

COURT OF APPEAL, FIRST CIRCUIT
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED MAY 22, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Court of Appeal, First Circuit



May 2019

Audit Control # 80190070

Introduction

The primary purpose of our procedures at the Court of Appeal, First Circuit (Court) was to evaluate certain controls the Court uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds.

Results of Our Procedures

We evaluated the Court's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the Court's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, self-generated revenue, payroll expenditures, travel expenditures, operating services expenditures, and information technology (IT) access.

Cash

The Court maintains an operating account and five other bank accounts. The cash balance at June 30, 2018, per the Court's Annual Fiscal Report, was \$1,949,515. We obtained an understanding of the Court's controls over the bank accounts, evaluated the segregation of duties, and reviewed selected bank statements and bank reconciliations. Based on the results of our procedures, the Court had adequate controls in place to ensure timely preparation, review and approval of bank reconciliations and the court established adequate segregation of duties over the cash function.

Self-generated Revenue

The Court's operations are funded through appropriations and self-generated revenues from filing and copy fees authorized and determined by Louisiana Revised Statute (R.S.) 13:352; however, the statute allows for certain fee increases by a rule of court. Filing fees charged by the Court range from \$50 to \$325 and \$1 per copy. We performed procedures to ensure that fees collected were in accordance with the approved fee schedule, adequately supported, accurately recorded, and reconciled to amounts deposited. Our procedures determined that the Court had

adequate controls in place to ensure that filing and copy fees were properly collected, deposited, and recorded in the accounting system.

Payroll Expenditures

Salaries and related benefits comprise approximately 86% of the Court's expenditures in fiscal years 2017 and 2018. We obtained an understanding of the Court's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, the Court had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

Travel Expenditures

We obtained an understanding of the Court's policies and procedures over travel expenditures. We analyzed travel expenditures for the period July 1, 2017, through January 31, 2019, and reviewed selected transactions. Based on the results of our procedures, the Court had adequate controls in place to ensure that travel expenditures were approved and made for proper business purposes; sufficient documentation was maintained to support travel expenditures; correctly recorded in the accounting system; and travel expenditures were properly reconciled to invoices and receipts.

Operating Services Expenditures

We obtained an understanding of the Court's controls over operating service expenditures and reviewed selected transactions for the period July 1, 2017, through January 31, 2019. Based on the results of our procedures the Court had adequate controls in place to ensure operating services expenditures were approved and made for proper business purposes; sufficient documentation was maintained to support the expenditures; correctly recorded in the accounting system; and operating service expenditures were properly reconciled to invoices and receipts.

IT Access

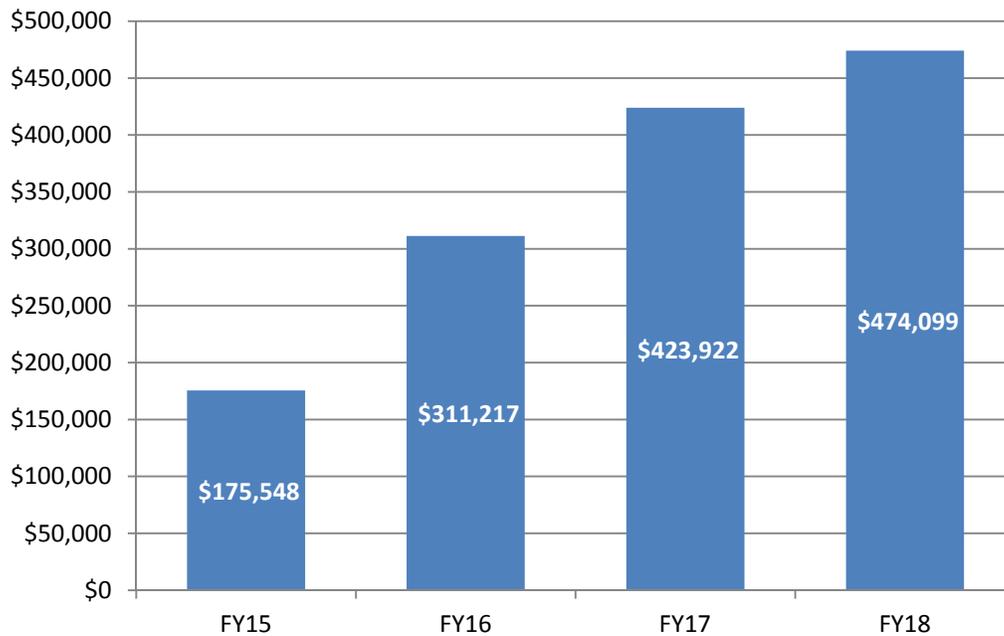
The Court uses Sage accounting software to record revenue and expenditure transactions into the general ledger and to prepare the year end information needed for the Annual Fiscal Report. We performed procedures to determine whether IT access was restricted to business-need only and access was adequately segregated. Based on the result of our procedures, the Court had adequate controls in place to ensure access was properly restricted and segregated.

Trend Analysis

We compared the most current and prior-year financial activity using the Court's Annual Fiscal Reports and/or system-generated reports and obtained explanations from the Court's management for any significant variances. We also prepared an analysis of self-generated revenues for fiscal years 2015 through 2018, as well as expenditures for fiscal year 2018.

The Court is funded with state general fund appropriations and fees in accordance with R.S. 13:352. Act 264 of the 2015 Regular Session of the Louisiana State Legislature increased the cost of filing fees effective July 1, 2015, which resulted in increases to self-generated revenues for the Court in subsequent years (see Exhibit 1). This was the first time the Legislature increased filing fees since the passage of Act 104 of the 1986 Legislative Session.

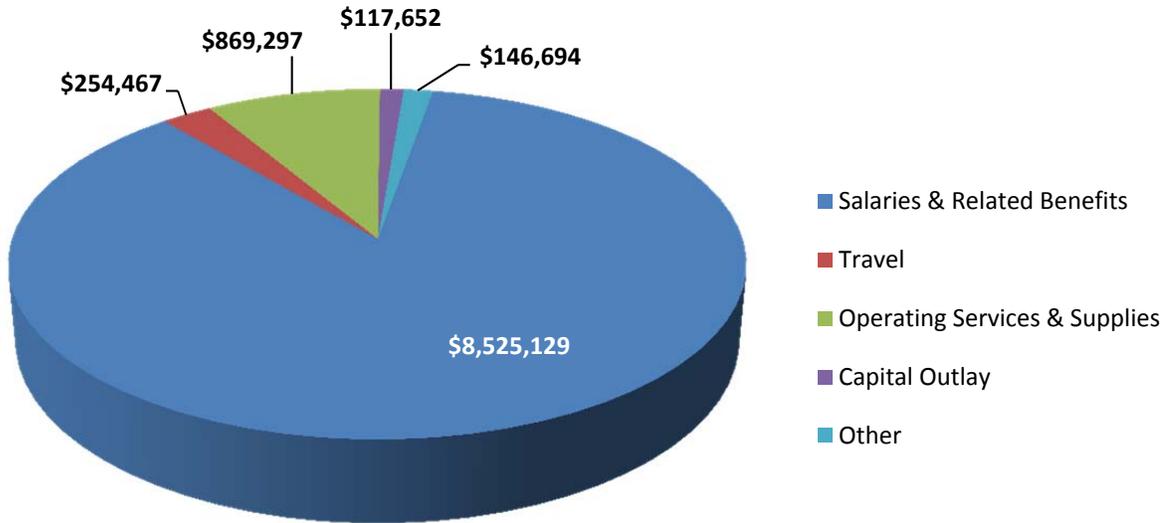
Exhibit 1
Self-Generated Revenues, by Fiscal Year (FY)



Source: Annual Fiscal Reports (Fiscal Years 2015 – 2018)

State appropriations and fees collected are used to fund salaries and related benefits, travel, operating supplies and services, and capital outlay. Salaries and related benefits are the most significant expenditures of the Court (Exhibit 2).

Exhibit 2
Fiscal Year 2018 Expenditures
Total: \$9,913,239



Source: 2018 Annual Fiscal Report

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera,
Legislative Auditor, CPA, CFE

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APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Court of Appeal, First Circuit (Court) for the period from July 1, 2017, through May 14, 2019. Our objective was to evaluate certain controls the Court uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the Court's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The Court's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Court's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Court.
- Based on the documentation of the Court's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, self-generated revenues, payroll expenditures, travel expenditures, operating services expenditures, and IT access.
- We compared the most current and prior-year financial activity using the Court's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the Court's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the Court and not to provide an opinion on the effectiveness of the Court's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purpose.