

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED MAY 15, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Court of Appeal, Fourth Circuit



May 2019

Audit Control # 80190014

Introduction

The primary purpose of our procedures at the Court of Appeal, Fourth 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. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

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 self-generated revenue, payroll expenditures, and non-payroll expenditures.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in the Court's procedural report dated April 26, 2017. We determined that management has resolved the prior-report finding related to Inadequate Controls over Leave Balances.

Current-report Finding

Weaknesses in Controls over Self-Generated Revenues

The Court had weaknesses in controls over self-generated revenues. Fees recorded and invoiced at the time of the filing or transaction are not always reviewed for accuracy; therefore, incorrect application of charges and exemptions due to data-entry errors, and not manually removing system-applied charges for exempt parties, may not be identified and corrected timely. Furthermore, internal controls failed to identify some outstanding charges to be collected.

Based on procedures performed on filing and other fee transactions over the period July 1, 2017, through December 31, 2018, we identified the following:

- Sixteen transactions, with charges totaling \$723 and dated between July 11, 2017, and November 19, 2018, that the Court was unaware were outstanding and were not attempting to collect.
- Twelve transactions, dated between August 18, 2017, and September 25, 2018, with charges totaling \$725, which should have been exempt from the Court's filing fees. However, the Court appropriately did not invoice or receive payment for these charges.
- Four payments totaling \$1,010 were received but not recorded in the system correctly.

Actual collections are reconciled monthly against bank deposits. There is also a monthly process to review and invoice outstanding amounts, make corrections in the case of exemptions or errors, and update transactions for payments received. However, controls do not appear to be properly designed or consistently implemented, as no review and approval of this process is required, and no documentation of this process was maintained by the Court.

Management should improve controls over self-generated revenues to ensure that all transactions are correctly recorded and reviewed for accuracy and completeness. This process should be documented and include supervisory review and approval. Management concurred in part with the finding and provided a corrective action plan (see Appendix A).

Additional Comments: In management's response, it indicated the total of 16 transactions identified in the first bullet of the finding was erroneous. The 16 transactions were based on the results of our testing that included information and acknowledgement obtained from the Court. Subsequent research performed by Court personnel identified three transactions as non-billable events.

Self-generated Revenue

The Court's operations are funded through appropriations and through self-generated revenues from filing and copy fees authorized and determined by Louisiana Revised Statute (R.S.) 13:352. Our procedures included a review of the Court's collection of filing fees. Except as noted in the finding above, the Court had adequate controls in place to ensure that filing fees were collected for the correct amount, deposits were accurate and timely, and that the transactions were properly recorded.

Payroll Expenditures

Based on the significance of payroll expenditures at the Court, we performed procedures to determine that employees are paid at their authorized rates and that time sheets are recorded, reviewed, and approved. In addition, we performed procedures to determine that accrual and usage of leave hours were accurate and approved. We also performed procedures to determine that payroll deductions were accurate. Based on the results of our procedures, the Court had adequate controls in place to ensure that employee pay and deductions were accurate, authorized, and properly recorded.

Non-Payroll Expenditures

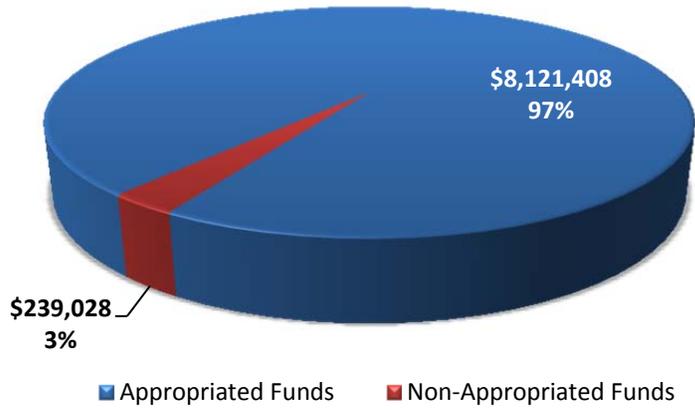
Based on risks identified at the Court, we performed procedures to determine that non-payroll related expenditures complied with established policies and state regulations. We also ensured that these expenditures were supported by receipts or other appropriate documents. Based on the results of our procedures, the Court had adequate controls in place to ensure that non-payroll expenditures were supported and were processed in accordance with applicable policies and regulations.

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 that could potentially indicate areas of risk. We also prepared an analysis of the Court's fiscal year 2018 sources of revenues and fiscal year 2018 expenditures

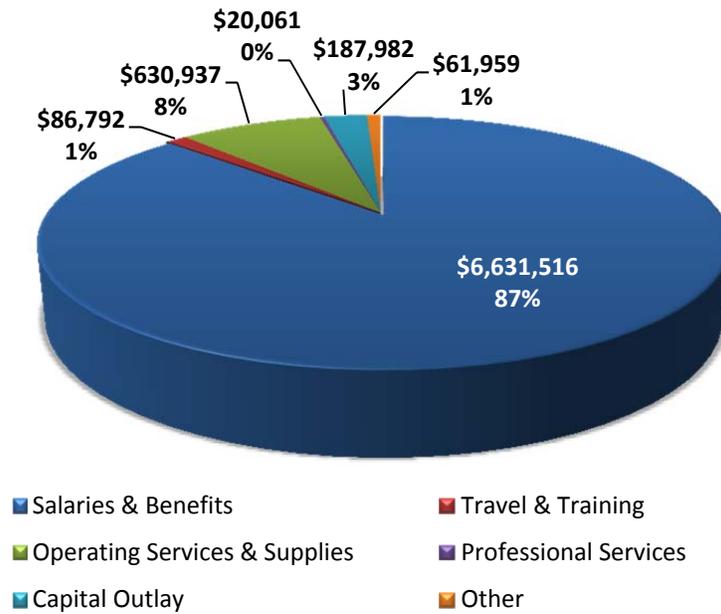
The Court is funded with state general fund appropriations, fees in accordance with R.S. 13:352, and fees for the Judges' Supplemental Compensation Fund in accordance with R.S. 13:10.3(E). State appropriations and fees collected are used to fund salaries and related benefits, travel and conventions, operating supplies and services, professional services, and capital outlay. Salaries and related benefits are the most significant expenditures of the Court.

2018 Sources of Revenue
Total: \$8,360,436



Source: 2018 Annual Fiscal Report

2018 Expenditures
Total: \$7,619,247



Source: 2018 Annual Fiscal Report

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, stylized initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JRH:JT:BH:EFS:aa

4th CCA 2019

APPENDIX A: MANAGEMENT'S RESPONSE



Court of Appeal

FOURTH CIRCUIT STATE OF LOUISIANA

400 ROYAL STREET
NEW ORLEANS, LOUISIANA

May 8, 2019

JAMES F. McKAY III
CHIEF JUDGE

TERRI F. LOVE
EDWIN A. LOMBARD
ROLAND L. BELSOME
DANIEL L. DYSART
JOY COSSICH LOBRANO
ROSEMARY LEDET
SANDRA CABRINA JENKINS
REGINA BARTHOLOMEW-WOODS
PAULA A. BROWN
TIFFANY G. CHASE
DALE N. ATKINS

JUSTIN I. WOODS
CLERK OF COURT

MAILING ADDRESS:
410 ROYAL STREET
NEW ORLEANS, LOUISIANA
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Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Court of Appeal, Fourth Circuit Audit Finding

Dear Mr. Purpera:

In response to the reportable audit finding of **Weakness in Controls over Self-Generated Revenues**, the Court concurs in part for the following reasons:

On September 19, 2017, this Court instituted a system to allow licensed Louisiana attorneys to conveniently file pleadings with the Clerk's Office electronically. The new electronic filing system is integrated with the Court's comprehensive case management system. The limited number of issues identified regarding filing and other fee transactions result from data entry errors and needed fixes to the integrated system. We ask that you please note that no funds were misappropriated or otherwise unaccounted for during the audited time period.

As a result of the identified weakness of the current audit, corrective measures were immediately put into place through collaboration with our Clerk of Court, Business Services Manager and Information Technology Director in the following respects:

1. A Combined Transactions Report was developed by the Court's Information Technology Department for monthly review by both the Clerk of Court and the Business Services Manager to ensure accuracy and to identify any potential data entry errors of filing, transaction charges and/or exemptions; and
2. The Information Technology Department is currently re-coding the case management system so that system-applied charges are accurately reflected.

Furthermore, of the three (3) areas of identified concerns of the audit only one area indicates that the Court is owed outstanding fees billed totaling \$ 723.00 (i.e. the 16 transactions of the first area of concern). However, the total as identified is erroneous for the following reasons:

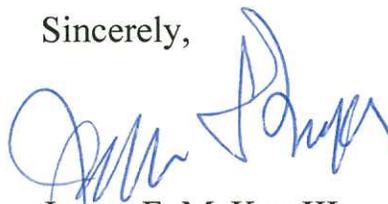
1. Two transactions associated with COA No. 2017-C-0567 are not "billable" events in that the filing party was exempt from paying filing fees per an Order signed by Orleans Civil District Court Judge, Piper D. Griffin decreeing that the filer in this particular matter was allowed to prosecute or defend the litigation without paying the costs in advance or as they accrue;
2. The transaction associated with COA No. 2017-CA-1007 is not a "billable" event in that the filing of November 19, 2018 was actually used as a "placeholder" for a consolidated matter bearing COA No. 2018-CA-0704. Thus, this particular filing and associated charge should have been removed from the transaction listing in COA No. 2017-CA-1007 as the filing fee was paid in COA No. 2018-CA-0704.

Page three

The two additional areas of concern include amounts for which the Court is not owed any fees associated with the filings and/or transactions. These particular areas resulted from issues with the functionality of the case management system which, once discovered, were quickly addressed and such issues have since notably decreased in occurrence. One transaction in the amount of \$300.00 was billed to Lexis/Nexis. As explanation, that particular charge was billed during a time period when the Court experienced a technical issue with its case management system that required the suspension of the service of providing certain documents to Lexis/Nexis until the issue was resolved.

Please accept the above as explanation regarding the Court's concurrence in part of the finding. We look forward to the exit interview scheduled for May 14, 2019 at 11:15 a.m.

Sincerely,



James F. McKay III
Chief Judge

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Court of Appeal, Fourth 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 self-generated revenues, payroll expenditures, and non-payroll expenditures.
- 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.