

**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**

FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Honorable Lisa Ray Diggs
Clerk of Court
Second City Court for the Parish of Orleans
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Registry of Court Fund and Garnishment Funds on Deposit Fund with the Clerk of Court of the Second City Court for the Parish of Orleans (SCC), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise SCC's financial statements as listed in the Table of Contents.

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

In our opinion, the accompanying financial statements referred to above present fairly in all material respects the respective financial position of the Registry of Court Fund and Garnishment Funds on Deposit with SCC as of December 31, 2022, and the respective changes in net position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SCC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- Conclude whether, in our judgment there are conditions or events, considered in the aggregate, that raise substantial doubt about SCC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of changes in fiduciary liabilities for the Registry of Court (Schedule I), The statements of changes in fiduciary liabilities for Garnishment Funds on Deposit Fund (Schedule II), Schedule of Compensation, Benefits, and Other Payments to Clerk of Court, (Schedule III) and the Justice System Funding Schedule (Collecting/Disbursing) (Schedule IV) are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023, on our consideration of SCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCC's internal control over financial reporting and compliance.

Bruno & Tervalon, LLP

New Orleans, Louisiana

June 28, 2023

BASIC FINANCIAL STATEMENTS

**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
 Year Ended December 31, 2022**

	Registry of Court Fund	Garnishment Funds on Deposit Fund	Total
Assets			
Cash and Cash Equivalents	\$ 21,413	\$ 36,274	\$ 57,687
Louisiana asset management pools fund (LAMP)	-	27,628	27,628
Total Assets	21,413	63,902	85,315
Liabilities			
Unsettled Deposits	21,413	63,902	85,315
Total Liabilities	21,413	63,902	85,315
Net Position	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these statements.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

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. All Registry of Court Fund collections of fees, court costs and charges by the SCC are deposited directly 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 Clerk of the SCC is an independently elected official and the Judicial Expense Fund for the Civil District Court, does not possess the ability to impose its will over the SCC, or the potential that it will provide a financial benefit to, impose a financial burden on, the SCC under this criteria is not a component unit.

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

Fund Accounting, Measurement Focus, and Basis of Accounting

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

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

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

Fiduciary Funds - Agency Funds

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

Net Position

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

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

Restricted and Unrestricted Resources

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

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, 2022, the carrying amount of SCC’s deposits was \$79,461 and the collected bank balance \$79,461. A breakout of cash and cash equivalents and by fund follows:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Interest Rate %</u>
Interest bearing demand deposits	\$ 52,767	\$ 52,767	5.00%
Pooled Funds	<u>26,694</u>	<u>26,694</u>	3.76%
Total	<u>\$ 79,461</u>	<u>\$ 79,461</u>	

<u>Description</u>	<u>Registry</u>	<u>Garnishment</u>	<u>Total</u>
Louisiana asset management pool funds (LAMP)	\$ -	\$ 27,628	\$ 27,628
Interest bearing demand deposits	<u>21,413</u>	<u>36,274</u>	<u>57,687</u>
Total cash & cash equivalents	<u>\$ 21,413</u>	<u>\$ 63,902</u>	<u>\$ 85,315</u>

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 always 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 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 more than 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.

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' investments 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.

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 deposited directly to the Judicial Expense fund. 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.

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 2022.

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 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, 2022**

Additions	Registry of Court Fund
Collections from Litigants	\$ 1,482
Interest Earnings	85
Total additions	1,567
 Reductions	
Payments to Litigants upon court order	11,928
Total reductions	11,928
Net increase (decrease)	(10,361)
Liabilities, beginning of year	31,774
Liabilities, end of year	\$ 21,413

See independent auditors' report on these schedules.

**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, 2022**

<u>Additions</u>	<u>Garnishment Funds on Deposit Fund</u>
Funds placed on deposit	\$ 17,235
Interest Earnings	1,041
Other	525
Total additions	18,801
 Reductions	
Payments upon court order	2,586
Total reductions	2,586
Net increase	16,215
Liabilities, beginning of year	47,687
Liabilities, end of year	\$ 63,902

See independent auditors' report on supplemental information.

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

**STATEMENT OF COMPENSATION, BENEFITS OTHER PAYMENTS
 For the Year Ended December 31, 2022**

Clerk of Court: Lisa Ray Diggs

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Reimbursements	-
Fees	-
Total Compensation, Benefits, and Other Payments	\$ -

Note: The Clerk of Court is paid through the Judicial Expense Fund (JEF) of the Civil District Court for the Parish of Orleans which is the subject of an audit by the Judicial Expense fund of the Civil District Court for the Parish of Orleans by another independent auditor.

See independent auditors' report on supplemental information.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH OF ORLEANS
JUSTICE SYSTEM FUNDING SCHEDULE**

**(COLLECTING/DISBURSING)
For the Year Ended December 31, 2022**

	First Six Month Period Ended June 30, 2022	Second Six Month Period Ended December 31, 2022
Beginning cash on hand	\$ -	\$ -
Add: Collection from litigants	525	1,482
Subtotal collections	525	1,482
Less: Funds held by SCC	-	-
Less: Payments to third party, etc.	525	1,482
Subtotal disbursements	525	1,482
Total ending balance	\$ -	\$ -

Note: All collections for the Judicial Expense Fund are reported on its audited financial statements performed by JEF's independent auditors.

See independent auditors' report on supplemental information.

INTERNAL CONTROLS

**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 Lisa Ray Diggs
Clerk of Court
Second City Court for the Parish of Orleans
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund, and the related notes to the financial statements which collectively comprise the basic financial statements of Second City Court of the Parish of Orleans, and have issued our report thereon dated June 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Second City Court of the Parish of Orleans' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Second City Court of the Parish of Orleans' internal control. Accordingly, we do not express an opinion on the effectiveness Second City Court of the Parish of Orleans' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second City Court for the Parish of Orleans' financial statements are free from 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 consolidated financial statements. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and listed on the findings and responses [2022-001].

Second City Court for the Parish of Orleans' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Second City Court for the Parish of Orleans's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Second City Court for the Parish of Orleans' response was not subjected to the other auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control 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

New Orleans, Louisiana

June 28, 2023

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH ORLEANS**

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2022**

I. Summary of Auditors' Results

a. Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Second City Court for the parish of Orleans.
2. There are no material weaknesses or significant deficiencies disclosed during the audit of the financial statements and reported in the *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*.
3. There were one instance of noncompliance reported in the *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*.

b. Federal Awards

N/A

c. Management Letter

1. No management letter was issued in connection with the audit for the year ended December 31, 2022.

**CLERK OF COURT
SECOND CITY COURT FOR THE PARISH ORLEANS**

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2022**

II. Findings – Financial Statement Audit

2022-001 Late Submission of Audit Report to LLA

Fiscal Year Finding Originated: 2022

Condition:

The report was not submitted to the legislative auditor’s office on a timely basis.

Criteria:

LSA-R.S.24.513 States that, “all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee fiscal year.”

Cause:

Second City Court for the Parish of Orleans did not ensure approval of engagement was made with LA Legislative Auditor office in a timely manner.

Effect:

Second City Court for the Parish of Orleans was not in compliance with the State Law governing audit engagement completion.

Recommendation:

Second City Court for the Parish of Orleans should remain in compliance with the State Law governing audit engagement completion. The audit engagement should be sought through the methods prescribed by the Louisiana Legislative Auditor. A firm should be selected, and approval of the Louisiana Legislative Auditor sought early enough to allow the audit to begin as soon after the close of the fiscal year as is practicable.

Management’s Response:

Second City Court for the Parish of Orleans will ensure that the selection and approval of CPA firm be obtained in a sufficient time period to allow the audit to begin in a timely manner in order for the audit report be filed by the required due date.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING 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 the **Second City Court of the Parish of Orleans – Civil District Court (SCC)** and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. The Non-Profit's management is responsible for those C/C areas identified in the SAUPs. This agreed-upon procedures engagement was conducted 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 this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as followed

Written Policies and Procedures

- 1) Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

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

We performed the above procedures and noted no exceptions.

- 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.

We performed the above procedures and noted no exceptions.

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

We performed the above procedures and noted no exceptions.

d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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.) *We performed the above*

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

We performed the above procedures and noted no exceptions.

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.

We performed the above procedures and noted no exceptions.

g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage. (e.g., determining the reasonableness of fuel card purchases).

We performed the above procedures and noted no exceptions.

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

We performed the above procedures and noted no exceptions.

i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations and, (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

We performed the above procedures above and noted no exceptions.

j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

We performed the above procedures and noted no exceptions

k. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available systems and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the above procedures and noted no exceptions.

1. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

We performed the above procedures and noted the following exceptions:

Board or Finance Committee

- 2) Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

We performed the procedures above and noted no exceptions.

- b. For those entities reporting on the governmental accounting model, observe whether the minutes reference or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

We performed the procedures above and noted no exceptions.

- c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

We performed the above procedures and noted no exceptions.

Bank Reconciliations

- 3) Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

We performed the procedures above and no exceptions noted. Funds collected in the form of filing fees to include other mandated fees are deposited directly into JEF's bank account.

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

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

No formal bank reconciliations were performed for the twelve months ended December 31, 2022 to facilitate review for the two (2) accounts with collection activities. However, the Clerk maintains an excel spreadsheet listing all transactions

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

We performed the procedures above and noted no exceptions.

Collections

- 4) Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5) For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are segregated at each collection location such that:

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

We performed the above procedures and noted no exceptions.

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

We performed the above procedures and noted no exceptions.

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

We performed the above procedures and noted no exceptions.

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

We performed the above procedures and noted no exceptions.

- 6) Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

We performed the above procedures and noted no exceptions.

- 7) Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- e. Observe that receipts are sequentially pre-numbered.

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

- f. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

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

- g. Trace the deposit slip total to the actual deposit per the bank statement.

We performed the procedure above and noted no exceptions.

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

- h. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

We performed the procedure above and noted no exceptions.

- i. Trace the actual deposit per the bank statement to the general ledger.

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

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8) Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than
- 9) For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- j. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We performed the procedure above and noted no exceptions.

- k. At least two employees are involved in processing and approving payments to vendors.

We performed the procedure above and noted no exceptions.

- l. The employee responsible for processing payments is prohibited from adding/ modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

We performed the procedure above and noted no exceptions.

- m. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

We performed the procedure above and noted no exceptions.

10) For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- n. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

We performed the procedures above and noted no exceptions.

- o. Observe whether the disbursement documentation included evidence (e.g., initial/ date, electronic logging) of segregation of duties tested under #9, as applicable.

We performed the procedures above and noted no exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11) Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (card) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

We performed the procedure above and noted no exceptions.

12) Using the listing prepared by management randomly select 5 cards (or all cards if less than 5 that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- p. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g. original receipts for credit/debit card purchases exception reports for excessive fuel card usage) was reviewed and approved, in writing by someone other than the authorized card holder. (Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)

We performed the procedure above and no exceptions noted.

- q. Observe that finance charges and late fees were not assessed on the selected statements.

We performed the procedures above and no exceptions noted

13) Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether

management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

We performed the procedure above and no exceptions noted.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14) Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- r. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration.

We performed the above procedures and noted no exceptions.

- s. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identified precisely what was purchased.

We performed the above procedures and noted no exceptions.

- t. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the name of those individuals participating and other documentation required by written policy (procedure #1h).

We performed the above procedures and noted no exceptions.

- u. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Contracts

15) Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- v. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

We performed the procedures above and no exceptions noted.

- w. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

We performed the procedures above and no exceptions noted.

- x. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

We performed the procedure above and noted no exceptions.

Payroll and Personnel

- 16) Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17) Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - y. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We performed the procedure above and noted no exceptions.

- z. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

We performed the procedure above and noted no exceptions.

- 18) Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

We performed the procedure above and noted no exceptions.

- 19) Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

We performed the procedure above and noted no exceptions.

Ethics

- 20) Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- aa. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

We performed the procedures above and noted no exceptions.

- bb. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

We performed the procedures above and noted no exceptions.

Debt Service

- 21) Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

We performed the procedures above and noted no exceptions.

- 22) Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

We performed the procedures above and noted no exceptions.

Fraud Notice

- 23) Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

We performed the procedures above and noted no exceptions noted.

- 24) Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedures above and noted no exceptions noted.

Information Technology Disaster Recovery/Business Continuity

- 25) Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management." cc. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedures above and noted no exceptions noted.

- dd.** Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedures above and noted no exceptions.

- ee.** Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedures above and noted no exceptions.

Sexual Harassment

- 26) Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

We performed the procedure above and noted no exceptions.

- 27) Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

We performed the procedures above and noted no exceptions.

- 28) Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

We performed the procedures and noted no exceptions.

- a.** Number and percentage of public servants in the agency who have completed the training requirements;

None

- b.** Number of sexual harassment complaints received by the agency;

None

- c.** Number of complaints which resulted in a finding that sexual harassment occurred;

None

- d.** Amount of time it took to resolve each complaint.

None

We were engaged by New Orleans Second City Court Clerk to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing*

Standards. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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.

We are required to be independent of New Orleans Second City Court Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, 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 LLA as a public document.

Bruno & Tervalon, LLP

New Orleans, LA
June 25, 2023