

CITY OF NEW ORLEANS

CASH BOND FUND OF THE TRAFFIC COURTS

FOR THE PERIOD JANUARY 1, 2006 THROUGH DECEMBER 31, 2006

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

Release Date

10/17/07

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To The Traffic Court Judges
City of New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the City of New Orleans Traffic Court (hereafter "the Court"), solely to assist the Court with respect to the accounting records of the Cash Bonds Fund of the City of New Orleans Traffic Courts for the period January 1, 2006 through December 31, 2006. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

Procedure 1.

Meet with management of the Court to review and document the current internal control environment. Interview key employees and complete Internal Control Questionnaires from the Practitioners Publishing Corporation for the following area:

Electronic Data Processing.

Findings

Electronic Data Processing

Arrests cases are not entered into the Court's A/S 400 case operating system daily.

There are no official request documents being given to the system administrator or the cash bond clerk for error corrections. These requests are only made verbally. Furthermore, these requests are not periodically reviewed by appropriate authority.

The Court only has one cash bond clerk to administer the Cash Bond Fund. If the current cash bond clerk is absent, the court does not have procedures in place to refund a defendant's cash bond.

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Procedure 2.

Review documentation provided by the Court to support the year-end cash balances for the year ended December 31, 2006.

Findings

For the year ended December 31, 2006, the Court had three active cash bond accounts at Dryades Bank. The balances for the bank accounts do not correlate with the active bond amount balance listed in the Court's A/S 400 case operating system. Furthermore, neither the bank balance nor the Court's A/S 400 case operating system balance equals the Court's accounting system. In reviewing the court documentation, provided, it appears that the bank account and court accounting system have not been in agreement since the year ending December 1998. (The new accounting software system was not implemented until January 2006.)

Procedure 3.

Obtain copies of bank statements and canceled checks from January 1, 2006 through December 31, 2006.

Findings**Bank Accounts Unreconciled.**

Prior to Hurricane Katrina, the court maintained its cash bond records manually. This process included maintaining manual ledgers and reconciling the bank accounts through these ledgers. After Hurricane Katrina, ledgers from the years 1998 through 2003 could not be located. Furthermore, the manual record reviewed for the years 2004 and 2005 only lists expenditures from the cash bond account and does not give any record of deposits made. Also, the manual ledgers indicate that the period of 2004 through 2005 had not been reconciled. The Court engaged the services of Nash Accounting and Tax Service to set up an electronic accounting process and to reconcile the accounts for the period of January 2005 through March 2006, but the bank accounts were not reconciled prior to January 2005.

Interest Earned on Cash Bond Deposits

According to documentation provided by Nash Accounting and Tax Service, the court has earned interest on defendants' cash bonds. A percentage of interest earned should have been allocated to each defendant. Since the court does not have a process to allocate interest, all cash bond funds should be deposited into a non-interest bearing account.

Outstanding Checks

The court has numerous instances where defendants are not cashing their cash bond refund checks. According to the Court's accounting records there are 131 outstanding checks totaling \$ 23,847 for the period of January 2005 through December 2006. These outstanding checks may be subject to the State of Louisiana Unclaimed Property Law or may be forfeitable under the New Orleans City Code.

We recommend the court obtain an official opinion from the State of Louisiana's Attorney General's office or the State of Louisiana Legislative Auditor's office as to whether these funds may be treated as forfeited bonds or treated as unclaimed property.

Procedure 4.

Review the accounting process and documentation used to support the financial information reported to the City of New Orleans for inclusion in its Comprehensive Annual Financial Report. This review will include revenues and disbursements of the Cash Bond Account. We will select a representative sample of bond receipts and refunds. Each item selected will then be vouched to supporting documentation. Procedures will include reviewing each item for adequate documentation, propriety and compliance with the City of New Orleans Code of Ordinances. The sample, for purposes of establishing a scope for these procedures, will not exceed seventy-five (75) receipts and seventy-five (75) disbursements, for a maximum total of one hundred and fifty (150) selections.

Findings

A review of the Comprehensive Annual Financial Report of the City of New Orleans for the year 2004, determined that the financial information regarding the Court's Cash Bond account for the year of 2004 has not been included in the Comprehensive Annual Financial Report for the City of New Orleans. There was not an available Comprehensive Annual Financial Report of the City of New Orleans for the year ending 2005; consequently, we could not perform this procedure.

From a review of sampled transactions, we noted no exceptions in regards to accounting for cash bond receipts and/or disbursements.

Procedure 5.

Select fifty (50) cases with final disposition from a list of cases maintained in the courts electronic database. Review each case from inception until fine is paid (or bond refunded). Examine each case to determine if the correct procedures (i.e. fines, fine amounts, etc.) have been applied to each case as it relates to the Cash Bond Fund.

Findings

We noted no exceptions.

Procedure 6.

Perform analytical procedures on the Court's Cash Bond Fund for the period January 1, 2006 through December 31, 2006.

Findings

Due to the uncertainty of the beginning balances, we could not perform an analytical

review comparing the year 2006 balances to prior years. However, we did review the cash bond account on a month-to-month basis for unusual changes in line item balances and noted no exceptions.

Procedure 7.

Research and Review any revenue source derived from an outside agency (i.e. outside collections, bonding companies, bond forfeitures).

Findings

In addition to Cash Bonds, the Court also releases defendants through a surety bond process. This bond is posted through a licensed bonding company and the bonding company is responsible if the defendant does not appear in court. If the defendant does not appear and the bonding company does not present the defendant in a reasonable time frame, the court has a right to request funds from the bonding company. If the court does not request the funds from the bonding company then the surety bond becomes void and revenue is lost for the court. Since Hurricane Katrina, the court has not employed a process to address surety bonds; therefore, there is no revenue in the cash bond or any other account deriving from surety bonds.

Procedure 8.

Review the outstanding bonds list from the Court's Cash Bonds Fund. Select a sample and from the sample, investigate any bonds outstanding as of December 31, 2005 that appear to have been outstanding for an extensive period of time. Determine the correct disposition of the bond as of the date of the procedures.

Findings

Cash bonds should be forfeited one year and one day after final disposition of the case has been determined. Because of Hurricane Katrina, the cash bond clerk has extended the period by six months for a defendant to claim his/her bond from the court. To perform this procedure, we obtained the list of outstanding bonds through December 31, 2005, selected a sample to review, and examined selected transactions electronically. From our examination, we conclude that the court has a substantial number of cash bonds, which date back as far as 1998, with final dispositions that should be forfeited and remitted to the Court's Judicial Expense Fund under Section 50-100 of the New Orleans City Code.

Procedure 9.

Prepare a written report of assets, liabilities, and fund balance from January 1, 2006 through December 31, 2006.

Findings

Due to the uncertainty of the beginning balances, we could not perform this procedure. The Court is in the process of reconciling financial information which

would bring the Court's A/S 400 case operating system, financial accounting system, and bank accounts into agreement. Since the reconciliation process is still ongoing as of the date of this report, we will not provide a written report of assets, liabilities, and fund balance from January 1, 2006 through December 31, 2006 in this report.

Procedure 10.

Submit six (6) copies of the final report.

Findings

We noted no exceptions. We will review the report with and submit copies to the judicial administrator's office of the Court, judges of the Court, and the Louisiana Legislative Auditors office.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Pillet, Meunier and Le Blanc, L.L.P.

Metairie, Louisiana
April 21, 2007



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**TRAFFIC COURT OF NEW ORLEANS
CORRECTIVE ACTION PLAN
FOR THE CASH BOND FUND**

In response to the recent findings listed in Paillet Meunier & LeBlanc's independent accountant's report, the Traffic Court of New Orleans (hereafter "the court") has taken actions to correct court operations as it relates to the Cash Bond fund. Listed below are the findings detailed by Paillet Meunier & LeBlanc and the corresponding action implemented by the court.

Finding

Arrests cases are not entered into the Court's A/S 400 case operating system daily.

Corrective Action

Due to Hurricane Katrina, the court incurred a period in which it did not have adequate personnel to perform court operations. As personnel returned to the City of New Orleans, operations have become closer to normal. Since the Independent accountant's report, the court has been able to employ enough personnel to keep up with court operations. Currently, all records have been updated and arrest cases are being entered daily.

Finding

There are no official request documents being given to the system administrator or the cash bond clerk for error corrections. These requests are only being made verbally. Furthermore, these requests are not periodically reviewed by appropriate authority.

Corrective Action

The court has now implemented a requirement that the system administrator maintained an error log to track requests and the courts judicial administrator reviews this error monthly.

Finding

The court only has one cash bond clerk to administer the Cash Bond Fund. If the current cash bond clerk is absent, the court does not have procedures in place to refund a defendant's cash bond.

Corrective Action

The court has assigned backups to every personnel employed by the court. Furthermore, personnel are periodically rotated so each employee can perform multiple tasks within the court.

Finding

For the year ended December 31, 2006, the court had three active cash bond accounts at Dryades Bank. The balances for the bank accounts do not correlate with the active bond amount balance listed in the Court's A/S 400 case operating system. Furthermore, neither the bank balance nor the court's A/S 400 case operating system balance equals the court's accounting system. In reviewing the court documentation, it appears that the bank account and court's accounting system have not been in agreement since the year ending December 1998.

Corrective Action

Prior to Hurricane Katrina, the court maintained cash bonds receipts/disbursements in hand written ledgers. These ledgers were not maintained or updated through the computer system. Subsequent to Hurricane Katrina, the court hired the bookkeeping firm of Nash Accounting and Tax Service to computerize the court's accounting system by implementing Quickbooks software to maintain the receipt/disbursement of cash bonds. After personnel were trained, the system was implemented in January 2006. Implementing a computerized accounting system has allowed the cash bond clerk to electronically reconcile the A/S 400 system to the cash bond bank accounts.

Finding

Bank Accounts Unreconciled

Corrective Action

The court engaged the services of Nash Accounting and Tax Service to set up an electronic accounting process and reconcile bank accounts for prior years through March 2006. As of March 2006, court personnel has maintained and reconciled the accounts on a monthly basis. Currently, all cash bond accounts are updated and reconciled.

Finding

Interest Earned on cash bond deposits

Corrective Action

The court has changed all cash bond accounts. All cash bonds remitted to the court is now being deposited into a non-interest bearing bank account.

Finding

Defendants are not cashing checks and checks are remaining outstanding for a long period of time.

Corrective Action

The court is now in the process of remitting checks outstanding for more than a year to the State Treasurer's Office in accordance to the State of Louisiana Unclaimed Property Law.

Finding

The court does not have a process to recover surety bonds.

Corrective Action

The court has employed a surety bond clerk to collect on surety bonds when a defendant does not show up form court.

Finding

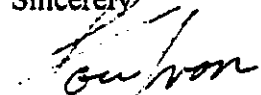
Under the New Orleans City Code Section 50-100, cash bonds should be forfeited one year and one day after final disposition of the case has been determined.

Corrective Action

The court employed the services of Nash Accounting and Tax Service to research all outstanding bonds and forfeit all bonds whose disposition date was two years prior to December 31, 2006. Due to Hurricane Katrina, court management decided it would allow a one-year grace period and forfeit bonds was the final disposition was two years prior to year-end.

The above actions were implemented and are being carried out by court personnel daily. If there are any questions, please feel free to call Lou Ivon at 504-658-2031.

Sincerely,



Lou Ivon
Judicial Administrator