		
Licenses	\$11,443	\$21,265
Shows	2,111	
Taxes	49,713	60,012
Total income	<u>63,267</u>	<u>81,277</u>
Expense:		
Accounting	4,400	5,250
Bank service charges	276	9
Depreciation expense		29
Deputy commissioner	3,606	6,319
Dues and subscriptions	704	1,387
Fight cord fees		6,011
Insurance liability	8,436	2,500
Miscellaneous	60	657
Office expense	3,231	6,559
Payroll tax expense	5,040	
Payroll expenses	42,321	44,470
Postage and delivery	74	79
Legal fees		1,980
Rent	2,683	2,911
Computer repairs		230
Telephone	2,816	3,240
Meals		274
Travel	10,379	3,911
Travel and entertainment - other		11,452
Total expenses	<u>84,026</u>	<u>97,268</u>
Net Income (loss)	<u><u>(\$20,759)</u></u>	<u><u>(\$15,991)</u></u>

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**OTHER REPORT REQUIRED BY**

***GOVERNMENT AUDITING STANDARDS***

The following pages contain our report on internal control over financial reporting and on compliance with laws and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on an engagement to audit 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.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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April 14, 2005, except for  
Management's Response dated July 13, 2005

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an  
Engagement to Audit the Basic Financial Statements

**LOUISIANA STATE BOXING AND  
WRESTLING COMMISSION  
OFFICE OF THE GOVERNOR  
STATE OF LOUISIANA**  
New Orleans, Louisiana

We were engaged to audit the basic financial statements of the Louisiana State Boxing and Wrestling Commission, a component unit of the State of Louisiana, as of June 30, 2004, and June 30, 2003, and for the years then ended, and have issued our report thereon dated April 14, 2005. Our audit was to have been conducted 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. However, because of inadequacies in the commission's accounting records, we were not able to apply the foregoing standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana State Boxing and Wrestling Commission's internal control over financial reporting to determine our auditing procedures for the purpose of attempting to express our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, because of inadequacies in the commission's accounting records, we were unable to form an opinion on the commission's financial statements and related notes. We noted certain matters involving the internal control over financial reporting and its operation 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 Louisiana State Boxing and Wrestling Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the following paragraphs.

### **Accounting Control Weaknesses**

For the seventh consecutive audit, the Boxing and Wrestling Commission did not provide proper internal controls or maintain accurate and complete accounting records. Proper internal controls require that accurate and complete financial records be maintained that (1) provide evidence the commission has fulfilled its stewardship responsibilities, (2) properly reflect and account for the receipt and disbursement of funds, (3) properly account for and safeguard assets, and (4) provide for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The following deficiencies in the internal controls and the accounting records were identified:

- Of 15 deposits tested totaling \$14,807, four deposits did not have supporting documentation. Of 11 deposits for which copies of checks or tax reports were available for examination, 11 checks totaling \$9,412 were deposited two to 24 days after the date on the check or on the Gate Receipts and Tax Report. The average number of days to deposit was six days.
- The commission did not maintain adequate records on licenses issued. The licenses are not pre-numbered. We examined 12 deposits of license fees and noted that seven did not have supporting documentation. Therefore, there are no assurances that the amounts collected for issued licenses were equal to the amounts deposited. The amounts deposited relating to licenses totaled \$11,443 and \$23,035 during the years ended June 30, 2004, and June 30, 2003, respectively.
- The commission did not maintain accurate and complete accounting records over expenses. Of the 25 transactions tested, three (12%) were not in compliance with state travel regulations, and five (20%) did not have supporting documentation.

Because the commission did not provide proper internal controls or maintain complete accounting records, errors may have occurred and not been detected in a timely manner. In addition, there was no audit trail, and we could not be assured that all the revenues earned were collected and deposited.

The commission should establish written internal control policies and procedures that provide an adequate audit trail for revenues and deposits and adequate documentation of expenses. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

### **Inaccurate and Incomplete Annual Fiscal Report**

For the second consecutive audit, the Boxing and Wrestling Commission did not submit an accurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP). Louisiana Revised Statute (R.S.) 39:79 requires that a sworn statement be prepared in the format devised and approved by the commissioner of administration, and the affidavit attached to the AFR states that the financial statements present fairly the financial position of the commission. The reports were not notarized and submitted to OSRAP for the 2003 and 2004 fiscal years. The commission's AFR included the following errors, omissions, and inconsistencies for fiscal year 2004:

#### **Statement of Net Assets - Statement A**

- Total net assets were not recorded on the correct line. It should be unrestricted.

#### **Statement of Activities - Statement C**

- Expenses were omitted from the statement.
- Change in net assets was omitted from the statement.
- Net assets - beginning was omitted from the statement.
- Net assets - ending was incorrect because of the omissions mentioned above.

#### **Statement of Cash Flows - Statement D**

- Cash and cash equivalents at the beginning of the fiscal year 2004 was overstated by \$360.
- The increase in accounts payable and accruals was incorrectly recorded under cash flows from noncapital financing activities. This increase should be recorded under cash flows from operating activities.

#### **Schedule of Compensation Paid to Board Members - Schedule 1**

- This schedule was not completed.

An adequate control system allows the accurate preparation of financial statements and includes the review of the financial statements to ensure accurate reporting of all assets and liabilities at year-end and the results of operations for the fiscal year. The commission has not exercised due care in preparing the AFR and has not reviewed the AFR for errors or omissions. Failure to accurately prepare and review the financial statements increases the risk that errors, omissions, and fraud may occur and not be detected in a timely manner.

The commission should ensure that due care is exercised in preparing the financial statements and should review financial information and note disclosures to detect and correct errors in the AFR, which should be submitted to the Division of Administration by the due date. The commission concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

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 caused by error or fraud 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that all reportable conditions described previously, as well as the findings on budget and movable property included in the compliance section of this report, are material weaknesses due to aggregate impact on the financial statements.

### **Compliance**

As part of attempting to obtain reasonable assurance about whether the Louisiana State Boxing and Wrestling Commission's 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 are required to be reported herein under *Government Auditing Standards*.

#### **Event Coordinator Fees**

The chairman of the commission acted as an event coordinator for various matches in the state and was paid for each event by the promoters, although those payments were not authorized by statute. The event promoters (private citizens or companies) paid a \$300 fee to the commission, which then paid the chairman a like amount. As a result, the chairman was, in effect, paid by the event promoters for duties required of the commission, and for which a salary is prescribed in law for the chairman. This could indicate a violation of the Louisiana Code of Governmental Ethics, which states, in part, "No public servant shall receive anything of economic value, other than compensation and benefits from the governmental entity to which he is duly entitled, for the performance of the duties and responsibilities of his office or position . . . ," and, which also states, ". . . no appointed member of any board or commission, . . . shall bid on or enter into or be in any way interested in any contract, subcontract, or other transaction which is under the supervision or jurisdiction of the agency of such appointed member."

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## REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

The commission passed a regulatory guideline stating that there shall be at least one commission member or deputy commissioner at every boxing, wrestling, and martial arts show acting as the event coordinator. He shall supervise the show, seeing that all rules of the commission are enforced. He shall also collect a \$300 event coordinator fee for all boxing and martial arts shows, a \$100 event coordinator fee for all wrestling shows, and 5% of the total gate, including comp tickets to the event. Payments to commissioners to serve as event coordinators, which pass from the promoters to the commission to the commissioner coordinator, could result in conflicts of interest with their responsibilities for approving events as commissioners and could be considered a violation of the Ethics Code. According to the commission's records, the total amounts paid to the chairman for event coordinator fees were \$2,700 for 2004 and \$5,710 for 2003.

The commission should seek an ethics opinion from the Louisiana Board of Ethics regarding payments to commissioners to serve as event coordinators while also fulfilling their roles as commissioners in approving events and licenses and receiving compensation for those duties as well. Management objected to the revision of this finding; however, the commission has discontinued the payment of any commissioner for his appearance at boxing matches until it either gets an opinion from the Board of Ethics or changes its statutes (see Appendix A, pages 3-6).

**Additional Comment:** Findings are often revised during the audit review process, especially if new information becomes available, as in the case of the Louisiana Inspector General's report on the Boxing and Wrestling Commission issued May 31, 2005. Our intent is for audit findings to be accurate and complete considering all available information. Management's "original" response, included in its final response, refers to proposed legislation that ultimately failed in the 2005 Regular Session.

### **Failure to Submit Budget**

For the fifth consecutive audit, the Boxing and Wrestling Commission did not comply with budget requirements of R.S. 39:1331-1342, known as the Louisiana Licensing Agency Budget Act. Louisiana law requires the commission to prepare an annual comprehensive budget and submit it no later than January 1 to the Department of Economic Development, the Joint Legislative Committee on the Budget, and other legislative committees and agencies. The budget should include a statement showing the fund balance at the beginning of the year, anticipated revenues and expenses for the year, and fund balance at the end of the year. The commission did not submit its annual comprehensive budget for fiscal years ended June 30, 2003, and June 30, 2004.

Without timely submission of a comprehensive budget to the designated agencies, the appropriate authorities cannot exercise budgetary control over the commission.

The commission should prepare and submit a budget as required by the Louisiana Licensing Agency Budget Act. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 7).

### **Inadequate Controls Over Movable Property**

For the second consecutive audit, the Boxing and Wrestling Commission did not maintain adequate internal accounting controls over movable property as prescribed by the commissioner of administration (Louisiana Administrative Code Title 34) and R.S. 39:325. The state's policies and procedures should be applied to ensure that movable property is adequately safeguarded and accurately reported in the financial statements.

Good internal control requires that adequate procedures be in place to ensure that (1) the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records; (2) the location of all movable items is monitored and updated frequently; and (3) the amounts recorded in the financial statements are materially correct. In our review of the Louisiana Property Assistance Agency (LPAA) Management System Report for the period audited, we noted the following:

- The commission purchased a laptop on December 28, 2002, for \$1,847.66. This purchase was charged to office expense. The purchase should have been charged to equipment and added to the property listing. Therefore, equipment is understated by \$1,848 in the financial statements.
- The commission's Annual Certification of Property Inventory for fiscal year 2004, which was due to LPAA on August 28, 2004, was submitted September 20, 2004, and received by LPAA on December 7, 2004. As a result, the Annual Certification of Property Inventory was not approved.

Failure to maintain an accurate movable property system increases the risk of inaccurate accounting and reporting as well as the risk of loss from unauthorized use of the property.

The commission should maintain adequate internal controls over movable property to comply with state movable property regulations. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 8).

This report is intended solely for the information and use of the commission 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.

### **OTHER REPORT**

On May 31, 2005, a report was issued on the Louisiana State Boxing and Wrestling Commission by the Louisiana Office of State Inspector General. The report presents the result of the Inspector General's investigation of allegations at the Louisiana State Boxing and Wrestling Commission. The report discloses findings on commission members' noncompliance with applicable state and federal laws, rules, and regulations including a possible under reporting of compensation to the Internal Revenue Service. That report, including recommendations for

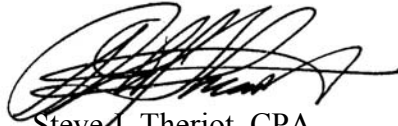


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## REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

improvement and management's responses, can be found at the Louisiana Office of State Inspector General's Web site at [www.doa.louisiana.gov/OIG/pdf%20reports/2005/1050005.pdf](http://www.doa.louisiana.gov/OIG/pdf%20reports/2005/1050005.pdf). It should be noted that the proposed legislation mentioned in the report providing for changes to boxing and wrestling provisions failed in the 2005 Regular Session of the Louisiana Legislature.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

RG:JR:PEP:dl

BWC04

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

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LOUISIANA STATE BOXING AND WRESTLING  
COMMISSION

4513 LAKEWOOD DRIVE  
METAIRIE, LA. 70002  
504 455-4708

March 7, 2005

STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
XEROX CENTRE SUITE 260  
2400 VETERANS BLVD.  
KENNER, LA. 70062

Dear Mr. Theriot,

In reference to your letter of February 28, 2005 regarding the audit of the Louisiana State Boxing and Wrestling Commission, please find the official response relating to your findings on the audit.

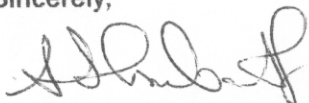
**REFERENCE MATTER: REVENUE AND EXPENDITURES**

We do concur with the findings of the auditors, however the by-laws for deposit has to be changed that gives the commission more than 24 hours after and event is finished to deposit the receipts. The commission will date the deposit slip as of the date the checks are received.

Licenses for Boxing and Wrestling have been pre-numbered for control and issued only by two Commissioners.

All deposits will have supporting copies of checks, license numbers and any other documentation.

Sincerely,



A. L. "Buddy" Embanato, Jr.

Chairman

LOUISIANA STATE BOXING AND WRESTLING  
COMMISSION

4513 LAKEWOOD DRIVE  
METAIRIE, LA. 70002  
504 455-4708

March 15, 2005

STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
XEROX CENTRE SUITE 260  
2400 VETERANS BLVD.  
KENNER, LA. 70062

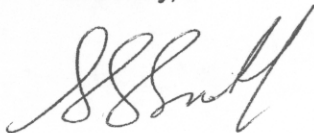
Dear Mr. Therriot,

In reference to your letter of February 28, 2005 regarding the audit of the Louisiana State Boxing and Wrestling Commission, please find the official response relating to your findings on the audit.

**REFERENCE MATTER: INACCURATE AND INCOMPLETE ANNUAL FISCAL REPORT**

We do concur with the findings of the auditors that the Annual Fiscal Report was filed with errors. The statement will be filed timely and will be double checked for errors. The commission will also have the report notarized according to R.S. 39:

Sincerely,

A handwritten signature in black ink, appearing to be "S. Therriot", written in a cursive style.

July 13, 2005

Via Facsimile No. (225) 339-3870

Office of Legislative Auditor  
Steven J. Theriot, CPA  
Attn: Paul Pendas (via e-mail)  
Attn: Julian Renthrope  
Attn. Robin Gegenheimer  
Xerox Centre, Suite 260  
2400 Veterans Memorial Blvd.  
Kenner, LA 70062

Dear Mr Theriot :

Enclosed is the Louisiana State Boxing and Wrestling Commission's response to the "EVENT COORDINATOR FEES" finding forwarded to my office on 6-17-05.

First and foremost this is the third time that I have responded to this same finding. I very much object to the revision of the original finding.

So that a complete record is made of all of our dealings, I enclose the original finding of as well as my response in its entirety.

The original finding was:

#### **"LOUISIANA STATE BOXING AND WRESTLING COMMISSION**

##### **Event Coordinator Fees**

The Louisiana State Boxing and Wrestling Commission (LSBWC) paid a fee of \$300 per event to commissioners as event coordinators at each boxing event in addition to the commissioner's authorized salary, as provided by Louisiana Revised Statute (R.S.) 4:67 C., which may be a conflict of interest.

R.S. 4:64 states, "The commission may make rules and regulations governing all boxing and wrestling contests or exhibitions under its jurisdiction, the sale of tickets at such contests or exhibitions, the promoters of such contests or exhibitions, and the contestants, their seconds and managers in such contests or exhibitions, and all other rules and regulations as the commission, in its discretion, deems necessary to carry out the purposes of R.S. 4, Chapter 3. Should any case occur which may not be covered in this chapter or by the rules and regulation of the commission, it shall be determined by the commission, but only insofar as such determination is consistent with justice, the best interests of boxing and with the powers and authority granted by this chapter."

The LSBWC passed a regulatory guideline stating that there shall be at least one commission member or

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Steven J. Theriot, CPA  
July 13, 2005  
Page 2

deputy commissioner at every boxing, wrestling, and martial arts show acting as the event coordinator. He shall supervise the show, seeing that all rules of the commission are enforced. He shall also collect a \$300 event coordinator fee for all boxing and martial arts shows, a \$100 event coordinator fee for all wrestling shows, and five percent of the total gate, including comp tickets to the event. Payments to commissioners to serve as event coordinators could result in conflicts of interest with their responsibilities for approving events as commissioners of LSBWC and could be considered unauthorized compensation. According to the commission's records, the total amounts paid to commissioners for event coordinator fees were \$2,700 for 2004, and \$5,710 for 2003.

The LSBWC should seek an ethics opinion from the Louisiana Board of Ethics regarding payments to commissioners of the LSBWC to serve as event coordinators while fulfilling their roles as commissioners in approving events and licenses and receiving compensation for those duties as well."

To which I responded:

"May 25, 2005

Via Facsimile No. (225) 339-3870

Office of Legislative Auditor  
Steven J. Theriot, CPA  
Attn: Julian Renthrope  
Attn: Robin Gegenheimer  
Xerox Centre, Suite 260  
2400 Veterans Memorial Blvd.  
Kenner, LA 70062

Dear Mr Theriot :

Enclosed is the Louisiana State Boxing and Wrestling Commissions response to the  
"EVENT COORDINATOR FEES" finding forwarded to my office on 5-17-05.

(1) I will respond to the factual allegations in paragraph one as follows:

The Louisiana State Boxing and Wrestling Commission (LSBWC) paid \$300.00 to the Commission chairman, Mr. Buddy Embanato as event coordinator fee and paid \$85.00 to two commission appointees for inspectors fees for 13 boxing events in 2004. The amount paid was, however, not "in addition" to his regular salary as Mr. Embanato only drew \$2,270.00 of the \$8,200.00 in salary provided



Office of Legislative Auditor  
Steven J. Theriot, CPA  
July 13, 2005  
Page 3

by Louisiana Revised Statute (R.S.) 4:67. The allegation that Mr. Embanato received his regular salary of \$8200.00 plus the event coordinator fees is incorrect.

The law as stated in paragraphs two and three is correct.

We agree, however, with you that this matter needs to be addressed. We made remedial changes to the Revised Statute in question which are before the legislative session for approval. The new statute will read as follows:

“§79. Referees and judges and appointment of Event Coordinator

The commission may grant to referees and judges licenses good for a period of one year. Referees and judges appointed shall not be suspended except on proof of connivance in fakes, failure to enforce the rules of the commission, or incompetency.

There is no appeal from the referee's and judges' ruling. Only residents of Louisiana are eligible to appointment and license as regular referees and judges, and shall have resided in the state for not less than six months before the date of the contest. Referees may give decisions in all contests so advertised. The appointment of judges is at the discretion of the commission.

This section does not prohibit the commission, at its discretion, from appointing a "name" referee, or one well known for his outstanding ability, to referee a special or championship match even though said referee is not a resident of Louisiana.

In addition, the commission may appoint an events coordinator for any boxing, mixed martial arts or wrestling event the commission deems necessary, which person may be a member of the commission. The fee for the event coordinator shall be paid by the club promoting the event in question, which amount shall not exceed three-hundred and fifty dollars per event. In the event that a commissioner has served as the events coordinator, the club shall issue payment to the commission, not the commissioner.

The fees for the Referees and Judges or other necessary officials for each individual event shall be paid by the club promoting the event in question and shall be reasonable and customary for the size and location of the event.

Any Referee, judge or other official appointed by the commission shall be considered an independent contractor of the commission, not an employee.”

In the event that this statute is not passed, we will do as recommended and secure an opinion from the Ethics Board. In addition, the practice of paying the Commissioner the \$300.00 event coordinator fee has been suspended since the original finding was produced. It will continue to be suspended until either the statute passes or we have a favorable ruling from the Ethics Board.

Office of Legislative Auditor  
Steven J. Theriot, CPA  
July 13, 2005  
Page 4

If you have any questions, please do not hesitate to contact me at my office.

Sincerely,

John Green, Jr.  
At Large Member  
Louisiana Boxing and Wrestling Commission"

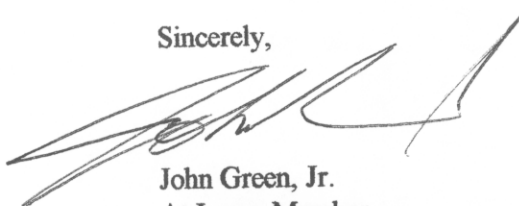
By way of response to the supplemental finding please accept the response given in my May 25, 2005 letter.

Additionally, however and by way of further response to the supplemental finding an objection is made to the conclusion that "The event promoters (private citizens or companies) paid a \$300.00 fee to the commission, which was then paid the chairman a like amount. As a result, the chairman was, in effect, paid by the event promoters for duties required of the commission, and for which a salary is prescribed by the commission." While we agree that the funds were paid by promoters to the commission and that such payments were not authorized by statute, we cannot concede that Mr. Embanato was "in effect" paid by the promoters, nor can we agree with the conclusion that since he was "in effect" paid by promoters he may be in violation of the Louisiana Code of Governmental Ethics.

Be that as it may, and as stated above, we have discontinued the payment of any commissioner, including the Chairman, for his appearances at the boxing matches as an event coordinator until we either get an opinion from the Louisiana Board of Ethics or manage to revise the statute.

If you have any questions or comments please contact me at my office.

Sincerely,



John Green, Jr.  
At Large Member  
Louisiana Boxing and Wrestling Commission

CC: Anthony "Buddy" Embanato, Chairman  
Oscar Shoenfelt, Secretary

LOUISIANA STATE BOXING AND WRESTLING  
COMMISSION

4513 LAKEWOOD DRIVE  
METAIRIE, LA. 70002  
504 455-4708

March 7, 2005

STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
XEROX CENTRE SUITE 260  
2400 VETERANS BLVD.  
KENNER, LA. 70062

Dear Mr. Therriot,

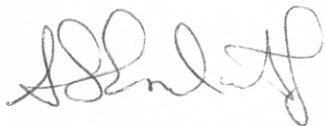
In reference to your letter of February 28, 2005 regarding the audit of the Louisiana State Boxing and Wrestling Commission, please find the official response relating to your findings on the audit.

**REFERENCE MATTER: BUDGET REQUIREMENT**

We do concur with the findings of the auditors that the budgets were filed late however, it is impossible to properly estimate our revenue and expenses for the up coming year due to the number of events that will take place.

Budgets will be filed on a timely basis from now on.

Sincerely,



A. L. "Buddy" Embanato, Jr.

Chairman

LOUISIANA STATE BOXING AND WRESTLING  
COMMISSION

4513 LAKEWOOD DRIVE  
METAIRIE, LA. 70002  
504 455-4708

March 7, 2005

STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
XEROX CENTRE SUITE 260  
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KENNER, LA. 70062

Dear Mr. Therriot,

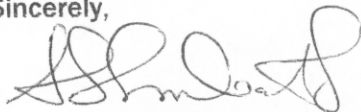
In reference to your letter of February 28, 2005 regarding the audit of the Louisiana State Boxing and Wrestling Commission, please find the official response relating to your findings on the audit.

**REFERENCE MATTER: CONTROLS OVER MOVEABLE PROPERTY**

We do concur with the findings of the auditors that the purchase of a laptop computer for \$1,847.66 was erroneously posted to expenses instead of fixed assets.

We do not concur with late filing of the Certification of Property Inventory Report. Our records show that the report was filed timely. The commission will now require a proof of delivery from the U.S. Postal Service.

Sincerely,



A. L. "Buddy" Embanato, Jr.

Chariman