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JUDICIAL EXPENSE FUND

OF THE

CIVIL DISTRICT COURT

FOR THE PARISH OF ORLEANS

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the city 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 8-23-00

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 1999

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INDEPENDENT AUDITORS' REPORT

The Honorable Judges of the
**Civil District Court and the First and Second
City Courts for the Parish of Orleans**
New Orleans, LA

We have audited the general purpose financial statements as listed in the Table of Contents of the Judicial Expense Fund for the Civil District Court including the First and Second City Courts, the Recorder of Mortgages and the Register of Conveyances for the Parish of Orleans (hereinafter collectively referred to as **the Fund**) as of and for the year ended December 31, 1999. The general purpose financial statements are the responsibility of **the Fund's** management. Our responsibility is to express an opinion on the general purpose financial statements based on our audit.

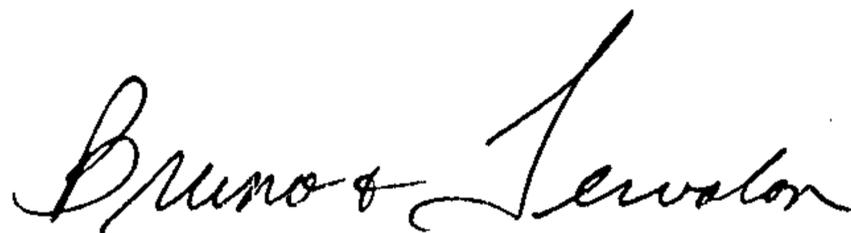
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable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

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **the Fund** as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

The Honorable Judges of the
Civil District Court and the First and Second
City Courts for the Parish of Orleans
New Orleans, LA
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2000 on our consideration of **the Fund's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 2, 2000

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

**COMBINED BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUPS
DECEMBER 31, 1999**

<u>ASSETS AND OTHER DEBIT</u>	<u>GOVERNMENTAL FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>General Fixed Assets</u>	<u>Long-term Liability</u>	
Cash and temporary cash investments (NOTE 2)	\$4,998,469	\$ -0-	\$ -0-	\$4,998,469
Amounts receivable	16,092	-0-	-0-	16,092
Accrued interest receivable (NOTE 6)	285,008	-0-	-0-	285,008
Fixed assets (NOTE 4)	-0-	4,039,719	-0-	4,039,719
Amount to be provided for long-term liability	-0-	-0-	38,112	38,112
Prepaid expenses	<u>40,484</u>	<u>-0-</u>	<u>-0-</u>	<u>40,484</u>
Total assets and other debit	<u>\$5,340,053</u>	<u>\$4,039,719</u>	<u>\$38,112</u>	<u>\$9,417,884</u>

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

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

**COMBINED BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUPS, CONTINUED
DECEMBER 31, 1999**

<u>LIABILITIES AND FUND EQUITY AND BALANCES</u>	<u>GOVERNMENTAL FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>General Fixed Assets</u>	<u>Long-term Debit</u>	
Liabilities:				
Accounts payable	\$ 638,932	\$ -0-	\$ -0-	\$ 638,932
Compensated absences payable (NOTE 5)	-0-	-0-	21,172	21,172
Long-term liability (NOTE 5)	<u>-0-</u>	<u>-0-</u>	<u>16,940</u>	<u>16,940</u>
Total liabilities	<u>638,932</u>	<u>-0-</u>	<u>38,112</u>	<u>677,044</u>
Fund Equity:				
Investment in general fixed assets	<u>-0-</u>	<u>4,039,719</u>	<u>-0-</u>	<u>4,039,719</u>
Fund balances:				
Designated (NOTE 8)	3,615,000	-0-	-0-	3,615,000
Undesignated	<u>1,086,121</u>	<u>-0-</u>	<u>-0-</u>	<u>1,086,121</u>
Total fund balances	<u>4,701,121</u>	<u>-0-</u>	<u>-0-</u>	<u>4,701,121</u>
Total liabilities and fund equity and balances	<u>\$5,340,053</u>	<u>\$4,039,719</u>	<u>\$38,112</u>	<u>\$9,417,884</u>

The accompanying notes are an integral part of the financial statement.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE--GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

Revenues:	
Fees	\$14,334,911
Interest income	446,166
Other income	<u>285,046</u>
Total Revenues:	<u>15,066,123</u>
Expenditures:	
Direct expenditures:	
Salaries and fees:	
Salaries	9,498,571
Court stenographer fees	18,666
Employee benefits	1,821,173
Office supplies	235,001
Books, printing and copier	382,890
Postage and courier	58,522
Furniture, equipment rental and maintenance	320,470
Insurance	105,196
Telephone	159,883
Professional services	67,758
Jurors' pay and transportation	67,792
Filing fees	69,226
Other fees	<u>4,764</u>
Total direct expenditures	<u>12,809,912</u>

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

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE--GOVERNMENTAL FUND TYPE, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999**

Expenditures, Continued:	
Indirect expenditures:	
Security cost	\$ 78,440
Capital expenditure	466,363
Division expenditure	126,816
Building renovations and improvements	<u>28,273</u>
Total indirect expenditures	<u>699,892</u>
Total expenditures	<u>13,509,804</u>
Excess of revenues over expenditures	1,556,319
Fund balance, beginning of year	<u>3,144,802</u>
Fund balance, end of year	<u>\$ 4,701,121</u>

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

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Summary of Accounting Policies :

The Judicial Expense Fund for the Civil District Court for the Parish of Orleans (the Fund) is designated by LSA-R.S. 13:1312 as the managing entity for fiscal operations of the Clerks of the Civil District Court for the Parish of Orleans, and the First and Second City Courts of the City of New Orleans, the offices of the Recorder of Mortgages and the Register of Conveyances for the Parish of Orleans.

The judges of the Civil District Court for the Parish of Orleans and the judges of the First and Second City Courts of the City of New Orleans, sitting En Banc, as set forth in LSA-R.S. 13:1312, have sole management responsibility and oversight for **the Fund**. This responsibility and oversight includes control over all revenues deposited into **the Fund** by the aforementioned courts and offices, all disbursements made by **the Fund**, the setting of all fees charged by the courts and offices comprising **the Fund** and the determination of expenditures related to the operations of such courts and offices.

The accounting policies of **the Fund** conform to generally accepted accounting principles as applicable to governmental agencies. The following is a summary of the more significant accounting policies:

The Financial Reporting Entity

Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, (GASB 14) established standards for defining and reporting on the financial entity. GASB 14 indicates the focal point for identifying the financial reporting entity as the primary government, which is considered to

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Accounting Policies , Continued:

The Financial Reporting Entity, Continued

be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

As previously discussed, state statute established **the Fund** as the managing entity for fiscal operations of the Clerks of the **Civil District Court for the Parish of Orleans**, and the First and Second City Courts of the City of New Orleans the Recorder of Mortgages and the Register of Conveyances for the Parish of Orleans which are separate and independent of any other governmental "reporting entity", as defined by GASB 14. In addition, **the Fund** is financially independent of other governments. Although **the Fund** conducts its business from a building provided by the City of New Orleans, as discussed in NOTE 4, this support is considered incidental in relation to **the Fund's** total revenues and expenditures and in view of the additions and improvements made to this building by **the Fund** from its operating revenues over the term of its occupancy which total in excess of \$2,128,273.

Accordingly, management has concluded that **the Fund** is the financial reporting entity within the meaning of the provisions of GASB 14.

Fund Accounting

The Fund uses the general fund and account groups to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain of the **Fund's** functions or activities.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Accounting Policies , Continued:

Fund Accounting, Continued

The Fund is a separate accounting entity with a self-balancing set of accounts that include assets, liabilities, fund equity/balances, revenues and expenditures, as appropriate. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The funds are classified as follows:

Governmental Fund

Governmental funds are used to account for all or most of **the Fund's** general activities. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the governmental fund of **the Fund**:

General Fund

The General Fund is used to account for all financial resources except those that are required to be accounted for in another fund.

The operations of the general fund are comprised of the general fund's assets, liabilities, fund balance, revenues and expenditures, as related to the fiscal operations of the Clerks of the Civil District Court, and the First City Court, the Second City Court, the Office of Recorder of Mortgages and the Office of Register of Conveyances.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Accounting Policies , Continued:

General Accounting, Continued

Salaries of the judges of the Civil District Court, which are paid directly by the Supreme Court of Louisiana, are not included in the financial statements presented herein since such salaries are earned by the respective judges for serving in their capacities as state judges and not for compensation in their roles as management of **the Fund** .

Additionally, **the Fund** has no authority in the determination of these salary amounts or the duties of these individuals in their capacities as state judges. For the same reasons, certain expenditures incurred by these judges and paid directly by the Supreme Court of Louisiana are likewise excluded from these financial statements. Also, salaries of the Judges of the First and Second City Courts are paid jointly by the City of New Orleans and **the Fund**. For the year ended December 31, 1999 **the Fund** paid \$63,207.48 in total salaries to the judges. The general fund is used to account for all financial resources of **the Fund**.

Account Groups

Account groups are used to establish accounting control and accountability for **the Fund's** general fixed assets and general long-term debt. They are self-balancing group of accounts that are concerned only with the measurement of financial position, not with the measurement of results of operations. The following are **the Fund's** account groups:

General Fixed Assets Account Group

This group of accounts is established to account for fixed assets of **the Fund**. The fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized or reported in the general fixed assets account group.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Accounting Policies , Continued:

Account Groups, Continued

General Long-Term Liability Account Group

The general long-term liability account group is used to record long-term liabilities of **the Fund** when due or when resources have been accumulated for payment.

Fixed Assets

The accounting and reporting treatment applied to fixed assets associated with the general fund is determined by its measurement focus. All governmental fund types are accounted for on a spending “financial” flow measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during the period. Therefore, acquisitions of capital assets are expensed in the period purchased.

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in the general fund. No depreciation has been provided on such fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Accounting Policies , Continued:

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 measurement made, regardless of the measurement focus applied.

The Fund uses the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Budgets and Budgetary Accounting

A budget was not adopted for the year ended December 31, 1999 since management is of the opinion that **the Fund** is not required to do so. Accordingly, no statement of revenues, expenditures and changes in fund balance-budget and actual is included in the financial statements presented herein.

Compensated Absences

It is **the Fund's** policy to permit some employees to accumulate a limited amount of earned but unused leave (annual vacation and sick leave). The unused leave for some employees may be carried forward from year to year, and is payable upon separation from service. Accrued leave earned but unused by those employees at December 31, 1999 has been included in the long-term liability account group in the accompanying financial statements.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Accounting Policies, Continued:

Division Expenditures

It is **the Fund's** policy to limit expenditures by each division of the Court for additional operating expenses that are not paid directly by the general fund. Such expenditures may be made at the discretion of each presiding divisional judge in accordance with specific guidelines established by **the Fund** as to the purpose for which these expenditures may be used and only for such expenditures supported by proper documentation.

The specific guidelines established by **the Fund** permit use of such amounts for expenditures directly associated with or incidental to legal or judicial matters and functions, of the following nature:

Travel, lodging, meals, conference fees, professional fees, dues, publications, purchase or leasing of equipment (exclusive of vehicles), maintenance of equipment and furnishing, supplies and remodeling of offices. These division expenditures are included in the general fund of the accompanying financial statements of **the Fund**.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Accounting Policies, Continued:

Use of Estimates, Continued

reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Total Columns on the Combined Financial Statements

The total column on the combined financial statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation.

Governmental Accounting Standards Board (GASB) No.'s 25 and 27

In November 1994, the GASB issued Statement No. 25, "Financial Reporting for Defined Benefit Pensions Plans and note disclosures for Defined Contribution Plans", and Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers". As such, **the Fund's** financial statements reflect the disclosure requirements of GASB No.'s 25 and 27.

NOTE 2 - Cash and Temporary Cash Investments:

Cash and temporary cash investments include amounts in demand deposit accounts as well as short-term cash investments with maturity of three months or less.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash and Temporary Cash Investments, Continued:

At December 31, 1999 the carrying amount of **the Fund's** deposits was \$4,998,469 and the bank balance was \$5,079,932. Of these amounts, \$100,000 was covered by federal depository insurance and the remainder collateralized by a pledge of securities owned by the depository bank, but held in safekeeping by other financial institutions. The cash and temporary cash investments are categorized as Category 2.

Louisiana state law allows for the investment of excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law also requires that all deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the entity or with an unaffiliated bank or trust company for the account of the entity.

At various times during 1999, deposits in excess of FDIC insurance were collateralized by the securities described above. GASB, which promulgates the standards for accounting and financial reporting for state and local governments considers these funds uncollateralized.

Even though these funds are considered to be uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposed a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Pension Plans:

Plan Description

The Fund does not maintain a separate pension plan for its employees. However, its employees are eligible to participate in various multiple-employer (cost-sharing), defined benefit plans provided by the state or city governments, and substantially all of **the Fund's** employees are covered by one of the available plans.

Generally, eligibility to participate in one of the plans commences with employment and in some instances, is subject to certain age and earning requirements.

Vesting of full benefits is subject to various years of required service, generally ranging from twelve to thirty years, and, in some instances, may require attainment of a minimum age.

Annual retirement benefits under the plans are generally stipulated as a percentage of a participant's defined annual compensation for each year of service. In certain instances the resulting amount may be increased by a fixed amount. In most cases annual retirement benefits may not exceed 100% of the participant's defined annual compensation. The plans issue publicly available reports that include financial statements and required supplementary information. The reports may be obtained by writing to the following addresses:

Louisiana State Employees' Retirement System
8401 United Plaza Blvd.
Baton Rouge, LA 70804-4213

**JUDICIAL EXPENSE FUND
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FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Pension Plans, Continued:

Louisiana Clerks of Court Retirement and Relief Fund
11745 Bricksome Avenue -- Suite B-1
Baton Rouge, LA 70816

Sheriffs Pension & Relief Fund
P. O. Box 3163
Monroe, Louisiana 71210-3163

Employees' Retirement System
City of New Orleans
1340 Poydras Street -- 8th Floor
New Orleans, LA 70112

Funding Policy

Under the terms of the various plans, employees contribute a specified percentage of their gross earnings and **the Fund** also contributes a specified percentage.

**JUDICIAL EXPENSE FUND
OF THE
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FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Pension Plans, Continued:

Funding Policy, Continued

Those plans in which the employees of the **Fund** participate and the specified contribution percentages are as follows:

	<u>Employee</u>	<u>Employer</u>
Louisiana State Employees Retirement System (LASERS) - Employees	7.50%	12.30%
Louisiana State Employees Retirement System (LASERS) - Judges	11.50%	12.30%
Louisiana Clerk's Retirement and Relief Fund (LCRRF)	8.25%	10.00%
Sheriff's Pension and Relief Fund State of Louisiana (SPRFSL)	9.70%	6.00%
Employee's Retirement System of the City of New Orleans (ERSCNO)	4.00%	9.500%

The amounts of the most recently actuarially determined employer contribution as a percentage of covered compensation for each plan amounted to:

LASERS	12.40%
LCRRF	7.00%
SPRFSL	8.00%
ERSCNO	12.07%

Benefits granted by the retirement systems are guaranteed by the State of Louisiana or the City of New Orleans, as applicable. **The Fund** does not guarantee the benefits granted by the retirement systems.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Pension Plans, Continued:

The total payroll of the Fund for 1999 amounted to \$9,498,571. The Fund's contributions to the retirement system and the total covered payrolls by each retirement system are as follows:

	<u>LASERS</u>	<u>LCRRF</u>	<u>SPRFSL</u>	<u>ERSCNO</u>	<u>TOTAL</u>
Total covered payroll	<u>\$988,642</u>	<u>\$4,744,593</u>	<u>\$514,844</u>	<u>\$1,919,642</u>	<u>\$8,167,721</u>
Employer contribution	<u>\$121,603</u>	<u>\$ 474,459</u>	<u>\$ 30,891</u>	<u>\$ 182,366</u>	<u>\$ 809,319</u>
Aggregate pension cost	<u>\$274,954</u>	<u>\$ 870,921</u>	<u>\$ 81,300</u>	<u>\$ 245,764</u>	<u>\$1,472,939</u>

Aggregate pension cost for the respective years ending December 31, 1998 and 1997 was \$1,369,874 and \$1,433,850.

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date.

**JUDICIAL EXPENSE FUND
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Pension Plans, Continued:

Most recent historical trend information showing each plan's progress in accumulating sufficient assets to pay benefits when due is presented in each plan's annual financial report. These reports of the various multiple-employer plans provided by State or City governments are subject to audits by independent auditors who issue separate reports thereon.

The following summarizes such:

	<u>LASERS</u>	<u>LCRRE</u>	<u>SPRFSL</u>	<u>ERSCNO</u>
			(In Thousands)	
Net assets	\$ 6,003,588	\$163,469	\$ 737,108	\$ 375,181
Pension benefit obligation	—	—	<u>(752,802)</u>	<u>(310,856)</u>
(Unfunded) or over pension benefit	—	—	<u>\$(15,694)</u>	<u>\$ 64,325</u>

In accordance with LAS-11:1563, if at any time monies in the State fund are not sufficient to pay each retiree and beneficiary, the full amount to which he/she is entitled, equal percentages of the full amount shall be paid to each retiree and beneficiary until **the Fund** is replenished so as to warrant resumption of the payment of the full amount to each retiree and beneficiary.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - General Fixed Assets Account Group:

The following is a summary of changes in the general fixed assets account group:

	Balance January 1, <u>1999</u>	<u>Additions</u>	<u>Retirement</u>	Balance December 31, <u>1999</u>
Furniture and fixtures	\$2,114,878	\$ 67,043	\$-0-	\$2,181,921
Data processing equipment	<u>1,784,624</u>	<u>73,174</u>	<u>-0-</u>	<u>1,857,798</u>
	<u>\$3,899,502</u>	<u>\$140,217</u>	<u>\$-0-</u>	<u>\$4,039,719</u>

The 1999 additions to the general fixed assets account group have been included in capital expenditures and division expenditures, at cost, in the accompanying statement of revenues, expenditures and changes in fund equity for the year ended December 31, 1999.

The building which **the Fund** occupies and uses to conduct its operations is owned by the City of New Orleans. Although **the Fund** does not pay rent to the City, **the Fund** has made additions and improvements to the building during its term of occupancy.

These additions and improvements are not included in the general fixed assets account group since **the Fund** does not own the building. Such building additions and improvements funded from operations of **the Fund** over its term of occupancy approximate \$2,128,273. Building additions and improvements made for the year ended December 31, 1999, amounted to \$28,273 and are included in the accompanying financial statements of **the Fund**.

**JUDICIAL EXPENSE FUND
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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Long-Term Liability:

The Fund is required by law to make monthly payments to the widow of a former city court judge. The payments are to continue for the remaining life of the widow. The annual amount of the payments total \$5,500 for 1999 and are reflected as operating expenditures in the accompanying financial statements of **the Fund**.

Although the liability for these future payments does not represent a decrease in net current assets of **the Fund**, and, therefore, is not a current liability of the general fund, **the Fund** is legally required to continue these payments.

Accordingly, **the Fund** has included the gross monthly payments calculated over the estimated and actual remaining life of the recipient in the long-term liability account group which reflects **the Fund's** liability for funding these payments from future operations.

Also, included in this account group is compensated absences for some employees. At December 31, 1999, the amount of \$21,172 included in compensated absences, represents leave earned but unused by some employees.

NOTE 6 - Registry of Court Funds:

The Civil District Court, First City Court and Second City Court each maintain a registry of court funds.

Parties to litigation in these courts may deposit, or be ordered to deposit, cash or property into these funds in connection with the related litigation. Cash or property so deposited is the property of the litigants and is to be returned or disbursed to them or such other parties as the court may direct upon the conclusion of the litigation.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Registry of Court Funds, Continued:

Each court has responsibility solely for its own Registry of Court Funds. The management of the **Judicial Expense Fund** has no responsibility or authority with respect to these specific funds.

The Clerk of Civil District Court, the Clerk of First City Court and the Clerk of Second City Court are the custodians of the Registry of Court Funds for each respective court. The Clerks generally may only accept deposits into or disburse funds from the Registry of Court Funds by order of the respective court.

These funds are subject to an annual audit by independent auditors who issue a separate report thereon.

With respect to the Registry of Court Funds of the Civil District Court, state statutes authorize the investment of these funds into interest-bearing accounts. The statute provides that one-half of the interest earned shall be credited to the litigants' deposits and one-half shall be remitted to the **Judicial Expense Fund** as reimbursement of administrative costs associated with the Registry of Court Funds.

Interest earned and due to the **Judicial Expense Fund** for 1999 amounted to \$285,008 and is included in the accompanying financial statements.

NOTE 7 - Contingencies and Commitments:

Certain of the offices within **the Fund** are defendants in various lawsuits. Although potential liability for some of these claims is limited to the insurance policy deductible for each incident, a number of the claims arose in an office which was unable to secure insurance coverage. Subsequent to year end counsel has advised that the lawsuit that arose in the office unable to secure insurance coverage has been dismissed by the U.S. Fifth Circuit Court of Appeal. However, six (6) of the fourteen plaintiffs have since filed an appeal.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Designated Fund Balance:

The Court En Banc has directed the dedication of approximately \$3,615,000 from the general fund for various special projects listed below:

<u>SPECIAL PROJECT</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
Wang System Conversion	The Court plans to convert the old Wang System by replacing all hardware, software, and cables currently in use at the Courthouse. The new network system should recoup the total cost of the conversion over time.	\$2,500,000
Optical Imaging System	The Clerk of Civil District Court plans to convert all paper documents into optical images that can be processed and accessed via computer. This process will enable faster research and retrieval of all documents filed in the Clerk's office. This process is approximately 17% complete.	500,000

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Designated Fund Balance, Continued:

<u>SPECIAL PROJECT</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
ADP Time Clock	The Court plans to install ADP time clocks in building. The new time clock system will automate the timekeeping process and centralize our payroll processing.	\$ 40,000
Expansion & Reconfigure Courts	The court plans to expand and reconfigure Division C, of the Civil District Court Sections B&C of the First City Court	365,000
Building Improvements	The Court plans to replace the flooring in the courthouse. The court is presently reviewing the type of flooring that will allow low maintenance, long life, and minimize future costs.	210,000
	Total designated	<u>\$3,615,000</u>

It is the intent of **the Fund** to appropriate additional funds in the future.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Operating Lease:

The Fund is committed under various leases for office equipment. The leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended December 31, 1999 was \$22,298.

Future lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2000	\$20,007
2001	14,527
2002	5,336
2003	2,344
2004	<u>469</u>
Total	<u>\$42,683</u>

NOTE 10 - Risk Management:

The Fund is exposed to various risks of loss related to torts, theft or, damage to and destruction of assets for which **the Fund** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Concentration of Credit Risk:

The Fund's principal source of revenue consist mainly of filing fees.

NOTE 12 - Post Retirement Benefits:

The Fund provides certain continuing health care and life insurance benefits for its retired employees as provided by LSA-R.S. 17:1223. Substantially all of **the Fund's** employees become eligible for these benefits if they reach normal retirement age while working for **the Fund**. These benefits for retirees and similar benefits for active employees are provided through a private insurer, whose monthly premiums are paid jointly by the employce and **the Fund**. **The Fund** recognizes the cost of providing these benefits (**the Fund's** portion of premiums) as an expenditure when the monthly healthcare benefit premiums are due. In 1999, **the Fund's** portion of healthcare benefit premiums totalled \$132,870.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

The Honorable Judges of the
**Civil District Court and the First and Second
City Courts for the Parish of Orleans**
New Orleans, LA

Our report on our audit of the general purpose financial statements of the Judicial Expense Fund of the Civil District Court including the First and Second City Courts, the Recorder of Mortgages and the Register of Conveyances for the Parish of Orleans, (hereinafter collectively referred to as **the Fund**) appears on page 1.

That audit was conducted for the purpose of forming an opinion on the general purpose financial statements of **the Fund**. The accompanying Exhibit A is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements. 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.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 2, 2000

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Civil District Court</u>	<u>First City Court</u>	<u>Second City Court</u>	<u>Mortgage Office</u>	<u>Conveyance Office</u>	<u>Total General Fund</u>
Revenues:						
Fees	\$7,348,701	\$2,318,512	\$188,247	\$3,183,661	\$1,295,790	\$14,334,911
Interest income	446,166	-0-	-0-	-0-	-0-	446,166
Other income	<u>284,246</u>	<u>590</u>	<u>-0-</u>	<u>75</u>	<u>135</u>	<u>285,046</u>
Total revenues	<u>8,079,113</u>	<u>2,319,102</u>	<u>188,247</u>	<u>3,183,736</u>	<u>1,295,925</u>	<u>15,066,123</u>
Expenditures:						
Direct expenditures						
Salaries	5,418,471	1,600,587	345,868	1,134,352	999,293	9,498,571
Court stenographer fees	18,566	100	-0-	-0-	-0-	18,666
Employee benefits	<u>1,129,296</u>	<u>255,664</u>	<u>54,212</u>	<u>203,904</u>	<u>178,097</u>	<u>1,821,173</u>
Page total	<u>6,566,333</u>	<u>1,856,351</u>	<u>400,080</u>	<u>1,338,256</u>	<u>1,177,390</u>	<u>11,338,410</u>

See Independent Auditors' Report on Supplementary Information.

JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS

COMBINING STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

	Civil District Court	First City Court	Second City Court	Mortgage Office	Conveyance Office	Total General Fund
Direct expenditures, Continued:						
Office supplies	\$ 165,192	\$ 22,732	\$ 3,612	\$ 35,667	\$ 7,798	\$ 235,001
Books, printing and copier	232,747	52,532	4,768	80,093	12,750	382,890
Postage and courier	36,550	8,478	1,653	8,450	3,391	58,522
Furniture, equipment rental and maintenance	260,968	21,338	2,053	25,383	10,728	320,470
Insurance	86,499	947	4,256	3,799	9,695	105,196
Telephone	143,620	7,140	2,420	3,880	2,823	159,883
Professional services	59,209	5,746	353	1,759	691	67,758
Jurors' pay and transportation	67,792	-0-	-0-	-0-	-0-	67,792
Filing fees	-0-	-0-	-0-	69,226	-0-	69,226
Other fees	<u>4,061</u>	<u>236</u>	<u>18</u>	<u>303</u>	<u>146</u>	<u>4,764</u>
Page total	<u>1,056,638</u>	<u>119,149</u>	<u>19,133</u>	<u>228,560</u>	<u>48,022</u>	<u>1,471,502</u>
Total direct expenditures	<u>7,622,971</u>	<u>1,975,500</u>	<u>419,213</u>	<u>1,566,816</u>	<u>1,225,412</u>	<u>12,809,912</u>

See Independent Auditors' Report on Supplementary Information.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Civil District Court	First City Court	Second City Court	Mortgage Office	Conveyance Office	Total General Fund
Expenditures, Continued:						
Indirect expenditures						
Security cost	\$ 66,379	\$ 4,176	\$ 323	\$ 5,352	\$ 2,210	\$ 78,440
Capital expenditure	365,217	32,947	5,992	39,174	23,033	466,363
Division expenditure	92,660	13,341	6,624	5,011	9,180	126,816
Building renovations & improvements	<u>28,273</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>28,273</u>
Total indirect expenditures	<u>552,529</u>	<u>50,464</u>	<u>12,939</u>	<u>49,537</u>	<u>34,423</u>	<u>699,892</u>
Total expenditures	<u>8,175,500</u>	<u>2,025,964</u>	<u>432,152</u>	<u>1,616,353</u>	<u>1,259,835</u>	<u>13,509,804</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (96,387)</u>	<u>\$ 293,138</u>	<u>\$ (243,905)</u>	<u>\$ 1,567,383</u>	<u>\$ 36,090</u>	<u>\$ 1,556,319</u>

See Independent Auditors' Report on Supplementary Information

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

The Honorable Judges of the
**Civil District Court and the First
and Second City Courts for the
Parish of Orleans**
New Orleans, LA

We have audited the general purpose financial statements of the Judicial Expense Fund of the Civil District Court, including the First and Second City Courts for the Parish of Orleans, the Recorder of Mortgages and the Register of Conveyances (hereinafter collectively referred to as the Fund) as of and for the year ended December 31, 1999, and have issued our report thereon dated March 2, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Fund'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.

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

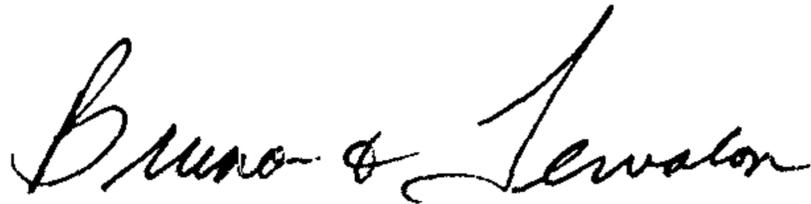
(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **the Fund'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Honorable Judges, **the Fund's** management and the Legislative Auditor, and is not intended to, and should not be used by anyone other than these specified parties.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 2, 2000

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
98-1	Subsidiary ledgers are not maintained and/or reconciled to the applicable general ledger accounts on a periodic basis.	X		
98-2	The cash balance per the general ledger at December 31, 1998 was \$686,015 compared to the reconciled bank balance of \$601,322 resulting in an out-of-balance condition of \$84,693.	X		
98-3	The Fund has established a verbal outstanding check policy to write-off all outstanding checks in excess of six (6) months. We noted outstanding checks in excess of six (6) months at December 31, 1998.	X		
97-1	The cash balance per the general ledger at December 31, 1997 was \$68,678 compared to the reconciled bank balance of \$57,179 resulting in an out-of-balance condition of \$11,499.	X		

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' AUDIT FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-2	For the year ended December 31, 1997, the cumulative wages and related withholding and taxes paid as reflected on the Fund's Internal Revenue Service form 941 filed with the Internal Revenue Service, differed from the amounts as recorded on the Fund's general ledger.	X		
97-3	Assurances that the Fund's systems are Year 2000 Compliant.	X		
97-4	Significant material checks are outstanding with some dated as far back as 1990.		X	
97-5	No periodic reconciliation is performed between the "cash book" report maintained by the jury pool staff to the general ledger.	X		

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' AUDIT FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-6	We noted the absence of purchase requisitions in four (4) of eight (8) items selected and charged to the judiciary appropriation fund.	X		
97-7	The collection units have responsibility for the preparation of deposit slips for funds collected. However, there is no count between the cashiers and the Fund's clerk upon the transfer of monies for the deposit function.	X		
97-8	There is lack of independence between the personnel file maintenance and payroll functions. One individual administers the new hire orientation and payroll system setup, pay status changes, routine payroll processing, tax and pension payable computation.	X		

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' AUDIT FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-9	The Fund does not have a formal system for competitive bidding.	X		
97-10	Our review of the financial statements of the Fund revealed an ongoing operating deficit.	X		
97-11	Establishment of a fixed asset accountability system.		X	
97-12	Currently, the Fund does not have a plan of action geared toward the complete automation of the accounting department. Development of such a plan should incorporate the implementation of a system for the following phases of the accounting processes: <ul style="list-style-type: none"> - Procurement - Accounts Payable - Payroll - Requisition - Fixed Assets - General Ledger 			X

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

b. Federal Awards, Continued

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

*N/A

c. Identification of Major Programs:

Dollar threshold used to distinguish between Type A and Type B Programs: *N/A

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? *N/A

Reportable Conditions

Section II: Financial Statement Findings

We noted no financial statements findings.

Section III: Federal Award Findings and Questioned Costs

*N/A

Currently, the Fund does not receive any Federal Awards.

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections I, II and III: Status of Prior Years' Findings and Questioned Costs.

Section II: Currently, **the Fund** does not receive any Federal Awards.

Sections I and III:

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
98-1	Subsidiary ledgers are not maintained and/or reconciled to the applicable general ledger accounts on a periodic basis.	X		
98-2	The cash balance per the general ledger at December 31, 1998 was \$686,015 compared to the reconciled bank balance of \$601,322 resulting in an out-of-balance condition of \$84,693.	X		

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
98-3	The Fund has established a verbal outstanding check policy to write-off all outstanding checks in excess of six (6) months. We noted outstanding checks in excess of six (6) months at December 31, 1998.	X		
97-1	The cash balance per the general ledger at December 31, 1997 was \$68,678 compared to the reconciled bank balance of \$57,179 resulting in an out-of-balance condition of \$11,499.	X		
97-2	For the year ended December 31, 1997, the cumulative wages and related withholding and taxes paid as reflected on the Fund's Internal Revenue Service form 941 filed with the Internal Revenue Service, differed from the amounts as recorded on the Fund's general ledger.	X		

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-3	Assurances that the Fund's systems are Year 2000 Compliant.	X		
97-4	Significant material checks are outstanding with some dated as far back as 1990.		X	
97-5	No periodic reconciliation is performed between the "cash book" report maintained by the jury pool staff to the general ledger.	X		
97-6	We noted the absence of purchase requisitions in four (4) of eight (8) items selected and charged to the judiciary appropriation fund.	X		

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-7	The collection units have responsibility for the preparation of deposit slips for funds collected. However, there is no <i>count between the cashiers and the Fund's</i> clerk upon the transfer of monies for the deposit function.	X		
97-8	There is lack of independence between the personnel file maintenance and payroll functions. One individual administers the new hire orientation and payroll system setup, pay status changes, routine payroll processing, tax and pension payable computation.	X		
97-9	The Fund does not have a formal system for competitive bidding.	X		

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-10	Our review of the financial statements of the Fund revealed an ongoing operating deficit.	X		
97-11	Establishment of a fixed asset accountability system.		X	
97-12	<p>Currently, the Fund does not have a plan of action geared toward the complete automation of the accounting department. Development of such a plan should incorporate the implementation of a system for the following phases of the accounting processes:</p> <ul style="list-style-type: none"> - Procurement - Accounts Payable - Payroll - Requisition - Fixed Assets - General Ledger 		X	

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

EXIT CONFERENCE

An exit conferences were held on April 6, 2000 and May 9, 2000 with representatives of **the Fund**. The contents of this report were discussed and management is in agreement. Those persons in attendance were as follows:

**JUDICIAL EXPENSE FUND
OF THE
CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

Ms. Michelle Rodney	--	Office Manager
Mr. Terry Nogess	--	Chief Accountant

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Alcide J. Tervalon, Jr., CPA	--	Partner
Mr. Paul K. Andoh, Sr., CPA	--	Senior Manager

JUDICIAL EXPENSE FUND
421 Loyola Avenue, #320
New Orleans, Louisiana 70112
ph - 504.592.9275 fax - 504.592.9279

June 27, 2000

Bruno & Tervalon
Certified Public Accountants
650 S. Pierce Street, Suite 203
New Orleans, Louisiana 70112

Dear Sirs:

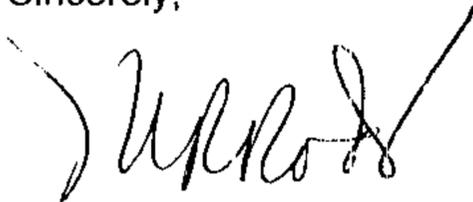
Enclosed is the corrective action plan developed by the Judicial Expense Fund in response to the audit findings for the year ending December 31, 1999. The plan includes the corrective action plan and the anticipated completion date where applicable.

Also, included is a summary schedule of prior year's audit findings along with management's responses for the years ending December 31, 1998 & 1997.

In all findings attached, Mrs. Michelle Rodney is the primary contact person.

If any further information is required, do not hesitate to contact me at (504) 592-9275.

Sincerely,



Michelle Rodney
Office Manager

TP

Enclosures

JUDICIAL EXPENSE FUND
AUDITOR'S - '97 REPORTABLE CONDITIONS
JUNE 29, 2000

97-1 Resolutions of Cash Out of Balance Condition

Condition

The cash balance per the general ledger at December 31, 1997 was \$68,678 compared to 57,179 resulting in an out-of-balance condition of \$11,499. It is our understanding based on discussion with management that the condition is the result of transactions entered into the general ledger after year end closing.

As of May 27, 1998 the condition remains unresolved. Management continues in its effort to identify the cause of the condition.

Recommendation

We recommend that management continue its effort to resolve the above condition.

Management's Response

Condition fully corrected as of December 31, 1999.

97-2 Reconciliation of Form 941 to General Ledger

Condition

For the year ended December 31, 1997, the cumulative wages and related withholding and taxes paid as reflected on the Fund's Internal Revenue Service form 941 filed with the Internal Revenue Service, differed from the amounts as recorded on the Fund's general ledger as follows:

	<u>Per 941</u>	<u>Per General Ledger</u>	<u>Difference</u>
Wages	\$8,669,733	\$8,957,430	\$287,697
Federal Income Tax Withheld	\$1,098,567	\$1,098,610	\$43

Recommendation

We recommend that the Fund's monthly procedures include the reconciliation of the wages and related taxes and all differences resolved accordingly.

Management's Response

Condition fully corrected as of December 31, 1999.

97-3 Year 2000 Compliance

Condition

The approach of the year 2000 presents significant issues for many financial information, and operational systems. Many systems in use today may not be able to interpret dates after December 31, 1999 approximately, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000, which could have adverse consequences on the operations of the Fund and the integrity of information processing, causing safety, operational, and financial issues.

Our audit of the Fund's financial statements for the year ended December 31, 1997, does not provide any assurances that the Fund's systems are year 2000 compliant. In addition, we were not engaged to perform, nor did we perform, any procedures to test whether the Fund's systems are year 2000 compliant or whether the plans and activities of the Fund are sufficient to address and correct the system or any other problems that might arise because of the year 2000. Accordingly, we do not express any opinion nor provide any other assurances regarding the year 2000.

Recommendation

We recommend that management insure that the Fund's systems are year 2000 compliant.

Management's Response

Condition fully corrected as of December 31, 1999.

97-4 Condition

Significant material checks outstanding with some dated as far back as 1990.

Recommendation

It is our recommendation that management pursue resolution of the outstanding checks for the operating and payroll accounts via location of the supporting documents. This is necessary in light of the potential for misappropriation of assets. Furthermore, as it becomes necessary to reissue checks for valid outstanding items, the proper supporting documents should be maintained as the basis for such payment.

The Fund should also consider the establishment of an outstanding check policy. The policy should incorporate the timely review and resolution of all outstanding items within a specified

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timeframe.

Management's Response

Partially Corrected. JEF Policy GL-004C directs management to review monthly the list of outstanding checks and to prepare journal entries to write-off checks older than six months.

97-5 **Condition**

No periodic reconciliation is performed between the "cash book" report maintained by the jury pool staff to the general ledger.

Recommendation

Subsequent to December 31, 1996 all juror payment are via check disbursement payable to the individual juror. Staff should perform a periodic review comparison of juror payments to jury "Attendance Sheets".

Management's Response

Condition fully corrected as of December 31, 1999.

97-6 **Condition**

We noted the absence of purchase requisitions in four (4) of eight (8) items selected and charged to the judiciary appropriation fund.

Recommendation

The Fund should establish a procedure to account for activities relating to the judiciary appropriation accounts.

To enhance the reporting, we recommend that the report include information such as the vendor, description of item purchased or services procured, and dollar amount to allow for detailed review by the respective judge.

Furthermore, the Fund should evaluate the cost versus benefit of a centralized purchasing and contracting system for goods and services. The system should incorporate the use of prenumbered requisitions for all purchases.

Management's Response

Condition fully corrected as of December 31, 1999.

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97-7 Condition

Personnel interviewed appeared not to have a clear understanding of the expectations of their job responsibilities.

Recommendation

We recommend that the Fund consider the development of written procedures detailing the necessary functions, processes and control elements necessary for the effective operation of the Judicial Expense Fund.

Also, we recommend that the Fund review the current job descriptions of its staff in conjunction with the above recommendation.

Management's Response

Condition fully corrected as of December 31, 1999.

97-8 Condition

The collection units have responsibility for the preparation of deposits slips for funds collected. However, there is no count between the cashiers and the Fund clerk upon the transfer of monies for the deposit function.

Recommendation

The Fund should consider instituting the following procedures:

- All cash collections should be verified at point of transfer to the Fund staff;
- The collection units should prepare a cash collection log to identify all cash activity. The report should be submitted at the point the funds are transferred to the Fund staff. The completeness and accuracy of the report should be verified and the signature of the Fund staff placed on the document to evidence such. A copy of the report should be forwarded to the respective cashiers;
- The conveyance office should evaluate its record retention policy as it relates to funds collection. The valuation should consider the need for an audit trail for all transaction undertaken by that office;
- The monthly Statement of Revenue & Expenses and Posted Transaction Register should be reconciled on a monthly basis and differences, if any, resolved;

Furthermore, the registers should be maintained to provide for an audit

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trail; and

- The Fund should evaluate the possibility of preparing the cash receipts reports to include the daily cash receipts ledger maintained by the Chief Accountant using available software such as Lotus or Excel.

Management's Response

Condition fully corrected as of December 31, 1999.

Condition

- 97-9** There is a lack of independence between the personnel file maintenance and payroll functions. One individual administers the new hire orientation and payroll system setup, pay status changes, routine payroll processing, tax and pension payable computation.

Recommendation

- The current payroll processing system should be evaluated with an aim toward providing the necessary control elements to minimize, if not eliminate, the potential that currently exists for misappropriation of assets;
- The Fund should consider a control system that ensures that all personnel changes (to include hire/termination, payrate, pension withholding, etc.) are properly documented in writing by the employee as well as the payroll staff and filed accordingly in the respective employees file to support all such transactions. A periodic review for compliance should be undertaken at least on a quarterly basis by someone independent of the payroll function;
- Management should review the current system of payroll processing as it relates to hours worked and leave earned and/or used to ensure the complete and accurate reporting of such;
- On a monthly basis, the Fund should reconcile the payroll register to the general ledger to ensure that all transactions have been properly captured. This review should include a cursory review of payroll at a supervisory level prior to disbursement; and
- In addition, the Fund staff should input all payroll changes on a timely basis to minimize any time lag and facilitate the timely recording of all transactions to the appropriate period.

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Management's Response

Condition fully corrected as of December 31, 1999.

97-10 Condition

The Fund does not have a formal system for competitive bidding.

Recommendation

----- The Fund should consider:

----- The development of a formal procurement policy that requires the use of competitive bidding.

----- The establishment of a centralized and consolidated purchasing and contracting system.

----- The implementation of the necessary internal control elements in the procurement process in order to minimize, if not eliminate, the potential for misappropriation of assets;

----- A plan of action to upgrade the current computer system and capacity; and

----- The implementation of a procedure that will ensure the updating of staff parking assignments on a quarterly basis.

Management's Response

Condition fully corrected as of December 31, 1999.

97-11 Condition

Our review of the financial statements of the Fund reveals an ongoing operating deficit.

Recommendation

Management of the Fund should develop a plan of action that will address the operating deficit.

Management's Response

Condition fully corrected as of December 31, 1999.

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97-12 Condition
Establishment of a fixed asset accountability system.

Recommendation

We recommend that the Fund consider instituting the following procedures:

----- Establish a dollar threshold of not less than \$100 as a basis for tracking all assets acquired.

----- All "sensitive" assets should be tracked irrespective of dollar value.

----- A complete physical count should be undertaken of all assets located both on-site and off-site.

The listing should include at a minimum: a tag number, description of asset, cost or estimated cost for older items, location, and responsible department and person.

----- The establishment of a physical count procedure to require the annual inventory and reconciliation of all items purchased and/or retired to the completed asset living previously discussed.

Management's Response

Partially corrected. Management is currently researching fixed asset systems to completely resolve the above recommendations within the next year.

97-13 Condition
Currently, the Fund does not have a plan of action geared toward the complete automation of the accounting department. Development of such a plan should incorporate the implementation of a system for the following phases of the accounting processes:

- Procurement
- Accounts Payable
- Payroll
- Requisition
- Fixed Assets
- General Ledger

Recommendation

Management of the Fund should develop a plan to facilitate the complete automation of the accounting department.

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Management's Response

Partially corrected. There are several plans to address all accounting policies and procedures relating to automation. The Office Manager and Chief Accountant have completed the accounting policies and procedure to address complete automation of the accounting department. We expect that the all operations in accounting will be fully automated within one year.