

**LAFAYETTE METRO NARCOTICS
TASK FORCE**

Financial Report

Year Ended December 31, 2002

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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lafayette Metro Narcotics Task Force
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of the Lafayette Metro Narcotics Task Force, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lafayette Metro Narcotics Task Force's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lafayette Metro Narcotics Task Force, as of December 31, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 20, 2003 on our consideration of the Lafayette Metro Narcotics Task Force's compliance and on internal control over financial reporting.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Lafayette Metro Narcotics Task Force. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statement of the Lafayette Metro Narcotics Task Force.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
March 20, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Combined Balance Sheets - Governmental Fund Type and Account Group
December 31, 2002

	Governmental Fund Type General Fund	Account Group General Fixed Assets	Totals (Memorandum Only)	
			2002	2001
ASSETS				
Cash	\$ 28,380	\$ -	\$ 28,380	\$ 26,435
Interest-bearing deposits, at cost	67,788	-	67,788	88,113
Receivables -				
Due from other governmental agencies	65,525	-	65,525	47,501
Other	-	-	-	60
Prepaid insurance	45,007	-	45,007	32,512
Deposit	-	-	-	1,500
Vehicles and equipment	-	190,010	190,010	177,522
Total assets	\$ 206,700	\$ 190,010	\$ 396,710	\$ 373,643
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 8,607	\$ -	\$ 8,607	\$ 6,576
Total liabilities	8,607	-	8,607	6,576
Fund equity:				
Investment in general fixed assets	-	190,010	190,010	177,522
Fund balance -				
Reserved	45,007	-	45,007	34,012
Unreserved, undesignated	153,086	-	153,086	155,533
Total fund balance	198,093	-	198,093	189,545
Total fund equity	198,093	190,010	388,103	367,067
Total liabilities and fund equity	\$ 206,700	\$ 190,010	\$ 396,710	\$ 373,643

The accompanying notes are an integral part of this statement.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund Type - General Fund
Years Ended December 31, 2002 and 2001

	2002	2001
Revenues:		
Forfeitures	\$ 89,917	\$ 36,833
Restitution	4,416	5,073
Intergovernmental revenues -		
City of Lafayette	30,000	35,000
Lafayette Parish Sheriff	30,000	35,000
Interest	2,046	5,485
Miscellaneous	-	3,690
Total revenues	156,379	121,081
Expenditures:		
Current -		
Public safety:		
Building lease	2,075	11,350
Equipment rent	5,119	9,640
Liability insurance	50,014	38,290
Telephone	-	2,787
Utilities	-	3,411
Maintenance	1,079	2,653
Office	748	4,087
Uniforms	200	215
Investigations	42,766	29,721
Training	9,789	11,308
Canine	2,101	4,737
Supplies and small equipment	16,651	20,649
Professional fees	4,695	9,409
Other	136	1,209
Capital outlay -		
Equipment	12,458	16,160
Total expenditures	147,831	165,626
Excess of revenues over (under) expenditures	8,548	(44,545)
Fund balance, beginning	189,545	234,090
Fund balance, ending	\$ 198,093	\$ 189,545

The accompanying notes are an integral part of this statement.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (GAAP Basis) and Actual - Governmental Fund Type - General Fund
Year Ended December 31, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Forfeitures	\$ 26,811	\$ 89,917	\$ 63,106
Restitution	1,735	4,416	2,681
Intergovernmental revenues	100,000	60,000	(40,000)
Interest	4,813	2,046	(2,767)
Miscellaneous	619	-	(619)
Total revenues	133,978	156,379	22,401
Expenditures:			
Current -			
Public safety:			
Building lease	-	2,075	(2,075)
Equipment rent	6,000	5,119	881
Liability insurance	67,531	50,014	17,517
Maintenance	7,945	1,079	6,866
Office	4,200	748	3,452
Uniforms	811	200	611
Investigations	65,605	42,766	22,839
Training	9,000	9,789	(789)
Canine	2,909	2,101	808
Supplies and small equipment	21,922	16,651	5,271
Professional fees	11,469	4,695	6,774
Other	1,276	136	1,140
Capital outlay -			
Equipment	11,000	12,458	(1,458)
Total expenditures	209,668	147,831	61,837
Excess of revenues (under) over expenditures	(75,690)	8,548	84,238
Fund balance, beginning	189,545	189,545	-
Fund balance, ending	\$ 113,855	\$ 198,093	\$ 84,238

The accompanying notes are an integral part of this statement.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lafayette Metro Narcotics Task Force (Task Force) was formed by a joint powers agreement entered into on November 17, 1988, between the City of Lafayette, the University of Southwestern Louisiana, the District Attorney of the Fifteenth Judicial District, and the Lafayette Parish Sheriff. The Task Force's primary responsibility is to perform investigations and analytical studies of controlled substances and, when necessary under lawful rules, take into custody all persons accused of committing criminal violations with the emphasis on controlled substances.

The Lafayette Metro Narcotics Agency was terminated on October 5, 2000 through an agreement between the Lafayette City-Parish Consolidated Government, the University of Louisiana at Lafayette (formally known as the "University of Southwestern Louisiana"), the District Attorney for the Fifteenth Judicial District, and the Sheriff of Lafayette Parish. The Task Force was formed by a joint powers agreement entered into on October 5, 2000, between the Lafayette City-Parish Consolidated Government and the Lafayette Parish Sheriff's Department. The Task Force's primary responsibility is to continue the elimination of illegal controlled substance activities that presently exist within Lafayette Parish as previously implemented by the Lafayette Metro Narcotics Agency.

The accounting and reporting policies of the Task Force conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

For financial reporting purposes, the Task Force includes all funds and account groups, activities, et cetera, that are controlled by the Task Force. The Task Force is solely responsible for the operations of its office, which includes authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. Other than certain operating expenditures of the Task Force's office that are paid or provided by the members of the joint agreement, the Task Force is financially independent. Accordingly, the Task Force is a separate governmental reporting entity. Certain units of local government, over which the Task Force exercises no oversight responsibility, such as the parish officials and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Task Force.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the Task Force are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund presented in the financial statements is described as follows:

General Fund

The General Fund, as provided by Louisiana Revised Statute 33:1422, is the principal fund of the Task Force's office and accounts for the operations of the Task Force. The Task Force's primary source of revenue is the intergovernmental revenue as described in the joint powers agreement. Other sources of revenue include forfeitures and restitutions. General operating expenditures are paid from this Fund.

General Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in the General Fund. General fixed assets provided by the members of the joint agreement are not recorded within the general fixed assets account group. All purchased fixed assets are stated at historical cost. No depreciation has been provided on general fixed assets.

The account group is not a fund. It is concerned only with the measurement of financial position and does not involve measurement of results of operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying general purpose financial statements have been prepared on the modified accrual basis of accounting. The General Fund uses the following practices in recording revenues and expenditures:

Revenues -

Intergovernmental revenues are recorded when the Task Force is entitled to the funds.

Interest on interest-bearing deposits is recorded or accrued as revenue when earned. Substantially all other revenues are recorded when received.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (cont'd)

Expenditures -

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Forfeited Assets

The Task Force acquires various assets which are forfeited by defendants in accordance with judgments rendered by the courts in certain drug-related cases. It is the policy of the agency to sell all forfeited assets and record the proceeds as revenue at the time of the sale. At December 31, 2002, the Task Force has numerous assets which have not been sold and are not reported in the accompanying general purpose financial statements.

Budget and Budgetary Accounting

The Task Force follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The controller prepares a proposed budget and submits it to the Board of Directors for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
- 2) The proposed budget is made available for public inspection.
- 3) The budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
- 4) All budgetary appropriations lapse at the end of each fiscal year.
- 5) The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts included in the accompanying financial statements are as originally adopted or as finally amended by the Board.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

Fund Balance

Reserves represent those portions of fund balance not appropriate for expenditures or legally segregated for a specific use.

The reserve was created to represent the portion of fund balance that is not available for expenditures within the next budgetary period.

Vacation, Sick Leave, and Pension Plan

The Task Force had no employees during the year ended December 31, 2002; therefore, it did not have a policy on vacation and sick leave, nor did it have a pension plan.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Task Force as an extension of formal budgetary integration in the funds.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Task Force's financial position and operations. However, comparative data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Notes to Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the Task Force 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. The Task Force may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. Included in total cash and interest-bearing deposits of \$96,168 is \$28,380 which is held by the Task Force for use in drug-related investigations. At December 31, 2002, the Task Force has cash and interest-bearing (book balances) totaling \$96,168, as follows:

Cash	\$ 28,380
Interest-bearing deposits	<u>67,788</u>
	<u>\$ 96,168</u>

These deposits are stated at cost, which approximates market. 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2002, are secured at follows:

Bank balances	<u>\$ 68,813</u>
Federal deposit insurance	<u>\$ 68,813</u>
Total federal insurance	<u>\$ 68,813</u>

The deposits of the Task Force are also included in the securities pledged (Category 3) on behalf of the Lafayette Parish Sheriff Department. Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Task Force's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Task Force that the fiscal agent has failed to pay deposited funds upon demand.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Notes to Financial Statements

NOTE 3 DUE FROM OTHER GOVERNMENTAL AGENCIES

The Task Force has amounts due from other governmental agencies at December 31, 2002, as follows:

District Attorney	\$ 5,525
Lafayette Consolidated Government	30,000
Lafayette Parish Sheriff	<u>30,000</u>
	<u>\$65,525</u>

NOTE 4 CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets (vehicles and equipment) follows:

Balance, January 1, 2002	\$177,552
Additions	12,458
Reductions	<u>-</u>
Balance, December 31, 2002	<u>\$190,010</u>

NOTE 5 EXPENDITURES OF THE TASK FORCE'S OFFICE PAID BY THE MEMBERS OF THE JOINT AGREEMENT

The Task Force's deputies are employees of and the vehicles used are owned by the Lafayette Parish Sheriff or the Lafayette City-Parish Consolidated Government. All related expenses are paid by these two governmental bodies. Accordingly, these expenses are not included in the accompanying general purpose financial statements.

NOTE 6 BOARD MEMBERS

During the year ended December 31, 2002, the following individuals served on the Board of Directors and received no compensation:

Roy Frusha
Randy Simon
Keith Sibille
Randy Hundley

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Notes to Financial Statements

NOTE 7 LITIGATION AND CLAIMS

The Task Force is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Task Force's results of operations.

SUPPLEMENTARY INFORMATION

COMPLIANCE
AND
INTERNAL CONTROL



(A Corporation of Certified Public Accountants)

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Stephen R. Dischler, MBA, CPA
Steven G. Moosa, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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Lafayette, Louisiana

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We have audited the general purpose financial statements of the Lafayette Metro Narcotics Task Force for the year ended December 31, 2002, and have issued our report thereon dated March 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lafayette Metro Narcotics Task Force's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lafayette Metro Narcotics Task Force's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Lafayette Metro Narcotics Task Force's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary schedule of findings and questioned costs as Item 02-1.

American Institute of
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Society of Louisiana
Certified Public Accountants

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described in the accompanying schedule of findings and questioned costs as Item 02-1 is a material weakness.

This report is intended solely for the information and use of management, the Lafayette Parish Sheriff, and the Lafayette City-Parish Consolidated Government, and is not intended to be and should not be used by anyone other than these specified parties.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

March 20, 2003

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Schedule of Prior Year Audit Findings
Year Ended December 31, 2002

- 01-1 Finding: Individual Segregation of Accounting Functions
 Status: This finding is unresolved. See Current Year Finding 02-1.
- 01-2 Finding: Reconciliation of Cash
 Status: This finding is resolved.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2002

PART 1 SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on the Lafayette Metro Narcotics Task Force's financial statements as of and for the year ended December 31, 2002.

Reportable Conditions - Financial Reporting

A reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as Items 02-1 in Part 2, and is considered a material weakness.

Material Noncompliance - Financial Reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable.

PART 2 FINDINGS RELATING TO AN AUDIT IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

02-1 Individual Segregation of Accounting Functions

Finding:

Due to the small number of accounting personnel, the Task Force did not have adequate segregation of functions within the accounting system.

Recommendation:

Based on the size of the operation and the cost-benefit of additional accounting personnel, it may not be feasible to achieve complete segregation of duties.

PART 3 FINDINGS AND QUESTIONED COSTS RELATING TO THE FEDERAL PROGRAMS

This section is not applicable.

LAFAYETTE METRO NARCOTICS TASK FORCE
Lafayette, Louisiana

Management's Corrective Action Plan
Year Ended December 31, 2002

- 02-1 Based upon the cost-benefit of additional personnel, it may not be feasible to achieve segregation of accounting functions.