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THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 1995

state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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.

Bruno
& Tervalon
CERTIFIED PUBLIC ACCOUNTANTS

Release Date 7-17-96

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

**To the Clerk of the Criminal District
Court - Orleans Parish
New Orleans, Louisiana**

We have audited the general purpose financial statements of the **Clerk of the Criminal District Court - Orleans Parish (the Clerk of Court)** for the year ended December 31, 1995 and have issued our report thereon dated April 23, 1996.

As part of our audit, we made a study and evaluation of the internal control structure, including applicable internal administrative controls, to the extent we considered necessary to evaluate the internal control structure as required by generally accepted auditing standards.

During our audit we become aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our report dated April 23, 1996 on general purpose the financial statements of the **Clerk of the Criminal District Court - Orleans Parish**.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

(Continued)

1. ACCOUNTING MANUAL

We noted during our audit that **the Clerk of Court** did not have an accounting procedures manual. However, subsequent to the fiscal year a Financial Control Policy and Procedures Manual was developed and distributed to the appropriate staff. Orientation workshops in connection with the manual were attended by all persons having authorization and responsibilities surrounding cash receipts and disbursements.

We recommend that management of **the Clerk of Court** require staff to adhere to the policies and procedures contained in the manual and periodically have the manual updated for changes in the operations that may have been warranted.

2. PURCHASE ORDER SYSTEM

We noted during our audit that **the Clerk of Court** had not established a purchase order system for purposes of properly ensuring the following:

- o Disbursements are authorized and approved prior to incurring the liability; and
- o Disbursements are properly accounted for within the budgetary process.

We recommend that management of **the Clerk of Court** take immediate steps to implement a purchase order system and also develop written procedures with regard to the purchasing process (i.e. emergency purchases, competitive bids, approvals, receiving merchandise, etc).

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

(Continued)

3. CONFLICT OF INTEREST POLICY

We noted during our audit that **the Clerk of Court** had not adopted a specific policy on conflict of interest that specifies that personnel in a position of trust are not related to each other; employees are prohibited from having business dealings with companies affiliated with, or acting as major customers or suppliers of, the governmental unit; transactions with officials of the governmental unit are adequately controlled and disclosed in the records; and such transactions occur only in the normal course of business and are legally authorized.

We recommend that immediate steps be taken to develop such a policy and that employees be required to periodically make a declaration of compliance.

4. EXPUNGEMENT FEES

We noted during our audit that **the Clerk of Court** did not maintain supporting documentation for the calculation of the amount of funds payable to the state of Louisiana as a result of fees received from individuals who wish to have criminal records expunged. **The Clerk of Court** retains 60% of the amount collected with 40% being remitted to the State of Louisiana.

We recommend that **the Clerk of Court** take immediate steps to establish procedures to ensure that calculations for expungement fees paid to the State of Louisiana are properly documented.

5. SERVICE FEES AND COSTS

We noted during our audit that in preparing the budget for the general fund of **the Clerk of Court** that *management of the Clerk of Court* did not consider the service fees collected and costs paid by the office. The budget was prepared based upon the fact that the City of New Orleans assumed full responsibility for the payment of all costs of **the Clerk of Court**.

We recommend that immediate steps be taken to discuss this matter with representatives of the City of New Orleans.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

(Continued)

6. EMPLOYEE DISHONESTY

We noted during our audit that the management of **the Clerk of Court** had not obtained employee dishonesty coverage. Since employment responsibilities of certain employees of **the Clerk of Court** involve the handling of cash, it is imperative that the office have appropriate insurance coverage.

We recommend that management of **the Clerk of Court** take immediate steps to obtain adequate employee dishonesty coverage.

7. ESTABLISHMENT OF A COMMITTEE OF THE GOVERNING BODY

We noted during our audit that **the Clerk of Court** had not established a Committee of the Governing Body consisting of knowledgeable public officials and/or appropriate employees of the office who would meet periodically and discuss such matters as:

- o Expenditure authorizations, and related appropriations, including any special or restrictive provisions.
- o Appropriation transfer.
- o Monthly financial statements.
- o Indications of new or additional revenue sources, including grants from other levels of government.
- o Awards to successful bidders for competitive bid acquisitions.
- o Authorization for bank or other debt incurred.
- o Authorization for new leases entered into.
- o Authorization for significant new employees hired.
- o Changes in licenses, fines, or fees rates.
- o Joint ventures entered into with other governments.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

(Continued)

7. **ESTABLISHMENT OF A COMMITTEE OF THE GOVERNING BODY**, Continued

- o Public hearings held; e.g., as part of the budget adoption process.
- o Authorizations of fund balance designations or reservations.
- o General ledger funds created or closed.
- o Bank or depository accounts opened or closed.
- o Official or employee fidelity and faithful performance bond requirements.

We recommend that **the Clerk of Court** give consideration to the establishment of such a committee and that the matters discussed and agreed to be documented in the form of written minutes.

8. **INTEREST EARNED ON BOND FUNDS**

We noted during our audit that **the Clerk of Court** had recorded interest earned on investments, which were designated as bonds held for others, as revenue in the general fund.

We recommend that **the Clerk of Court** discuss this matter with appropriate representatives of the Criminal District Court and the State of Louisiana to ensure that the noted interest earnings can be utilized for general operating expenditures of **the Clerk of Court**.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

(Continued)

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 23, 1996

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& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT

To Mr. Edwin A. Lombard
Clerk of the Criminal District
Court - Orleans Parish
New Orleans, LA

We were engaged to audit the general purpose financial statements of the Clerk of the Criminal District Court - Orleans Parish, a component unit of the City of New Orleans, as of and for the year ended December 31, 1995. These general purpose financial statements are the responsibility of the Clerk of the Criminal District Court - Orleans Parish's management.

Detailed accounting records have not been maintained to document the appropriate amount of the related liability for cash bonds payable to defendants as of December 31, 1995 and support for service fees collected by the Clerk of the Criminal District Court - Orleans Parish for the year ended December 31, 1995. Also, detailed fixed asset records have not been maintained to support the cost of furniture, fixtures and equipment acquired and/or contributed prior to January 1, 1995. The Clerk of the Criminal District Court - Orleans Parish's records do not permit the application of other auditing procedures to bonds payable, services fees and furniture, fixtures and equipment.

Since the Clerk of the Criminal District Court - Orleans Parish did not maintain detailed accounting records for bonds payable and service fees, and detailed fixed asset records and we were not able to apply other auditing procedures to satisfy ourselves as to the amount of bonds payable to defendants, the reasonableness of service fees collected, and the cost of furniture, fixtures and equipment, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the general purpose financial statements.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To Mr. Edwin A. Lombard
Clerk of the Criminal District
Court - Orleans Parish
New Orleans, LA
Page 2

We were engaged to audit the general purpose financial statements of the Clerk of the Criminal District Court - Orleans Parish taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. For reasons previously stated, we do not express an opinion on the general purpose financial statements. Similarly, we do not express an opinion on the schedule of federal financial assistance.

In accordance with Government Auditing Standards, we have also issued a report dated April 23, 1996 on our consideration of the Clerk of the Criminal District Court - Orleans Parish's internal control structure and a report dated April 23, 1996 on its compliance with laws and regulations.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 23, 1996

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1995

	<u>GOVERNMENTAL FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>AGENCY FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>(MEMORANDUM ONLY - NOTE 2)</u>
<u>ASSETS</u>				
Cash on-hand and in banks	\$55,368	\$126,900	\$ -0-	\$182,268
Certificates of deposit	-0-	75,000	-0-	75,000
Accounts receivable	625	616	-0-	1,241
Due from other funds	-0-	706	-0-	706
General fixed assets	<u>-0-</u>	<u>-0-</u>	<u>6,968</u>	<u>6,968</u>
Total assets	<u>\$55,993</u>	<u>\$203,222</u>	<u>\$6,968</u>	<u>\$266,183</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$17,619	\$ -0-	\$ -0-	\$ 17,619
Bonds payable	-0-	203,222	-0-	203,222
Deferred grant revenue	5,670	-0-	-0-	5,670
Due to other funds	706	-0-	-0-	706
Due to the City of New Orleans	<u>20,934</u>	<u>-0-</u>	<u>-0-</u>	<u>20,934</u>
Total liabilities	<u>44,929</u>	<u>203,222</u>	<u>-0-</u>	<u>248,151</u>
Fund equity:				
Investment in general fixed assets	-0-	-0-	6,968	6,968
Fund balance - unreserved	<u>11,064</u>	<u>-0-</u>	<u>-0-</u>	<u>11,064</u>
Total fund equity	<u>11,064</u>	<u>-0-</u>	<u>6,968</u>	<u>18,032</u>
Total liabilities and fund equity	<u>\$55,993</u>	<u>\$203,222</u>	<u>\$6,968</u>	<u>\$266,183</u>

The accompanying notes are an integral part of these financial statements.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUND TYPE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1995

REVENUES

Charges for services:

Expungement	\$ 16,500
Bonds processed fee	25,576
Name search	45,117
Copies	11,100
Qualification	3,050
Court fines and costs	7,642
Interest	2,445
Miscellaneous	70
Grant revenues	<u>3,330</u>
 Total revenues	 <u>114,830</u>

EXPENDITURES

General government:

Office expenditures	13,447
Repairs, materials and supplies	28,445
Travel and education	2,091
Professional fees	23,225
Postage and freight	3,334
Printing and binding	8,006
Capital outlays	6,968
Equipment rental	3,869
Telephone	4,891
Other	6,742
Rent	<u>3,300</u>

Total expenditures 104,318

Excess of revenues over expenditures 10,512

Fund balance, beginning of year 552

Fund balance, end of year \$ 11,064

The accompanying notes are an integral part of these
financial statements.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL FUND TYPE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1995

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Charges for services:			
Expungement	\$ -0-	\$ 16,500	\$ 16,500
Bonds processed fee	-0-	25,576	25,576
Name search	-0-	45,117	45,117
Copies	-0-	11,100	11,100
Qualification	-0-	3,050	3,050
Court fines and costs	-0-	7,642	7,642
Interest	-0-	2,445	2,445
Miscellaneous	-0-	70	70
Grant revenues	<u>-0-</u>	<u>3,330</u>	<u>3,330</u>
Total revenues	<u>-0-</u>	<u>114,830</u>	<u>114,830</u>
<u>EXPENDITURES</u>			
General government:			
Office expenditures	-0-	13,447	(13,447)
Repairs, materials and supplies	-0-	28,445	(28,445)
Travel and education	-0-	2,091	(2,091)
Professional fees	-0-	23,225	(23,225)
Postage and freight	-0-	3,334	(3,334)
Printing and binding	-0-	8,006	(8,006)
Capital outlays	-0-	6,968	(6,968)
Equipment rental	-0-	3,869	(3,869)
Telephone	-0-	4,891	(4,891)
Other	-0-	6,742	(6,742)
Rent	<u>-0-</u>	<u>3,300</u>	<u>(3,300)</u>
Total expenditures	<u>-0-</u>	<u>104,318</u>	<u>(104,318)</u>
Excess of revenues over expenditures	-0-	10,512	10,512
Fund balance, beginning of year	<u>-0-</u>	<u>552</u>	<u>552</u>
Fund balance, end of year	\$ <u>-0-</u>	\$ <u>11,064</u>	\$ <u>11,064</u>

The accompanying notes are an integral part of these
financial statements.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization:

As provided by Article 5, Section 28 of the Louisiana Constitution, the Clerk of the Criminal District Court (the Clerk of Court) serves as the ex-officio notary public, the recorder of conveyances and other acts, and shall have other duties and powers provided by law. The Clerk of Court is elected for a term of four (4) years by the voters of Orleans Parish.

NOTE 2 - Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying financial statements of the Clerk of Court have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard - setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

As the governing authority of the Parish, for reporting purposes, the City of New Orleans is the financial reporting entity. The financial reporting entity consists of (a) the primary government (the City of New Orleans), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies,
Continued:

Reporting Entity, Continued

Governmental Accounting Standards Board of Statement No. 14, The Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of New Orleans for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability to impose your will on that organization and/or;
 - b. the potential to provide specific financial benefits to or impose specific financial burdens on that organization.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization was not included.

Since the Clerk of Court is fiscally dependent on the City of New Orleans, it is considered to be a component unit of the City of New Orleans, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Clerk of Court and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies,
Continued:

Fund Accounting

The accounts of the Clerk of Court are organized on the basis of funds and account groups, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which are segregated for the purpose of carrying on specific activities or attaining certain directives in accordance with special regulations, restrictions, or limitations. 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 funds presented in the financial statements are described as follows:

General Fund

The General Fund, as provided by Louisiana Revised Statute 13:781, is the principal fund of the Clerk of Court and is used to account for the various fees and charges due to the Clerk's office. Since the Clerk of Court is fiscally dependent on the City of New Orleans for the payment of all operating costs, general operating expenditures are neither budgeted nor paid from this fund.

Agency Funds

The Bond Fund is an agency fund used to account for assets held by the Clerk of Court as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies,
Continued:

General Fixed Assets

General fixed assets are long-lived assets of the Clerk of Court. When purchased, such assets are recorded as expenditures in the general fund and capitalized (recorded and accounted for) in the General Fixed Assets account group.

Detailed fixed asset records for general fixed assets purchased by the City of New Orleans for the Clerk of Court have not been maintained. As such, the cost of such contributed assets are not recorded within the General Fixed Assets Account group.

Recorded fixed assets are valued at historical cost, and no depreciation has been provided.

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 governmental fund is accounted for using the modified accrual basis of accounting. The revenues are recognized when they become measurable and available as net current assets. Charges for services and interest revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies,
Continued:

Budgetary Practices

The annual budget for the Clerk of Court's general fund is prepared based upon the fact that the City of New Orleans will provide resources and pay all operating costs of the Clerk of Court (See NOTE 4). The General Fund's budget is prepared on a modified accrual basis of accounting and includes original adopted amounts and all subsequent amendments. All annual appropriations lapse at the fiscal year end.

Cash

Cash includes amounts in demand deposit accounts, interest-bearing demand deposits accounts, and certificates of deposit. Under state law, the Clerk of Court may deposit funds in demand deposits accounts, interest-bearing demand deposit accounts, money market accounts, or time certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Deferred Grant Revenues

Deferred grant revenues represent the amount of grant receipts in excess of the related grant expenditures as of December 31, 1995.

Total Columns on the Combined Statements - Overview

The total columns on the combined balance sheet are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Since interfund eliminations have not been made in the aggregation of this data, data in these total columns does not present financial position in conformity with generally accepted accounting principles and is not comparable to a consolidation.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Cash and Certificate of Deposits:

At December 31, 1995, the Clerk of Court's cash balances totaled \$257,268 as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Petty Cash	\$ 395
Interest bearing demand deposits	<u>181,873</u>
Sub-total	182,268
Time deposits	<u>75,000</u>
Total	<u>\$257,268</u>

These deposits are stated at cost, which approximates market.

Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent. These securities are held by the fiscal agent bank in the name of the Clerk of Court.

At December 31, 1995, the carrying amount of the Clerk of Court's deposits was \$257,268 and the bank balance was \$257,985. Of the bank balances, \$100,000 was covered by federal depository insurance and \$150,000 was covered by collateral held by the pledging institutions' agent in the Clerk of Court's name. Credit risks arising from unsecured deposits totaled \$7,985 at December 31, 1995.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Expenses Paid by Others:

The Clerk of Court is fiscally dependent on the City of New Orleans for the payment of all operating costs directly by the City of New Orleans. As such, salaries, vacation pay and sick pay of the Clerk of Court's employees and all other operating expenditures are paid directly by the City of New Orleans. The amount of the expenses paid by the City of New Orleans, which were audited by other independent auditors for the year ended December 31, 1995 are as follows:

<u>DESCRIPTION</u>	<u>BUDGETED AMOUNT</u>	<u>ACTUAL AMOUNT</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Salaries	\$1,619,480	\$1,138,784	\$ 480,696
Employee benefits	132,507	626,269	(493,762)
Dues and subscriptions	988	1,950	(962)
Postage	634	1,721	(1,087)
Printing	-0-	1,812	(1,812)
Professional services	103,683	956	102,727
Rents and leases	68,129	70,130	(2,001)
Repairs and maintenance	7,533	2,904	4,629
Telephone	1,250	1,161	89
Miscellaneous	626	2,821	(2,195)
Supplies	625	819	(194)
Special costs	54,005	16,540	37,465
Other costs	<u>46,323</u>	<u>22,025</u>	<u>24,298</u>
Total	<u>\$2,035,783</u>	<u>\$1,887,892</u>	<u>\$ 147,891</u>

Should the City of New Orleans be unable to pay these costs in the future, the effects would be adverse to the operations of the Clerk of Court.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Leases:

For the year ended December 31, 1995, the Clerk of Court's payments for the lease of microfilm equipment and reproduction machines were paid by the City of New Orleans. These expenses are paid under operating leases on a month-to-month basis and can be cancelled at any time. There are no minimum, contingent or sublease rentals. Additionally, the Clerk of Court entered into a lease agreement for office space for a term of one year commencing October 1, 1995 at a monthly rental of \$285. The agreement also provides for a one year option with a monthly rental of \$310.

NOTE 6 - Compensated Absences:

Employees of the Clerk's Office hired after January 1, 1979 earn annual and sick leave on a bi-weekly basis totaling thirteen (13) days of sick leave and thirteen (13) days of annual leave annually. Employees hired prior to January 1, 1979 earn on a bi-weekly basis annual leave of eighteen (18) days and sick leave of twenty-four (24) days annually. The responsibility for payment of those benefits rest with the City of New Orleans.

NOTE 7 - Bonds Payable:

Bonds payable represent funds paid by defendants for their release from court custody, such as bail. The amount of such bonds will be reimbursed to the defendant upon his appearance for trial and/or forfeited toward arrearages. At December 31, 1995, the Clerk of Court did not maintain detail accounting records to provide the appropriate amount of the related liability for cash bonds payable to defendants.

The Clerk of Court is the custodian of property bond records for the District Attorney of the Orleans Judicial District. Promissory notes related to such property bonds are made payable to the District Attorney/State of Louisiana. The related amount of property bonds are not included in the accompanying financial statements.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Commitments and Contingencies:

The Clerk of Court is co-defendant in a legal action which arose during the ordinary course of business. The legal action asks for actual and punitive damages in excess of \$18,000. In the opinion of management and outside counsel, the Clerk of Court has adequately provided for its' exposure for the legal action which has been charged to operations in the accompanying general purpose financial statements for December 31, 1995.

As a result of an investigation of the receipts and collections of fees and charges due to the Clerk of Court and bonds paid by defendants which are either reimbursable to or forfeited by defendants for the period January 1, 1991 through March 31, 1995, it was determined that approximately \$193,545 of funds could not be reconciled to the accounting records or supported with proper documentation. Such differences or lack of supporting documentation included \$27,616 of cash bond funds, \$147,070 in revenues and \$17,826 in unauthorized check disbursements. Due to the lack of reconciliations or sufficiency of documentation in support of noted amounts and because fidelity bond coverage was not previously secured to compensate the Clerk's office for the loss of the funds, no accruals for the loss of revenues have been recorded. Additionally, management of the office has not presently determined the total amount reimbursable to defendants for the cash bonds losses totaling \$27,616. Therefore, an accrual for the related amounts due to defendants have not been recorded in the general purpose financial statements.

SUPPLEMENTAL INFORMATION

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS REPORT ON THE INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Mr. Edwin A. Lombard
The Clerk of the Criminal District
Court - Orleans Parish
New Orleans, LA

We were engaged to audit the general purpose financial statements of the Clerk of the Criminal District Court - Orleans Parish (the Clerk of Court) as of and for the year ended December 31, 1995 and have issued our report thereon dated April 23, 1996. In our independent auditors' report on the general purpose financial statements we disclaimed an opinion because of the organization's failure to maintain detailed accounting records to document the related liability for cash bonds payable and the reasonableness of service fees collected and additionally, the failure to maintain detailed fixed asset records to document the composition and cost of furniture, fixtures, and equipment.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of the Clerk of Court is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets

INDEPENDENT AUDITORS REPORT ON THE INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors, or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Clerk of Court for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with assertions of management in the general purpose financial statements. See the accompanying schedule of reportable conditions.

INDEPENDENT AUDITORS REPORT ON THE INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions included on pages 18 to 27 involving the internal control structure and its operation are material weaknesses as defined above.

These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the general purpose financial statements of the Clerk of Court for the year ended December 31, 1995.

We noted other matters involving the internal control structure and its operations that we have reported to the management of the Clerk of Court in a separate letter dated April 23, 1996.

This report is intended for the information of the Clerk of Court, management, the City of New Orleans and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 23, 1996

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

SCHEDULE OF REPORTABLE CONDITIONS

1. CASH COLLECTIONS

An investigation of receipts and collections that may or may not have been deposited into certain bank accounts maintained by the Clerk of the Criminal District Court - Orleans Parish (the Clerk of Court) during the period January 1, 1991 through March 31, 1995 was performed. As a result, potential dollar discrepancies were noted totaling \$193,545. However, because of the consistent lack of sufficient evidentiary/support documentation such as service order forms, cash receipt logs, etc. and the overall lack of segregation of duties pertaining to the accounts, the potential dollar discrepancies might not be all inclusive.

The investigation identified that the irregularities may have been facilitated by a cash management system that lacked adequate segregation of duties and key internal accounting controls. Additionally, the investigation resulted in development of operating procedures during the latter part of 1995 and continuing in 1996 and the providing of training to designated employees to ensure such procedures are adhered to.

Since the operating procedures were not fully implemented until the subsequent year, the internal control deficiencies noted during the investigation were still prevalent during the period April 1, 1995 through December 31, 1995. See the Reportable Condition entitled Internal Control Structure for further details.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

2. INTERNAL CONTROL STRUCTURE

The management of the Clerk of Court is responsible for establishing and maintaining an internal control structure. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with generally accepted accounting principles.

As a result of our audit of the Clerk of Court, we noted in summary the following matters with respect to the Internal Control Structure:

- o Major weaknesses in the overall internal control structure design;
- o The absence of appropriate segregations of duties consistent with appropriate control objectives;
- o The absence of appropriate documentation to support reviews and approvals of transactions, accounting entries and systems output;
- o The absence of an appropriate accounting system;
- o Procedures for appropriately assessing and applying accounting principles were not documented; and
- o Weaknesses in provisions for the safeguarding of assets;

Specific comments regarding such material weaknesses are provided in subsequent discussions of internal control deficiencies.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

3. ACCOUNTING SYSTEM

We noted during our audit that management of the Clerk of Court did not maintain such accounting records as a general ledger, subsidiary cash receipt and cash disbursement ledgers to account for service fees received, bonds paid by defendants and expenditures disbursed from service fees collections, and an accounts payable subsidiary ledger. Additionally, we noted that monthly financial statements were not prepared.

We recommend that immediate steps be taken to ensure that books of original entry are maintained for self-generating revenues, bond collections, and disbursements for miscellaneous expenditures, and that monthly financial statements are prepared and provided to appropriate management.

During the end of 1995, the Clerk of Court took the necessary steps to summarize receipts and disbursements and prepared monthly financial statements which facilitated the current audit process. We recommend that the Clerk of Court ensure that accounting ledgers are maintained on a current basis in 1996.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

4. CASH RECEIPTS

We noted during our audit the following with regard to service fees collected and bond payments made by defendants:

- o Adequate physical controls did not exist over cash receipts from the time of receipt from individuals to the time of bank deposit;
- o Numerical sequences of collection documentation was not accounted for and prenumbered receipts were not always issued for service fees;
- o Cash receipts were not deposited intact on a daily basis and collection documentation totals were not compared to bank deposits and posted to cash receipts journals;
- o Items subject to normal receipts control (i.e. unidentified receipts, corrections to deposit slips, NSF checks, etc.) are not received and investigated by persons independent of the preparation of deposits;
- o Collection functions were not independent of the bank deposit and accounting functions;
- o Receipts of currency are not controlled by cash receipts or other independent means that are unavailable to the bookkeeping function;
- o Currency receipts are not reconciled to the total of either cash registers or prenumbered receipts.

We recommend that immediate steps be taken to establish an effective internal control structure for cash receipts.

We were informed by management that procedures have been developed and implemented during 1996 to correct the noted deficiencies.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

5. CASH DISBURSEMENTS

We noted during our review of the internal control structure for cash disbursement transactions the following:

- o Physical and accounting controls over unauthorized use of blank check stock were not adequate;
- o Checks were not prepared by employees who were independent of voucher/invoice approval;
- o Checks were made payable to cash;
- o A check protector was not utilized;
- o Voided/spoiled checks were not properly mutilated and retained;
- o Authorized check signers were not independent of voucher preparation and approval for payment, check reparation, cash receiving and petty cash and purchasing and receiving;
- o Signing of blank checks were not forbidden;
- o Custody of checks after signature and before mailing were not handled by an employee independent of certain other functions;
- o Petty cash records were not inaccessible to the custodian;
- o Petty cash vouchers were not approved by a responsible employee other than the custodian;
- o Petty cash voucher amounts were not spelled as well as written in numerals;
- o Checks for petty cash reimbursements were not made out to the order of the custodian;
- o Reimbursement vouchers and attachments were not cancelled following the signing of the reimbursement check;

THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH

SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

5. CASH DISBURSEMENTS, CONTINUED

- o The petty cash fund was not periodically reconciled by someone independent of the custodian;
- o The Clerk of Court does not annually authorize all bank accounts and check signers.

We recommend that management of the Clerk of Court take immediate steps to establish an effective internal control structure for cash disbursements.

We were informed by management of the Clerk of Court that procedures have been developed and implemented during 1996 to correct the noted deficiencies.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

6. CASH DISBURSEMENT TRANSACTIONS

We noted during our audit of selected expenditures of the Clerk of Court the following:

<u>VENDOR INVOICES</u>	<u>EXCEPTIONS NOTED</u>	<u>SAMPLE SIZE</u>
Original vendor invoices were not cancelled to prevent duplicate payment and did not either exhibit mathematical verification or payment approval.	53	176
Original vendor invoices were not on file; copy of invoices were not cancelled and did not either exhibit mathematical verification or payment approval.	19	176
Original vendor invoices were not on file; copy of invoices were approved but not cancelled and did not exhibit mathematical verification.	6	176
Original vendor invoices were cancelled but did not either exhibit mathematical verification or payment approval.	4	176
Original vendor invoices were approved but not cancelled and did not exhibit mathematical verification.	11	176
Neither the original or copy of the vendor's invoice was maintained	26	176

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

6. CASH DISBURSEMENT TRANSACTIONS, CONTINUED

<u>ACCOUNTS PAYABLE VOUCHER REQUISITIONS</u>	<u>EXCEPTIONS NOTED</u>	<u>SAMPLE SIZE</u>
Accounts payable voucher requisitions were not signed by the requester, approved for payment, nor complete.	93	176
Accounts payable voucher requisitions were signed by the requestor, but not approved for payment.	15	176
Accounts payable voucher requisitions were not signed by the requestor, but was approved for payment	3	176
Accounts payable voucher requisitions were not located.	13	176
Accounts payable voucher requisitions, vendor invoices, receiving reports or other documentation were not retained.	50	176

We recommend that management of the Clerk of Court adhere to established procedures to ensure that the noted conditions do not reoccur in the future.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

7. BANK RECONCILIATIONS

We noted during our audit that internal control procedures had not been established for the bank reconciliation process. The management of the Clerk of Court had not established procedures for the following:

- o Bank accounts being reconciled promptly after the end of each month;
- o Individuals receiving unopened bank statements being independent of the bank reconciler;
- o Bank reconciliations being performed by someone other than persons who participated in the receipt or disbursement of cash;
- o Specific bank reconciliation procedures with respect to deposits and disbursements;
- o Checks being outstanding for a considerable time;
- o Approval by an appropriate person of cash account adjustments; and
- o Approving and recording interbank transfers.

We recommend that management of the Clerk of Court take immediate steps to correct the noted deficiencies.

We were informed by management of the Clerk of Court that procedures have been developed and implemented during 1996 to correct the noted deficiencies.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

8. CASH DEPOSITS

We noted during our audit that available cash receipt records for service fees did not reconcile to cash receipt deposits reflected on bank statements for certain service fees tested.

Five months during the year were randomly selected for each type of service fee with the following information noted for that period:

<u>DESCRIPTION</u>	<u>AMOUNTS PER RECEIPT RECORDS</u>	<u>AMOUNTS PER BANK STATEMENTS</u>	<u>DIFFERENCE (OVER) UNDER</u>
Expungement	\$10,550	\$ 7,250	\$(3,330)
Name search	14,180	16,930	2,750
Bonds collected	18,852	13,250	(5,602)
Bond fee	10,670	11,248	578
Copy service	1,469	5,513	4,044

We recommend that appropriate personnel of the Clerk's office make an attempt to reconcile the above differences. We also recommend that immediate steps be taken to ensure that an adequate internal control structure is established for the collection and deposit of service fee revenues.

We were informed by management that procedures have been developed in 1996 to correct the noted deficiencies.

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To Mr. Edwin A. Lombard
The Clerk of the Criminal District
Court - Orleans Parish
New Orleans, LA

We were engaged to audit the general purpose financial statements of the Clerk of the Criminal District Court - Orleans Parish (the Clerk of Court) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 23, 1996. In our independent auditors' report on the general purpose financial statements, we disclaimed an opinion because of the organization's failure to maintain detailed accounting records to document the related liability for cash bonds payable, the reasonableness of service fees collected and additionally, the failure to maintain detailed fixed asset records to document the composition and cost of furniture, fixtures and equipment.

We conducted our audit in accordance with generally accepted auditing standards, and 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.

Compliance with laws, regulations, contracts, and grants applicable to the Clerk of Court is the responsibility of the Clerk of Court's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Clerk of Court's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

(CONTINUED)

The results of our tests disclosed instances of noncompliance that are required to be reported herein under Government Auditing Standards. See the Schedule of Findings and Questioned Costs.

We considered these instances of noncompliance in forming our opinion on whether the Clerk of Court's general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated April 23, 1996 on those general purpose financial statements.

This report is intended for the information of the Clerk of Court, management, the City of New Orleans and the State of Louisiana. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Clerk of Court is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 23, 1996

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

1. COMPLIANCE WITH STATE LAWS AND REGULATIONS QUESTIONED COSTS

\$-0-

Conditions

We noted during our audit that the Clerk of the Criminal District Court - Orleans Parish (the Clerk of Court) did not comply with the following Louisiana Revised Statutes:

- o LSA - R.S. 24.513 I.(i)(e) and (j) which stipulates that auditees must be audited at least once every two (2) years and whoever violate such provisions shall be fined not more than one thousand dollars and shall be deemed guilty of malfeasance and gross misconduct in office. Audit frequency for quasi-public entities is further defined based upon 1995 legislation.

Historically, the Clerk of Court has not provided for the audit of the organization's financial statements.

- o LSA-R.S. 24:514 which stipulates that an auditee, as defined shall furnish to the Legislative Auditor, annually, sworn annual financial statements prepared in accordance with generally accepted accounting principles which include such disclosures required by state and federal regulations, whenever an audit of the financial statements has not been performed. Such statements are required to be submitted within ninety days following the close of the accounting year.

Previously, the Clerk of Court has not prepared annual financial statements.

- o LSA-R.S. 24:515 which stipulates that all accounts of public funds (books and records) shall be kept in the form prescribed by the Legislative Auditor.

The Clerk of Court has not maintained accounts of public funds in the form prescribed by the Legislative Auditor.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

1. COMPLIANCE WITH STATE LAWS AND REGULATIONS, CONTINUED

Conditions, Continued

- o LSA-R.S. 24:515 B. (1) which stipulates that the head of every auditee subject to examination and audit under the provisions of R.S. 24:513(A) shall maintain records of improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable.

The Clerk of Court has failed to maintain fixed asset records.

- o LSA-R.S. 24:516(A)(2) which stipulates that the Clerk of Court is required to make an audit report available on the first regular scheduled work day after expiration of three (3) days from the time the report is filed in the Office of the Clerk of Court and shall extend for a period of not less than one year.

As previously noted, the Clerk of Court has not provided for the audit of the organization's financial statements.

- o LSA - R.S. 39:1225 which stipulates that local depositing authorities such as the Clerk of Court shall require that the amount of security for deposits at a financial institution shall at all times be equal to 100% of the amount on deposit to the credit of each depositing authority, except that portion of the deposits insured by the FDIC.

At December 31, 1995 the Clerk of Court had a deficiency in security for deposit totaling \$7,985.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

1. COMPLIANCE WITH STATE LAWS AND REGULATIONS, CONTINUED

Conditions, Continued

- o LSA-R.S. 13:1031 and 13.752 which stipulates that the Clerk of Court shall give bond payable to the governor in the sum of ten thousand dollars, with at least two good and solvent sureties.

The Clerk of Court has only one surety and an internal review was not performed to ensure that the surety was solvent.

- o LSA-R.S. 13:1032 which stipulates that the sureties for the Clerk's bond shall be residents of the Parish of Orleans.

The insurance agent is a resident of Orleans Parish. However, the surety company is an out of state company.

- o LSA-R.S. 13:1033 which stipulates that the bond of the Clerk of the Criminal District Court shall be examined by the two judges of that court and approved by them, if they deem it good and sufficient.

The Clerk of Court has not obtained such an approval.

- o LSA-R.S. 13:757 which stipulates that the seal of the Clerk of Court shall contain the vignette of the state seal with the words "seal of the Clerk of the Parish of Orleans.

The seal of the Clerk of Court does not contain the noted language.

- o LSA-R.S. 39:1212 which stipulates that the funds of the Clerk of Court shall be deposited daily whenever practical in the fiscal agency provided for, upon the terms and conditions, and in the manner as prescribed by state statutes.

The Clerk of Court has not established procedures to provide for daily deposits.

THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

1. COMPLIANCE WITH STATE LAWS AND REGULATIONS, CONTINUED

- o Louisiana Attorney General's opinion 76-435 which stipulates that when a purchase is of a recurring nature, the cost of such purchases for the fiscal year should be estimated and, if the sum exceeds the statutory maximum, the project should be advertised for public bidding.

The Clerk of Court's purchases for printing and binding, computer supplies and office supplies would be applicable to the noted Attorney General's opinion.

CAUSE

The management of the Clerk of Court's office were not aware of their responsibility to comply with many of the noted state statutes and opinion.

EFFECT

The Clerk of Court has not complied with certain Louisiana revised statues.

CRITERIA

The pertinent Louisiana revised statues have been disclosed in the conditions section of this finding.

RECOMMENDATION

We recommend that management of the Office of the Clerk of Court take immediate steps to establish policies and procedures to ensure compliance with the noted state laws and regulations.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

2. <u>CASH DISBURSEMENT TRANSACTIONS</u>	<u>QUESTIONED COSTS</u>
	<u>\$8,586</u>

Conditions

We noted during our audit that several disbursements were made payable to cash with no supporting documentation being available at the time of audit. Additionally, we noted that several expenditures for credit card charges were not supported by either travel reports, expense reports or charge card receipts. The payments for credit card charges were made based upon monthly billing statements and not the documentation in support of the individual charges.

Cause

The Clerk of Court was unable to provide appropriate supporting documentation for the expenditures.

Effect

The Clerk of Court did not properly retain accounting records to fully support the utilization of public funds. As such, we have questioned costs in the amount of \$8,586.

Criteria

State statutes require that applicable organizations maintain accounting records to properly document the utilization of public funds.

Recommendation

We recommend that management of the Clerk of Court take immediate steps to ensure that checks are not written to cash and that credit card charges are properly supported.

**THE CLERK OF THE CRIMINAL DISTRICT COURT
ORLEANS PARISH
EXIT CONFERENCE**

An exit conference was held with the following individuals:

THE CLERK OF THE CRIMINAL DISTRICT COURT

Mr. Edwin A. Lombard	--	Clerk
Mr. Larry Cager	--	Administrative Assistant to the Clerk
Mr. Joseph Broussard	--	Administrative Assistant to the Clerk
Ms. Barbara Nelson	--	Chief Deputy
Mr. Malcolm Tucker	--	Administrative Assistant Accounting
Ms. Teressa MacMurray	--	Administrative Assistant
Ms. Kerilyn Norman	--	Accountant

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno	--	Managing Partner
Mr. Edward J. Phillips, Jr.	--	Senior Audit Manager

The audit report was discussed. This report is intended solely for the use of the Clerk of the Criminal District Court, the City of New Orleans, and the State of Louisiana and should not be used for any other purpose.



Office Of The Clerk Of Court
PARISH OF ORLEANS
CRIMINAL DISTRICT COURT
EDWIN A. LOMBARD, CLERK
EX-OFFICIO CUSTODIAN OF VOTING MACHINES



2700 Tulane Avenue
Room # 115
New Orleans, Louisiana 70119
504-827-3520

April 29, 1996

Dr. Daniel Kyle
Legislative Auditor
State of Louisiana
1600 North Third
Post Office Box 44397
Baton Rouge, Louisiana 70804

Dear Dr. Kyle:

This letter represents our responses and corrective action plan with respect to the audit of the Clerk of the Criminal District Court-Orleans Parish for the year ended December 31, 1995, dated April 23, 1996.

We would like to begin by addressing the three issues that resulted in the issuance of a disclaimer of opinion on our financial statements at December 31, 1995.

- o Given the new policies and procedures that we have instituted and are being following by our staff with respect to the internal controls over cash collections we feel that the auditors will be in a position to express an opinion on our total revenues earned for the year ending December 31, 1996.
- o Our staff is in the process of compiling the appropriate information regarding the fixed assets. We have taken a physical inventory and are now attempting to obtain the purchase price of the fixed assets identified. This process should be complete by the end of the current fiscal year. -
- o An extensive amount of time is being expended by our staff and assistance from external sources in trying to identify the amount of cash bonds that are currently owed to defendants or if in fact, there are amounts that have

been forfeited to the Clerk of Court and should be recognized as income. We feel that this process should be complete by the end of the current year.

The remainder of this letter will address the audit findings.

SCHEDULE OF REPORTABLE CONDITIONS

1. Cash Collection - Page 19

We agree that the independent investigation (conducted in 1995) disclosed certain findings that represented a combination of unauthorized transactions and a condition of unreconcilable records. The resultant report was immediately forwarded to the District Attorney of Orleans Parish for the determination of appropriate legal action. The investigative report further reflected a condition of certain procedural deficiencies in our fiscal-related activities. We immediately engaged the management advisory services of a certified public accounting firm, to assess the existing procedures and develop appropriate controls surrounding the subject cash receipts and disbursement activities. A Financial Control Policy & Procedures manual was developed and distributed to the appropriate staff. Orientation workshops were attended by all persons having authorization and responsibilities surrounding cash receipts and disbursements. The new procedures were implemented in April 1996, upon completion of the orientation workshops.

During the period referenced in the report the Clerk's office did experience a breakdown in internal controls that resulted in the discrepancies noted in the Special Investigation Report. When our office identified the discrepancies we immediately took the necessary action to attempt to identify the problems and turned the resulting report over to the proper authorities for appropriate action. Currently the matter is in the hands of the judiciary system.

We feel that the new system will prevent the reoccurrence of the problems of the past. Appropriate segregation of duties are now in place. We will also request after the second quarter of the current fiscal year an independent evaluation of the effectiveness of the new system and whether our employees are following the established policies and procedures.

2. Internal Control Structure - Page 20

As a result of the deficiencies disclosed in the investigative report, we immediately engaged the management advisory services of a certified public accounting firm. The procedures surrounding the

subject cash receipts and disbursement activities were assessed for internal control structure, segregation of duties, recording and reporting of all fiscal matters, and the overall safeguarding of assets. A Financial Control Policy & Procedures manual was developed. Orientation workshops were attended by all persons having authorization and responsibilities surrounding cash receipts. Accompanying standardized forms were implemented in April 1996, that is, upon completion of the orientation workshops.

3. Accounting System - Page 21

We agree that the independent investigative review disclosed inadequacies in the audited accounting system, in place through 1995. However, our overall process towards corrective action included the development of standard transactional forms and journals for the recording of all cash receipts and cash disbursements. The records are provided to a certified public accounting firm for compilation services. As a result of these new procedures, all transactions are traceable from the point of initiation through the reporting on monthly financial statements. In addition, internal procedures include a monthly reconciliation of the reports generated from the newly adopted accounting system and the appropriate support records.

We feel we have taken the necessary steps to resolve this finding. During the latter part of 1995 we took the necessary steps to generate the appropriate accounting records and financial statements of the Clerks office and are continuing the process in 1996. In fact our accounting records and financial statement are now current through March 31, 1996, including bank reconciliations.

4. Cash Receipts- Page 22

We agree that the audit and independent investigative review disclosed inadequacies in the overall procedures surrounding cash receipts, in place through 1995. These deficiencies are corrected by the newly adopted Financial Control Policy & Procedures, implemented in April 1996. Procedural controls and segregation of duties have been established for the collections process, bank deposit function, journal recordings and the bank reconciliation function.

We will request after the six months ending June 30, 1996, a review and evaluation of the effectiveness of the new system and whether our employees are adhering to the written policies and procedures.

5. Cash Disbursements - Page 23

We agree that the audit and independent investigative review disclosed inadequacies in the overall procedures surrounding cash

disbursements, in place through 1995. These deficiencies are corrected by the newly adopted Financial Control Policy & Procedures, implemented in April 1996. Procurement policy statements were developed and issued to staff. Procedural controls and segregation of duties have been established from the point of a purchase requisition through check writing and the distribution of same. Authorized Requisitioners for designated areas of responsibility have been established in writing by the Clerk of Court. Physical control procedures have been established for stock checks.

6. Cash Disbursement Transactions - Page 25

We agree that the audit and independent investigative review disclosed certain transactional discrepancies surrounding cash disbursements through 1995. These types of deficiencies are corrected by the newly adopted Financial Control Policy & Procedures, implemented in April 1996. All cash disbursements, including petty cash reimbursements, require standard support documentation. All documents supporting a vendor payment are cancelled to prevent duplicate payments. The new procedures require a matching of a purchase requisition to the receiving document and vendor invoice. All records will be retained in accordance with the requirements of the city and state.

In those instances where vendor invoices were not on file, we have already begun the process of contacting the individual vendors for authentic copies of the invoice and/or other supporting documents. My staff is also in the process of reviewing 100% of the checks written since January 1, 1996 on all checking accounts making sure the exceptions noted in this finding do not exist for any transaction occurring in 1996.

The six month review that we plan to undertake during July 1996 will evaluate the conditions noted in this area.

7. Bank Reconciliations - Page 27

We agree that the independent investigation conducted in 1995 disclosed certain findings that represented a combination of unauthorized banking transactions and a condition of unreconcilable records. Monthly bank reconciliation procedures were instituted in January 1996. Other related procedural deficiencies are corrected by the newly adopted Financial Control Policy & Procedures, implemented in April 1996. Procedural controls and segregation of duties have been established for the monthly bank reconciliation process. These procedures include restrictive access to the bank statements, prompt reconciliation and follow-up action, independent duties, and restrictive authorizations.

The policies and procedures implemented by our new accounting system should correct the findings cited in this area. Our accounting records are up-to-date for the three months ending March 31, 1996 along with the bank reconciliation for each account. This area will also be evaluated during the anticipated six month review.

8. Cash Deposits - Page 28

We agree that the independent investigation conducted in 1995 disclosed certain findings that represented a condition of unreconcilable records. We are in the process of reviewing the discrepancies noted during the audit of 1995 activities. Overall, other related procedural deficiencies are corrected by the newly adopted Financial Control Policy & Procedures, implemented in April 1996 (as discussed in detail responses to Findings 1, 2, 3 and 4).

We have assigned personnel the responsibility of attempting to reconcile the differences cited in this finding. They will be required to submit to me a report of the results of the assignment.

We feel that our new system will prevent the reoccurrence of this condition and other findings noted.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Compliance with State Laws and Regulations

1. (Page 31) The Criminal Clerk of Court office is funded by the City of New Orleans. The city is audited annually. However, we will comply with any audit requirements that pertains to our office.
2. (Page 31) Same as No. 1.
3. (Page 31) The Clerk's Office is currently maintaining its accounting records in the form prescribed by the Legislative Auditor.
4. (Page 32) Property purchased by and maintained in the Clerk of Courts office belong to the City of New Orleans. Therefore, the City regulations apply in reference to property and other fixed assets.

However, the Clerk's Office has taken a physical inventory of property on hand as of the current date. We have started the process of ascertaining the costs of the individual items of equipment on hand. Once determined the necessary accounting entries will be made to record the costs in the accounting records of the Clerk. Current year purchases and future purchases will be recorded in accordance with established procedures. This information will be provided to the City of New Orleans.

5. (Page 32) The Clerk of Court office operates under guidelines set forth by the City of New Orleans. However, immediately upon receipt of the December 31, 1995 audit the report will be made available in the Clerk's Office and shall be made available for a period of not less than one year.

6. (Page 32) The Clerk's Office requires each financial institution to have 100% of the Clerk's Office deposits, in excess of that portion insured by the FDIC, secured. The deficiency in security for the amount totaling \$7,985, at December 31, 1995 was an oversight. We have corrected this oversight.

7. (Page 33) We are in compliance with this regulation.

8. (Page 33) The insurance agent is a resident of Orleans Parish and he assured us that there were no surety company in Louisiana that carried this insurance.

9. (Page 33) The Clerk of Criminal District Court operates under City guidelines.

10. (Page 33) The seal used by the Clerk's Office is the same one used by our predecessor. It contains the same language that it has always contained for as far back as we can determine.

11. (Page 33) We are in the process of implementing a new financial system that will eventually eliminate this problem.

12. (Page 34) We are currently adhering to the City of New Orleans Public bid laws. We are in compliance with this regulation which is in accordance with state law and augmented by administrative policy. I refer you to Policy Memorandum No. 24(R) of the City of New Orleans.

Cash Disbursement Transactions (Page 35)

The Clerk's office personnel is in the process of attempting to determine the reason for the checks being payable to cash and obtaining the supporting documentation to support the checks. We will also contact the credit card company and request that they provide us with a copy of the actual invoice in support of the

charge. We will also require those employees that received travel expense checks to properly document the purpose of the travel and remit the appropriate documentation in support of the expenditure.

It is currently the Clerk's office policy that prohibit checks being made payable to cash. Payment of credit card charges will be supported by the monthly credit card statement in addition to the individual receipts with a notation thereon indicating the purpose of the expenditures.

Conclusion

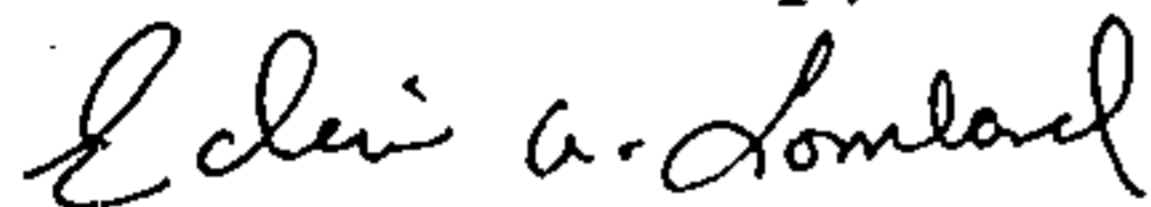
As referenced throughout this response, we have engaged the management advisory services of a certified public accounting firm, who assessed our procedures and fiscal policies. We have developed appropriate controls surrounding cash receipts and disbursement activities. A Financial Control Policy and Procedures manual was developed and distributed to the appropriate staff. The new procedures were implemented in April 1996.

In 1995 we replaced the accountant responsible for most of our problems. We have employed an accountant with seven years of experience working in the financial department at one of the major companies located in New Orleans.

We admit to our weakness and commit ourselves to improve our fiscal operation by the establishment of internal controls to ensure a sound and responsible system.

Your support and understanding during our transitional period is greatly appreciated. If you should have any questions, please feel free to contact me at (504) 827-3520.

Yours sincerely,



Edwin A. Lombard
Clerk of Criminal District Court