

**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, 2017**

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Member
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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 Statement

We have audited the accompanying financial statement 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, 2017, and the related notes to the financial statement, which collectively comprise SCC's basic financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is 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 statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statement 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 statement 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 statement.

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 statement 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, 2017 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 statement 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 basic financial statement. Such information, although not a part of the basic financial statement is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement 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 response to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. 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 basic financial statement 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 basic financial statement.

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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement 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 25, 2018 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 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 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 25, 2018

**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, 2017.

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, nonprofit organization 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 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 STATEMENT, 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 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 statement provide additional information that is essential for a full understanding of the data provided in the financial statement.

USING THIS ANNUAL REPORT

SCC's annual 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, 2017 was \$49,429 and \$45,336 at December 31, 2016. The Fiduciary Liabilities at the beginning of the year (January 1, 2017 and January 1, 2016 respectively) for Registry of Court Fund, totaled \$45,336 and \$48,639 and \$49,429 and \$45,336 at the end of 2017 and 2016, respectively. This change represents an increase in Fiduciary Liabilities of \$4,093 for 2017 and a decrease of \$3,303 for 2016.

**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, 2017 was \$41,430 and at December 31, 2016, \$39,603. The Fiduciary Liabilities at the beginning of the year (January 1, 2017 and January 1, 2016, respectively) for Garnishment Funds on Deposit Fund, totaled \$39,603 and \$39,435 and \$41,430 and \$39,603 at the end of 2017 and 2016, respectively. This change represents an increase in Fiduciary Liabilities of \$1,827 for 2017 and \$168 for 2016.

Further, the cash balance of \$49,429 at December 31, 2017 and \$45,336 at December 31, 2016 in the Registry of Court Fund are composed of funds held for unsettled litigation of \$40,523 and \$31,498 and amounts due to the Judicial Expense Fund of \$8,906 and \$13,838, respectively.

Likewise, the cash balance in the Garnishment Funds on Deposit Fund at December 31, 2017 was \$41,430 and at December 31, 2016 of \$39,603. The cash balance at December 31, 2017 and 2016 represents funds on deposit and due to unsettled litigation of \$41,430 and \$39,603, 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, 2017

ASSETS

	<u>REGISTRY OF COURT FUND</u>	<u>GARNISHMENT FUNDS ON DEPOSIT FUND</u>	<u>TOTAL</u>
Cash and cash equivalents (NOTE 3)	\$49,429	\$41,430	\$90,859
Total assets	<u>49,429</u>	<u>41,430</u>	<u>90,859</u>

LIABILITIES AND NET POSITION

Unsettled deposits (NOTE 3)	40,523	41,430	81,953
Due to Judicial Expense Fund	<u>8,906</u>	<u>-0-</u>	<u>8,906</u>
Total liabilities	<u>49,429</u>	<u>41,430</u>	<u>90,859</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 statement 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*, effective fiscal year 2012. 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.

**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, 2017, the carrying amount of SCC's deposits were \$90,859 and the collected bank balance \$81,953. 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>
Cash on hand	\$ 8,906	\$ 8,906	-0-
Interest bearing			
demand deposits	56,493	56,493	.05
Pooled funds	<u>25,460</u>	<u>25,460</u>	1.30
	<u>\$90,859</u>	<u>\$90,859</u>	

	<u>Registry</u>	<u>Garnishment</u>	<u>Total</u>
Cash on hand	\$ 8,906	\$ -0-	\$ 8,906
Louisiana Asset Management			
Pool Funds	-0-	25,460	25,460
Interest bearing demand deposits	<u>40,523</u>	<u>15,970</u>	<u>56,493</u>
Total cash and cash equivalents	<u>\$49,429</u>	<u>\$41,430</u>	<u>\$90,859</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
GARNISHMENT FUNDS ON DEPOSIT FUND
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 2017.

**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, 2017

REGISTRY OF
COURT FUND

Additions

Court costs, charges and fees collected	\$374,021
Interest earnings	<u>20</u>
Total additions	<u>374,041</u>

Reductions

Fees, court costs, charges and interest earnings distributed to Judicial Expense Fund	360,195
Payments to Litigants upon court order	9,713
Other reductions	<u>40</u>
Total reductions	<u>369,948</u>
Net increase	4,093
Liabilities, beginning of year	<u>45,336</u>
Liabilities, end of year	<u>\$ 49,429</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, 2017

GARNISHMENT FUNDS
ON DEPOSIT FUND

<u>Additions</u>	
Interest earnings	\$ 252
Other	<u>1,590</u>
Total additions	<u>1,842</u>
<u>Reductions</u>	
Total reductions	<u>15</u>
Net increase	1,827
Liabilities, beginning of year	<u>39,603</u>
Liabilities, end of year	<u>\$41,430</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, 2017**

Clerk of Court Name: Darren Lombard

<u>Purpose</u>	<u>Amount</u>
Salary	\$78,857
Benefits - insurance	6,559
Benefits - retirement	14,812
Benefits - other	<u>7,296</u>
Total	<u>\$107,524</u>

See Independent Auditors' Report on Supplementary Information.



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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 Controller General of the United States of America the financial statement of the Registry of Court Fund and Garnishment Funds on Deposit with the **Clerk of the Second City Court for the Parish of Orleans (SCC)** and related notes to the financial statement as of and for the year ended December 31, 2017, and have issued our report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 basic 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 were not 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 identified 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 controls 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 2017-001 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 statement is 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 statement 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 result 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* 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 25, 2018

**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, 2017**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None Reported
• 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 <i>the Uniform Guidance</i> ?	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, 2017**

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, 2017**

Section II - Financial Statement 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, 2017**

Section II - Financial Statement 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.

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, 2017**

Section III - Federal Award Findings and Questioned Costs

No federal award findings and questioned costs were reported for the year ended December 31, 2017 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, 2017**

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Number

2016-001

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, 2016, were \$306,577 and \$309,712, 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, 2017**

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

Reference Number, Continued

2016-001

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 other matter reference number OM 2017-001.

**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.

**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, 2017**



Member
American Institute of
Certified Public Accountants
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 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 fiscal period January 1, 2017 through December 31, 2017. **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:

Written Policies and Procedures

1. Procedure

We obtained SCC's written policies and procedures to determine whether the policies and procedures address each of the following financial/business functions, as applicable:

- a) Budgeting including preparing, adopting, monitoring, and amending the budget.

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the Judicial Expense Fund of the Civil District Court (JEF) for budgeting

- b) Purchasing including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Finding

SCC adheres to the purchasing policies and procedures as dictated in the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for purchasing.

- c) Disbursements including processing, reviewing, and approving.

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

Written Policies and Procedures, Continued

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for disbursements.

- d) Receipts including receiving, recording, and preparing deposits.

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for receipts.

- e) Payroll/Personnel including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for payroll and personnel.

- f) Contracting including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for contracting.

- g) Credit cards including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

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

Written Policies and Procedures, Continued

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for credit cards.

- h) Travel and expense reimbursement including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for travel and expense reimbursement.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read SCC's ethics policy.

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for ethics.

- j) Debt service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Finding

Not applicable.

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

Board or Finance Committee

2. Procedure

We obtained and reviewed Board minutes for the fiscal period to determine whether:

- a) the Board met (with a quorum) at least monthly, or on a frequency in accordance with the Board's enabling legislation, charter, or other equivalent document.

Finding

Not applicable.

- b) the Board minutes referenced or included monthly budget-to-actual comparisons on SCC's funds, and if the budget-to-actual comparisons showed that management was deficit spending during the fiscal period, there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Finding

Not applicable.

- c) The minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Finding

Not applicable.

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

Bank Reconciliations

3. Procedure

We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

Finding

No exceptions noted.

4. Procedure

From the listing provided by management, we selected SCC's bank accounts and obtained bank statements and reconciliations for all months in the fiscal period to determine whether:

- a) Bank reconciliations have been prepared;

Finding

No formal bank account reconciliations were performed for the twelve months ended December 31, 2017. Management maintains an excel spreadsheet that list all receipts and disbursements. Funds collected in the form of filing fees to include other mandated fees are deposited in the JEF's bank account.

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 reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

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

Bank Reconciliations, Continued

Finding

No formal bank account reconciliations were performed for the twelve months ended December 31, 2017 to facilitate review.

Management's Response

See response to procedure 4a.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Finding

Based on our review of cash transactions at December 31, 2017, we noted no reconciling items outstanding for more than six (6) months as of December 31, 2017.

Cash Collections

5. Procedure

We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Finding

No exceptions noted.

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

Cash Collections, Continued

6. Procedure

From the listing provided by management, we selected SCC's only cash collection location and:

- a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) to determine whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Finding

SCC adheres to the "General Policies and Procedures" adopted by the Judges En Banc of the JEF for receipts. As such, it is our understanding that as employees they are covered by the insurance policy of JEF. Funds are collected and deposited into the JEF bank account by the Clerk for further processing by the JEF.

- b) Obtained existing written documentation (e.g. sequentially numbered receipts system report, reconciliation worksheets, policy) to determine whether SCC has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Finding

All funds collected are assigned a sequential case number prior to the deposit in JEF's account for further processing by the JEF.

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

Cash Collections, Continued

- c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - 1) Using SCC's collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement to determine whether the deposits were made within one day of collection.

Finding

Deposits for the highest collection week, were made outside of the one (1) day deposit window.

Management's Response

Considering the size of the office daily deposit is not practical.

- 2) Using sequentially numbered receipts system reports, or other related collection documentation, verify that the daily cash collections are completely supported by documentation and report any exceptions.

Finding

No exceptions noted.

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

Cash Collections, Continued

7. Procedure

We obtained existing written documentation (e.g. policy manual, written procedure) to determine whether SCC has a process specifically defined (identified as such by SCC) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Finding

The Clerk of the SCC is responsible for both custodial and recordation functions for funds collected for deposit with the JEF or held by court order.

Disbursements – General (excluding credit card, debit, fuel and P-cards purchases or payments)

8. Procedure

We obtained SCC's check register for the year ended December 31, 2017. We obtained management's representation that its check register population was complete.

Finding

No exceptions noted.

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

Disbursements - General (excluding credit card, debit, fuel and P-cards purchases or payments), Continued

9. Procedure

Using the disbursement population from #8, we randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction to determine whether:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Finding

Not applicable. All check payments made are pursuant to a court order and/or petition.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Finding

Not applicable.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Finding

Not applicable.

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

Disbursements – General (excluding credit card, debit, fuel and P-cards purchases or payments), Continued

10. Procedure

We reviewed SCC's documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the person responsible for processing payments is prohibited from adding vendors to SCC's purchasing/disbursement system.

Finding

Not applicable.

11. Procedure

We reviewed SCC's documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the persons with signatory authority or who makes the final authorization for disbursements have no responsibility for initiating or recording purchases.

Finding

Not applicable.

12. Procedure

We inquired of management and observed the supply of unused checks to determine whether unused checks are maintained in a locked location, with access restricted to those persons that do not have signatory authority.

Finding

No exceptions noted.

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

Disbursements – General (excluding credit card, debit, fuel and P-cards purchases or payments), Continued

13. Procedure

We inquired of the individual with a signature stamp whether his or her signature is maintained under his or her control or is used only with his or her knowledge and consent. We also inquired whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

Finding

No exceptions noted.

Credit Cards

14. Procedure

We obtained from management a listing of all active credit cards, including the card numbers and the names of the persons who maintained possession of the cards and we obtained management's representation that the listing is complete.

Finding

Not applicable.

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

Credit Cards, Continued

15. Procedure

Using the listing prepared by management, we selected where applicable credit cards maintained and used during the fiscal period, and obtained the monthly statements. We selected the monthly statement with the largest dollar activity for the card to determine whether:

- a) there is evidence that the monthly statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.

Finding

Not applicable.

- b) finance charges and/or late fees were assessed on the selected statements.

Finding

Not applicable.

16. Procedure

Using the monthly statements selected under #15 above, we obtained supporting documentation for all transactions for the selected card.

- a) We reviewed each transaction to determine whether the transaction is supported by:
 - 1) An original itemized receipt (i.e., identifies precisely what was purchased)

Finding

Not applicable.

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

Credit Cards, Continued

- 2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Finding

Not applicable.

- 3) Other documentation that may be required by written policy (e.g. purchase order, written authorization).

Finding

Not applicable.

- b) For each transaction, we reviewed the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) for compliance with SCC's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes).

Finding

Not applicable.

- c) For each transaction, we compared SCC's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

Finding

Not applicable.

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

Travel and Expense Reimbursement

17. Procedure

We obtained the check register for the year ended December 31, 2017 and filtered for travel reimbursements. We obtained management's representation that the check register population is complete.

Finding

No exceptions noted.

18. Procedure

We obtained SCC's written policies related to travel and expense reimbursements and compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) to determine whether there are any amounts that exceed GSA rates.

Finding

SCC follows the written policies of the JEF.

19. Procedure

Using the proceeding transactions from #17, we selected the only individual who incurred travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of the selected person, including the supporting documentation, and chose the largest travel expense for the selected person to review in detail. For the travel expense selected:

- a) We compared expense documentation to written policies to determine whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging).

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

Travel and Expense Reimbursement, Continued

Finding

Not applicable.

b) We determined whether each expense is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased.

Finding

Not applicable.

- 2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Finding

Not applicable.

- 3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

Finding

Not applicable.

- c) We compared SCC's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.

Finding

Not applicable.

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

Travel and Expense Reimbursement, Continued

Procedure, Continued

- d) We determined whether each expense and related documentation were reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Finding

Not applicable.

Contracts

20. Procedure

We obtained a listing of all contracts in effect during the fiscal period and obtained the check register for the year ended December 31, 2017 and filtered for contract payments. We obtained management's representation that the check register population is complete.

Finding

No exceptions noted.

21. Procedure

Using the listing above, we selected five (5) contract vendors that were paid the most money during the fiscal period, and excluding purchases on state contract and payments to the practitioner. We obtained the related contracts and paid invoices and:

- a) We determined whether there is a formal/written contract that supports the services arrangement and the amount paid.

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

Contracts, Continued

Finding

Not applicable.

b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code to determine whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- 1) If yes, we obtained and compared supporting contract documentation to legal requirements to determine whether SCC complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

Finding

Not applicable.

- 2) If no, we obtained supporting contract documentation to determine whether SCC solicited quotes as a best practice.

Finding

Not applicable.

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

Contracts, Continued

- c) We determined whether the contract was amended, and if so, we determined whether the original contract terms contemplated or provided for such an amendment.

Finding

Not applicable.

- d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, and compared the invoice to the contract terms, to determine whether the invoice and related payment complied with the terms and conditions of the contract.

Finding

Not applicable.

- e) We obtained and reviewed contract documentation and board minutes to determine whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Finding

Nota applicable.

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

Payroll and Personnel

22. Procedure

We obtained a listing of employees with their related salaries. We randomly selected five (5) employees, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period to determine whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Finding

No exceptions noted.

- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period to determine whether those changes were approved in writing and in accordance with written policy.

Finding

No exceptions noted.

23. Procedure

We obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee. Within that pay period, we randomly selected all five (5) employees on payroll to determine whether:

- a) all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

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

Payroll and Personnel, Continued

Finding

Currently, the SCC staff of one (1) does not document via the use of a daily time attendance and leave form. Payroll is processed by the JEF.

Management's Response

Management will revisit with the need for the use of a daily time attendance and leave form.

- b) there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

Finding

See response to 23a .

- c) there is written documentation that SCC maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.

Finding

See response to 23a.

24. Procedure

We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. We selected the only termination payment (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the employee. We reviewed the termination payment to determine whether they was made in strict accordance with policy and/or contract and approved by management.

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

Payroll and Personnel, Continued

Finding

No exceptions noted.

25. Procedure

We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period to determine whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Finding

Not applicable.

Ethics

26. Procedure

Using the five (5) randomly selected employees from procedure #22 under "Payroll and Personnel" caption, we obtained ethics compliance documentation from management to determine whether SCC maintained documentation to demonstrate that required ethics training was completed. We also reviewed the employee files for the employees selected to determine whether there was a signed verification of having read the ethics policy included in the file.

Finding

No exceptions noted.

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

Ethics, Continued

27. Procedure

We inquired of management whether any alleged ethics violations were reported to SCC during the fiscal period and, if applicable, reviewed documentation demonstrating that management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with SCC's ethics policy.

Finding

No allegations of ethics violations were reported during the year ended December 31, 2017.

Debt Service

28. Procedure

If debt was issued during the fiscal period, we obtained supporting documentation from SCC to determine whether State Bond Commission approval was obtained.

Finding

Not applicable.

29. Procedure

If SCC had outstanding debt during the fiscal period, we obtained supporting documentation from SCC and report whether SCC made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Finding

Not applicable.

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

Debt Service, Continued

30. Procedure

If SCC had tax millages relating to debt service, we obtained supporting documentation to determine whether millage collections exceeded debt service payments by more than 10% during the fiscal period.

Finding

Not applicable.

Other

31. Procedure

We inquired of management whether SCC had any misappropriations of public funds or assets. If so, we obtained and reviewed supporting documentation to determine whether SCC reported the misappropriation to the Louisiana Legislative Auditor and the District Attorney of Orleans Parish.

Finding

No misappropriations of public funds or assets noted.

32. Procedure

We observed SCC's premises and website to determine whether SCC posted the notice required by R.S. 24:523.1.

Finding

No exceptions noted. See SSC's website is part of the JEF.

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

Other, Continued

33. Procedure

If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Finding

Not exceptions noted.

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 25, 2018



Member
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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, 2017, 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.

During our audit, we became aware of an other matter that provide an opportunity for **SCC** to strengthen its internal control and operating efficiency. We previously reported on **SCC's** internal control in our report dated June 25, 2018. This letter does not affect our report dated June 25, 2018 on the financial statement of **SCC**.

We will review the status of this and other matters during our next engagement. We have already discussed this other matter with **SCC's** personnel, and we will be pleased to discuss this other matter in further detail at your convenience.

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

(CONTINUED)

Current Year's Other Matter

2017

No other matters reported for the year ended December 31, 2017.

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

(CONTINUED)

Prior Year's Other Matter

2016

Our discussion of the prior year's other matter follows:

Reference Number

OM - 2016-001

Criteria

Management is required to establish and maintain internal controls designed to reasonably ensure completeness in recorded financial transactions.

Condition

Currently, SCC's daily cash collections and disbursement processes are not fully computerized. Cash collections for the Registry of Court Fund and Garnishment Funds on Deposit are recorded monthly on an excel spreadsheet.

This condition is similar to prior year's other matter reference OM 2015-001.

Context

Total collections and disbursements for the year ended December 31, 2016 were \$306,577 and \$309,712.

Cause

Cost associated with the purchase and implementation of a fully integrated computerized system.

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

(CONTINUED)

Prior Year's Other Matter, Continued

2016

Reference Number, Continued

OM - 2016-001

Effect or Potential Effect

Inefficiencies associated with the current collection and disbursement process.

Recommendation

Management should evaluate net working opportunities with other courts as a means to contain cost associated with a fully integrated system.

Current Status

Partially resolved.

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

(CONTINUED)

SCC's response to other matter identified in our audit is described in the accompanying report on other matters related to internal control under the caption "Management's Response and Planned Corrective Action" and/or "Current Status". We did not audit SCC's response and, accordingly, we express no opinion on it.

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 25, 2018