

CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS

REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND

FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

AS OF AND
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Honorable Darren Lombard
Clerk of Court
Second City Court for the Parish of Orleans
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the **Registry of Court Fund and Garnishment Funds on Deposit Fund with the Clerk of Court of the Second City Court for the Parish of Orleans (SCC)**, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise SCC's financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Honorable Darren Lombard
Clerk of Court
Second City Court for the Parish of Orleans
New Orleans, Louisiana

Auditors' Responsibility, Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SCC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the **Registry of Court and Garnishment Funds on Deposit Fund with the Clerk of Second City Court for the Parish of Orleans**, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As further discussed in NOTE 1, the financial statements present only the activities of the Registry of Court and the Garnishment Funds on Deposit Fund.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Honorable Darren Lombard
Clerk of Court
Second City Court for the Parish of Orleans
New Orleans, Louisiana

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Honorable Darren Lombard
Clerk of Court
Second City Court for the Parish of Orleans
New Orleans, Louisiana

Other Matters, Continued

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of changes in fiduciary liabilities for the Registry of Court and Garnishment Funds on Deposit Fund and Schedule of Compensation, Benefits and Other Payments to Clerk of Court are presented for purposes of additional analysis and are not a required part of the financial statements.

The statements of changes in fiduciary liabilities for the Registry of Court and Garnishment Funds on Deposit Funds and Schedule of Compensation, Benefits and Other Payments to Clerk of Court are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of changes in fiduciary liabilities for the Registry of Court and Garnishment Funds on Deposit Fund and Schedule of Compensation, Benefits and Other Payments to Clerk of Court are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Honorable Darren Lombard
Clerk of Court
Second City Court for the Parish of Orleans
New Orleans, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019 on our consideration of SCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCC's internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

June 28, 2019

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis of the **Registry of Court and Garnishment Funds on Deposit Fund with the Second City Court for the Parish of Orleans (SCC)** provides an overview of the financial activities of these funds for the year ended December 31, 2018.

FINANCIAL HIGHLIGHTS

Both the Registry of Court and Garnishment Funds on Deposit Funds are Fiduciary (Agency) funds maintained by the Clerk of **SCC**. The assets in each fund equal the liabilities in each fund. Assets consist entirely of cash on deposit in banks, or being held for deposit. The Funds are custodial in nature and do not involve measurement of the results of operations. The Funds use the modified accrual basis of accounting. There are no budgets prepared for either of these funds because the change in liabilities are determined entirely by the legal filings with **SCC** and deposit requirements determined on a case by case basis by the Clerk of **SCC** during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial activities consists of a statement of fiduciary net position of the two funds and a supplementary statement of changes in fiduciary liabilities on both funds. It does not present information on the Judicial Expense Fund for the Civil District Court for the Parish of Orleans nor does it provide a government-wide perspective of **SCC**.

The statement of fiduciary liabilities provide information only on each of the two funds controlled by the Clerk of **SCC** and the supplementary information only provides information on each fund.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED**

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

The Registry of Court Fund is used as a depository for all collections by the Clerk of SCC. Amounts collected for the Judicial Expense Fund and the Garnishment Funds on Deposit Fund are transferred monthly and quarterly, respectively. It also serves as a depository for funds ordered by the court to be held until judgment has been rendered in litigation. The Garnishment Funds on Deposit Fund is used as a depository for funds deposited on behalf of the attorney of an employer by a plaintiff in order to pay for the attorney's fees, and answering any interrogatories. Interest earnings on monies deposited in these two funds are transferred annually to the Capital Improvement Fund for use by the Clerk of SCC in its capital expenditures. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the financial statement.

USING THIS ANNUAL REPORT

SCC's audit report consists of a financial statement that shows information about SCC's statement of fiduciary net position.

Our auditor has provided assurance in his independent auditor's report located immediately preceding this Management's Discussion and Analysis. That opinion is unmodified with respect to the basic financial statements. Varying degrees of assurances are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

ANALYSIS OF FINANCIAL STATEMENTS

The cash balance in the Registry of Court Fund at December 31, 2018 was \$35,730 and \$49,429 at December 31, 2017. The Fiduciary Liabilities at the beginning of the year (January 1, 2018 and January 1, 2017 respectively) for Registry of Court Fund, totaled \$49,429 and \$45,336 and \$35,730 and \$49,429 at the end of 2018 and 2017, respectively. This change represents a decrease in Fiduciary Liabilities of \$13,699 for 2018 and an increase of \$4,093 for 2017.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
MANAGEMENT DISCUSSION AND ANALYSIS, CONTINUED**

ANALYSIS OF FINANCIAL STATEMENTS, CONTINUED

The cash balance in the Garnishment Funds on Deposit Fund at December 31, 2018 was \$43,714 and \$41,130 at December 31, 2017. The Fiduciary Liabilities at the beginning of the year (January 1, 2018 and January 1, 2017, respectively) for Garnishment Funds on Deposit Fund, totaled \$41,430 and \$39,603 and \$43,714 and \$41,430 at the end of 2018 and 2017, respectively. This change represents an increase in Fiduciary Liabilities of \$2,284 and \$1,827 for 2018 and 2017, respectively.

Further, the cash balance of \$35,730 at December 31, 2018 and \$49,429 at December 31, 2017 in the Registry of Court Fund are composed of funds held for unsettled litigation of \$35,730, \$40,523 and \$8,906 due to the Judicial Expense fund, respectively.

Likewise, the cash balance in the Garnishment Funds on Deposit Fund at December 31, 2018 was \$43,714 and \$41,430 at December 31, 2017 . The cash balance at December 31, 2018 and 2017 represents funds on deposit and due to unsettled litigation of \$43,714 and \$41,430, respectively.

This financial report is designed to provide a general overview of the operations of the **Registry of Court and the Garnishment Funds on Deposit Fund** of the Clerk of SCC for those who have an interest in the finances of these two funds. If you have any questions about this report or need additional information, contact Honorable Darren Lombard, Clerk of Second City Court for the Parish of Orleans, at 225 Morgan Street New Orleans, LA 70114.

CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

ASSETS

	<u>REGISTRY OF COURT FUND</u>	<u>GARNISHMENT FUNDS ON DEPOSIT FUND</u>	<u>TOTAL</u>
Cash and cash equivalents (NOTE 3)	\$ <u>35,730</u>	\$ <u>43,714</u>	\$ <u>79,444</u>
Total assets	\$ <u>35,730</u>	\$ <u>43,714</u>	\$ <u>79,444</u>

LIABILITIES AND NET POSITION

Unsettled deposits (NOTE 3)	\$ <u>35,730</u>	\$ <u>43,714</u>	\$ <u>79,444</u>
Total liabilities	\$ <u>35,730</u>	\$ <u>43,714</u>	\$ <u>79,444</u>
Net position	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

The accompanying notes are an integral part of these statements.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
NOTES TO THE FINANCIAL STATEMENT**

NOTE 1 - BACKGROUND AND GENERAL DATA:

As provided by Article V, Section 28 of the Louisiana Constitution of 1974, the Clerk of Court serves as the ex-officio notary public, the recorder of conveyances, mortgages, and other acts, and other duties and powers provided by law. The Clerk of SCC is elected for a four-year term.

SCC is required to receive cash and property deposits according to Court order which will remain in SCC's custody until ordered by Court to disburse.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying statement of fiduciary net position of the Registry of Court Fund and Garnishment Funds on Deposit Fund maintained by the SCC has been prepared in conformity with accounting principles generally accepted in the United States of America 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

The Clerk of the SCC is an independently elected official; however, the SCC is fiscally dependent on the Judicial Expense Fund for the Civil District Court. All collections by the SCC are transferred monthly to the Judicial Expense Fund for the Civil District Court. The Judicial Expense Fund for the Civil District Court maintains and operates the parish courthouse in which the Clerk's office is located and provides funds for operating expenses and equipment and furniture of the Clerk's office. Because the SCC is fiscally dependent on the Judicial Expense Fund for the Civil District Court, the Clerk was determined to be a component unit of the Judicial Expense Fund, the financial reporting entity.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
NOTES TO THE FINANCIAL STATEMENT, CONTINUED**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Reporting Entity, Continued

The accompanying financial statements and supplementary information present information only on the Registry of Court Fund and Garnishment Funds on Deposit Fund maintained by the SCC and do not present information on the Judicial Expense Fund for the Civil District Court, the general government services provided by that governmental unit, or any other governmental unit(s) that comprise the financial reporting entity.

Fund Accounting, Measurement Focus, and Basis of Accounting

The SCC uses fund accounting to report on its financial position and changes in fiduciary liabilities. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregation of transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the SCC are classified as fiduciary (agency) funds. These funds are described as follows:

Fiduciary Funds - Agency Funds

The Registry of Court Fund and Garnishment Funds on Deposit Fund account for assets held by the SCC as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus and use the modified accrual basis of accounting.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
NOTES TO THE FINANCIAL STATEMENT, CONTINUED**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Net Position

The SCC has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets, title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components: net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Restricted and Unrestricted Resources

It is SCC's practice where applicable to first apply restricted resources when expenses are incurred for the restricted purpose.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
NOTES TO THE FINANCIAL STATEMENT, CONTINUED**

NOTE 3 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include amounts in interest-bearing demand deposits, and investments with original maturities of 90 days or less. Under state law, the SCC may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States of America or under the laws of the United States of America.

At December 31, 2018, the carrying amount of SCC's deposits were \$79,444 and the collected bank balance \$79,444. A breakout of cash and cash equivalents and by fund follows:

<u>Description</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Interest Rate (%)</u>
Interest bearing			
demand deposits	\$53,493	\$53,493	.05
Pooled funds	<u>25,951</u>	<u>25,951</u>	2.35
	<u>\$79,444</u>	<u>\$79,444</u>	
		<u>Registry</u>	<u>Garnishment</u> <u>Total</u>
Louisiana Asset Management			
Pool Funds		\$ -0-	\$25,951 \$25,951
Interest bearing demand deposits		<u>35,730</u>	<u>17,763</u> <u>53,493</u>
Total cash and cash equivalents		<u>\$35,730</u>	<u>\$43,714</u> <u>\$79,444</u>

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
NOTES TO THE FINANCIAL STATEMENT, CONTINUED**

NOTE 3 - CASH AND CASH EQUIVALENTS, CONTINUED:

These interest bearing demand deposits and pool funds are stated at cost, which approximates market. Custodial credit risk, as it relates to cash deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The demand deposits were not exposed to custodial credit risk since interest bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000.

In accordance with GASB Codification Section 150.165, the assets held in the Louisiana Asset Management Pool (LAMP), an external investment pool, are not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

The investment in the Louisiana Asset Management Pool (LAMP), an external investment pool, is stated at the value of the pool shares, which is the same as the fair value, and has been categorized as cash equivalents. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The Corporation is governed by a board of directors comprised of the State treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
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NOTES TO THE FINANCIAL STATEMENT, CONTINUED**

NOTE 3 - CASH AND CASH EQUIVALENTS, CONTINUED:

assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates.

The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

GASB Statement No. 40, Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial risk, concentration of credit risk, interest risk, and foreign currency risk for all public entity investments.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
NOTES TO THE FINANCIAL STATEMENT, CONTINUED**

NOTE 3 - CASH AND CASH EQUIVALENTS, CONTINUED:

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

1. Credit Risk: LAMP is rated AAAM by Standard and Poor's.
2. Custodial Credit Risk: LAMP participants' investment in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. SCC's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of Credit Risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest Rate Risk: 2a7-like investment pools are excluded from this disclosure requirement per paragraph 15 of the GASB 40 statement.
5. Foreign Currency Risk: Not applicable to 2a7-like pools.

LAMP, Inc. issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by writing to LAMP, Inc.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
NOTES TO THE FINANCIAL STATEMENT, CONTINUED**

NOTE 4 - FIDUCIARY FUNDS - AGENCY FUNDS:

Registry of Court Fund

All amounts collected by SCC are deposited in the Registry of Court Fund. Amounts collected on behalf of the Orleans Parish Judicial Expense Fund and the Garnishment Funds on Deposit Fund are transferred monthly and quarterly, respectively. The Registry of Court Fund, as provided by Louisiana Revised Statute 13:475, also accounts for funds that have been ordered by the court to be held until judgment has been rendered in court litigation. Withdrawal of these funds can be made only upon order of the court.

Garnishment Funds on Deposit Fund

The Garnishment Funds on Deposit Fund as provided by Louisiana Revised Statute 13:3927, provides that a plaintiff suing out a writ of garnishment, shall apply to the court for the issuance of such a writ. The plaintiff shall deposit with the court the sum of fifteen dollars, as a fee for the attorney for the employer who answers such interrogatories.

In October, 2004 excess monies in the Garnishment Funds on Deposit Fund bank account were transferred to the Louisiana Asset Management Pool ("LAMP") to yield higher benefits while maintaining liquidity. LAMP enables local officials to pool and collectively invest funds to benefit from competitive yields, lower fees and the same level of investment management otherwise available to large institutional investors. Said monies remained in the LAMP throughout 2018.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
NOTES TO THE FINANCIAL STATEMENT, CONTINUED**

NOTE 5 - INTEREST EARNINGS:

As authorized by Louisiana Revised Statute 13:2165, interest earnings on all monies collected by the SCC is to be used for capital expenditures of the SCC. Interest earnings are transferred annually to the Capital Improvement Fund for that purpose.

SUPPLEMENTARY INFORMATION

**CLERK OF COURT
 SECOND CITY COURT FOR THE PARISH OF ORLEANS
 REGISTRY OF COURT FUND
 AND
 GARNISHMENT FUNDS ON DEPOSIT FUND
 STATEMENT OF CHANGES IN FIDUCIARY LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018**

REGISTRY OF
 COURT FUND

Additions

Court costs, charges and fees collected	\$386,659
Interest earnings	<u>19</u>
Total additions	<u>386,678</u>

Reductions

Fees, court costs, charges and interest earnings distributed to Judicial Expense Fund	392,164
Payments to Litigants upon court order	<u>8,213</u>
Total reductions	<u>400,377</u>
Net decrease	(13,699)
Liabilities, beginning of year	<u>49,429</u>
Liabilities, end of year	<u>\$ 35,730</u>

See Independent Auditors' Report on Supplementary Information.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
STATEMENT OF CHANGES IN FIDUCIARY LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

**GARNISHMENT FUNDS
ON DEPOSIT FUND**

Additions

Interest earnings	\$ 499
Other	<u>1,785</u>
Total additions	<u>2,284</u>

Reductions

Total reductions	<u>-0-</u>
Net increase	2,284
Liabilities, beginning of year	<u>41,430</u>
Liabilities, end of year	<u>\$43,714</u>

See Independent Auditors' Report on Supplementary Information.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO CLERK OF COURT
FOR THE YEAR ENDED DECEMBER 31, 2018**

Clerk of Court Name: Darren Lombard

<u>Purpose</u>	<u>Amount</u>
Salary	\$80,297
Benefits - insurance	6,789
Benefits - retirement	15,256
Other	<u>8,030</u>
Total	<u>\$110,372</u>

See Independent Auditors' Report on Supplementary Information.

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

To the Honorable Darren Lombard
Clerk of Court
Second City Court for the Parish of New Orleans
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America the financial statements of the Registry of Court Fund and Garnishment Funds on Deposit Fund with the **Clerk of the Second City Court for the Parish of Orleans (SCC)** and related notes to the financial statements as of and for the year ended December 31, 2018, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **SCC's** internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **SCC's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **SCC's** internal control over financial reporting.

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

(CONTINUED)

Internal Control Over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, as discussed in the following paragraph, we did identify a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of SCC's financial statements will not be prevented, or detected and corrected, by SCC on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weaknesses, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Summary Schedule of Finding and Response as item 2018-001 to be a significant deficiency.

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

(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

SCC's Response to Finding

SCC's response to the finding identified in our audit is described in the accompanying Summary Schedule of Finding and Response under the caption "Management's Response and Planned Corrective Action." SCC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

(CONTINUED)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCC's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCC's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

June 28, 2019

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSITS FUND
SUMMARY SCHEDULE OF FINDING AND RESPONSE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Not Applicable
- Significant deficiency (ies) identified? Not applicable

Type of auditor's report issued on compliance for major programs: Not Applicable

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of *the Uniform Guidance*? Not Applicable

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
SUMMARY SCHEDULE OF FINDING AND RESPONSE, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Programs: Not Applicable

Dollar threshold used to distinguish between Type A and Type B programs: Not Applicable

Auditee qualified as low-risk auditee? Not Applicable

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
SUMMARY SCHEDULE OF FINDING AND RESPONSE, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section II - Financial Statement Findings and Responses

Reference Number

2018-001

Criteria

Management is required to establish and maintain internal controls designed to reasonably ensure completeness in recorded financial transactions. Further, such a system should ensure the safeguarding of assets.

Condition

Considering the personnel size of SCC's operations, the elements of an effective segregation of duties are not practical and/or cost effective.

Context

Total collections and disbursements for the year ended December 31, 2018, were \$388,444 and \$400,377, respectively.

Effect or Potential Effect

The potential risk for misappropriation of assets.

Cause

Size of personnel coupled with the level of operations.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
SUMMARY SCHEDULE OF FINDING AND RESPONSE, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section II - Financial Statement Findings and Responses, Continued

Reference Number, Continued

2018-001

Recommendation

Management should continue to evaluate and assess areas for segregation of duties in its custodial and recordation functions. Further, management should consider opportunities for the implementation of offsetting controls.

Management's Response and Planned Corrective Action

Management continues to assess the possibility for the implementation of a structure to enhance the current internal control structure.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
SUMMARY SCHEDULE OF FINDING AND RESPONSE, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section III - Federal Award Findings and Questioned Costs

No federal award findings and questioned costs were reported for the year ended December 31, 2018 as SCC received no federal awards.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
SUMMARY SCHEDULE OF FINDING AND RESPONSE, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section IV - Status of Prior Year's Findings and Responses

Reference Number

2017-001

Criteria

Management is required to establish and maintain internal controls designed to reasonably ensure completeness in recorded financial transactions. Further, such a system should ensure the safeguarding of assets.

Condition

Considering the personnel size of SCC's operations, the elements of an effective segregation of duties are not practical and/or cost effective.

Context

Total collections and disbursements for the year ended December 31, 2017, were \$375,883 and \$369,963, respectively.

Effect or Potential Effect

The potential risk for misappropriation of assets.

Cause

Size of personnel coupled with the level of operations.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND
SUMMARY SCHEDULE OF FINDING AND RESPONSE, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number, Continued

2017-001

Recommendation

Management should continue to evaluate and assess areas for segregation of duties in its custodial and recordation functions. Further, management should consider opportunities for the implementation of offsetting controls.

Current Status

Unresolved. See current year's finding reference number 2018-001.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUND**

EXIT CONFERENCE

An exist conference and other meetings were held with representatives of **Clerk of Court Second City Court for the Parish of Orleans Registry of Court Fund and Garnishment Funds on Deposit Fund**. The contents of this report were discussed and management is in agreement. Those persons who participated in this and previous discussions are as follows:

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
REGISTRY OF COURT FUND
AND
GARNISHMENT FUNDS ON DEPOSIT FUNDS**

Darren Lombard*

-- Clerk of Court

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Paul K. Andoh, Sr., CPA, MBA, CGFM, CGMA

-- Partner

*Darren Lombard is responsible for management's response included in this report.



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Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

To the Honorable Darren Lombard
Clerk of Court
Second City Court for the Parish of Orleans
New Orleans, Louisiana

Management of **Second City Court for the Parish of Orleans (SCC)** is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statement of **SCC** as of and for the year ended December 31, 2018, we considered **SCC's** internal control as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of **SCC's** internal control. Accordingly, we do not express an opinion on the effectiveness of **SCC's** internal control.

We previously reported on **SCC's** internal control in our report dated June 28, 2019. This letter does not affect our report dated June 28, 2019 on the financial statements of **SCC**.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

Current Year's Other Matters

2018

No other matters were reported for the year ended December 31, 2018.

Prior Year's Other Matters

No other matters were reported for the year ended December 31, 2018.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions or require further details, please do not hesitate to call.

This report is intended solely for the information of management of SCC, and is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

June 28, 2019

**SECOND CITY COURT OF THE PARISH OF ORLEANS
CIVIL DISTRICT COURT**

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED DECEMBER 31, 2018



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Alcide J. Tervalon, Jr., CPA
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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

To the Clerk
Second City Court of the Parish of Orleans
Civil District Court
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by **Second City Court of the Parish of Orleans - Civil District Court (SCC)** and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUP) for the year ended December 31, 2018. **SCC's** management is responsible for those compliance and control areas identified in the SAUP.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the following procedures described either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

The procedures and related findings to the SAUP are as follows:

Bank Reconciliations

1. Procedure

We obtained a listing of **Second City Court's (SCC)** bank accounts for the year ended December 31, 2018 from management and management's representation that the listing is complete. We asked management to identify **SCC's** main operating account. We selected **SCC's** main operating account and its remaining three (3) accounts. We randomly selected one (1) month reconciliation for each selected account, and observed that:

- a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated, electronically logged);

Finding

No exceptions noted. Funds collected in the form of filing fees to include other mandated fees are deposited directly into the Judicial Expense Fund (JEF) bank account.

No formal bank account reconciliations were performed on the remaining two (2) accounts. Management maintains an excel spreadsheet that lists all transactions.

Management's Response

Considering the size of **SCC**, the excel format while not formal, serves the purpose of a reconciliation. The funds are reconciled at the **JEF** level.

- b) Bank reconciliation include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Bank Reconciliations, Continued

1. Procedure, Continued

Finding

No formal bank account reconciliations were performed for the twelve months ended December 31, 2018 to facilitate review for the two (2) accounts with collection activities. However, the Clerk maintains an excel spreadsheet listing all transactions.

Management's Response

Considering the size of SCC, the excel format while not formal, serves the purpose of a reconciliation. The funds are reconciled at the JEF level.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Finding

No exceptions noted based on our review of bank statements.

Collections

2. Procedure

We obtained a listing of deposit sites for the year ended December 31, 2018 where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. We selected the only deposit site.

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Collections, Continued

3. Procedure

For the deposit site selected, we obtained a listing of collection location and management's representation that the listing is complete. We selected the collection location for the deposit site, obtained and inspected written policies and procedures related to employee job duties at the collection location, and observed that job duties are properly segregated at the collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Finding

No exceptions noted.

- b) Each employee responsible for cash collection is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling location documentation (e.g. pre-numbered receipts) to the deposit.

Finding

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger posting to each other and to the deposit.

Finding

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Finding

No exceptions noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Collections, Continued

4. Procedure, Continued

We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Finding

No exceptions noted.

5. Procedure

We randomly selected two deposit dates for each of the two (2) bank accounts selected for procedure #2 under "Bank Reconciliations" with collection transactions into SCC bank accounts (Garnishment and Registry Funds). We obtained supporting documentation for each of the four (4) deposits and:

- a) We observed that receipts are sequentially pre-numbered.

Finding

As a practice, the SCC uses case numbers to receipt collections. For deposits remitted to the JEF account, the receipts are accounted for at that level through the Case Management System Software System utilized by the Court.

Management's Response

Management through the use of a spreadsheet, accounts for all collections via sequentially issued case numbers.

- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Collections, Continued

5. Procedure, Continued

Finding

As a practice, the SCC uses case numbers to receipt collections. For deposits remitted to the JEF account, the receipts are accounted for at that level.

Management's Response

Management through the use of a spreadsheet, accounts for all collections via sequentially issued case numbers.

- c) Traced the deposit slip total to the actual deposit per the bank statement.

Finding

No exceptions noted for the Registry and Garnishment accounts.

As a practice, the SCC uses case numbers to receipt collections. For deposits remitted to the JEF account, the receipts are accounted for at that level.

- d) We observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Finding

Generally deposits were made within a week into the Garnishment and Registry funds.

Management's Response

Considering the personnel size of SCC's office, daily deposits is not practical.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

Collections, Continued

5. Procedure, Continued

- e) Traced the actual deposit per the bank statement to the general ledger.

Finding

Filing fees and mandated fees were deposited into JEF's bank account. For the Garnishment and Registry, we noted no exceptions.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions, respectively, on those compliance and control areas identified in the SAUP. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those compliance and control areas identified in the SAUP, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

June 28, 2019