

COURT OF APPEAL, THIRD CIRCUIT  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 8, 2021

**LOUISIANA LEGISLATIVE AUDITOR  
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# Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



Court of Appeal, Third Circuit

September 2021

*Audit Control # 80210016*

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## Introduction

The primary purpose of our procedures at the Court of Appeal, Third Circuit (Court) was to evaluate certain controls the Court uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the findings 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, information technology expenditures, and information technology infrastructure.

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## Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in the Court’s procedural report dated June 26, 2019. We determined that management has resolved the prior-report findings related to Weakness in Controls Over Payroll, Lack of Segregation of Duties Over Revenue and Payroll Functions, and Inadequate Security and Monitoring of Information Technology Infrastructure. The prior-report finding related to Inadequate Controls Over Information Technology Expenditures has been partially resolved and is addressed again in this report.

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## Current-report Finding

### Inadequate Controls Over Information Technology Expenditures

For the second consecutive engagement, the Court does not have adequate controls over information technology expenditures. The Court’s internal procurement and expenditure policy requires written documentation acknowledging the receipt of goods and services using the

packing slip or the vendor invoice. The Court failed to adhere to its internal procurement and expenditure policy.

In a test of 18 information technology expenditures totaling \$30,874, seven (39%) of the expenditures totaling \$9,397 lacked written documentation acknowledging the receipt of goods or services. Inadequate controls over information technology expenditures increase the risk of fraudulent or erroneous disbursements.

Management should ensure existing internal control policies over information technology expenditures are followed to ensure purchased goods were received or services rendered before vendor payments are made. Management concurred in part and indicated that the recommendation has been implemented (see Appendix A).

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## **Self-generated Revenue**

The Court's operations are funded through appropriations and self-generated (nonappropriated) revenues from filing and copy fees authorized and determined by Louisiana Revised Statute (R.S.) 13:352, R.S. 13:86, and R.S. 13:10.3. Fees per the statutes range from fifty cents to \$300; however, R.S. 13:352 and R.S. 13:10.3 allow certain fee increases.

Self-generated revenues represent approximately 2% of the Court's total revenues for the fiscal year ended June 30, 2020. We performed a test of self-generated revenues for a sample of 15 transactions from July 1, 2019, through March 31, 2021, to ensure fees were assessed and collected in accordance with authorized rates, recorded into the case management and accounting systems, and reconciled to amounts deposited or that there was adequate support for exemptions. Based on the results of our procedures, the Court had adequate controls in place to ensure that fees were properly assessed, collected, recorded in the accounting system, and reconciled to amounts deposited.

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## **Payroll Expenditures**

Based on the significance of payroll expenditures at the Court, we tested a sample of 18 employees from July 1, 2019, through March 31, 2021, to determine whether employees were paid at their authorized rates, time and attendance and leave records were properly authorized, and leave was accurately accrued. Based on the results of our procedures, the Court had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was accounted for properly.

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## Information Technology Expenditures

Based on risks identified, we tested a sample of 18 information technology expenditures from July 1, 2019, through March 31, 2021, to determine whether transactions were properly authorized, supported, received, and recorded in the accounting system. Based on the results of our procedures, the Court does not have adequate controls over information technology expenditures (see Current-report Finding).

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## Information Technology Infrastructure

Based on risks identified, we reviewed the Court's procedures to monitor information technology contracts and to grant and monitor user access to the Court's accounting system, case management system, and servers. Based on the results of our procedures, the Court had adequate security and monitoring of information technology infrastructure.

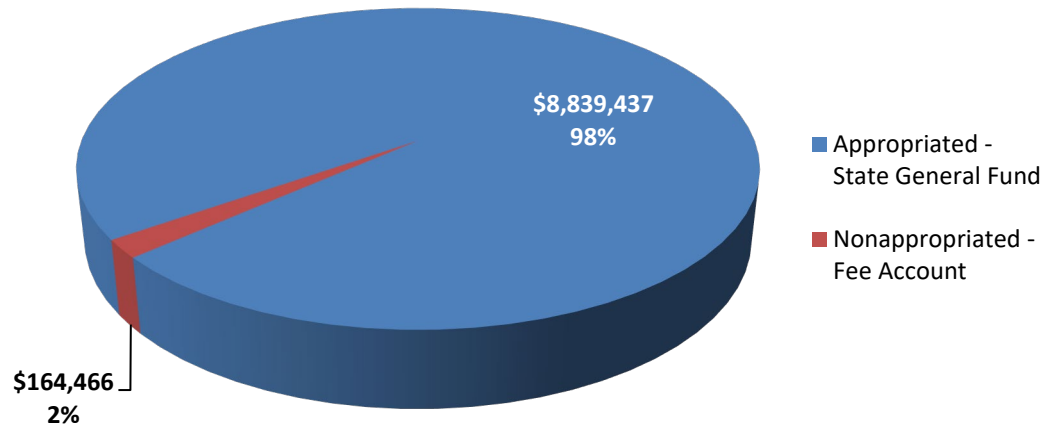
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## Trend Analysis

We compared the most current and prior-year financial activity using the Court's Annual Fiscal Reports and/or system-generated reports and obtained explanations from the Court's management for any significant variances. We prepared an analysis of the Court's fiscal year 2020 sources of revenues and fiscal year 2020 expenditures. We also prepared an analysis of expenditures from fiscal year 2017 to fiscal year 2020.

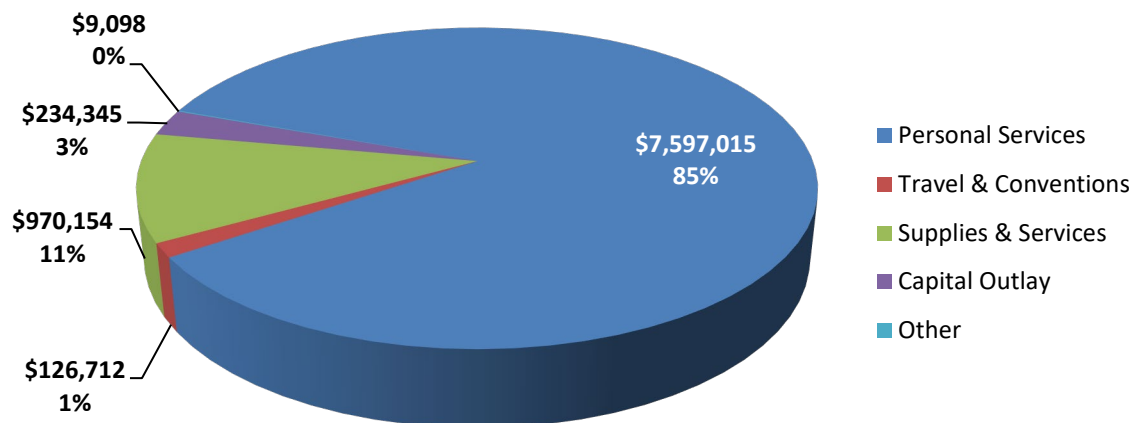
The Court is funded with state general fund appropriations, fees in accordance with R.S. 13:352, fees for the Judicial college in accordance with R.S. 13:86, and fees for the Judges' Supplemental Compensation Fund in accordance with R.S. 13:10.3. State appropriations and fees collected are used to fund salaries and related benefits, travel and conventions, operating supplies and services, and capital outlay. Salaries and related benefits are the most significant expenses of the Court. Personal services increased in fiscal year 2020 due to an increase in the clerks' retirement contribution rate as well as an increase in annual leave payouts related to the retirement of several long-term employees. Travel and conventions expenditures and operating supplies and services expenditures decreased in fiscal year 2020 due to a reduction of in-person activities resulting from the coronavirus pandemic affecting the Court.

**Exhibit 1**  
**2020 Sources of Revenue**  
**Total: \$9,003,903**



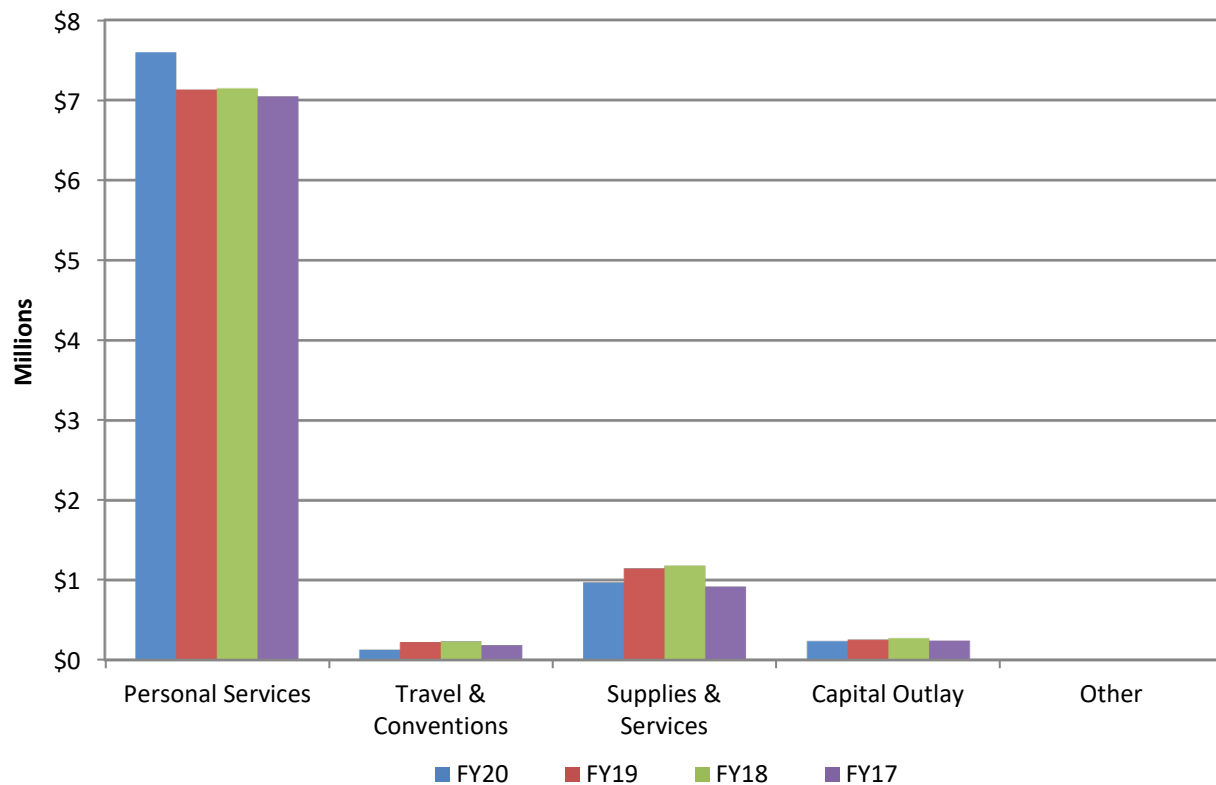
Source: 2020 Annual Fiscal Report

**Exhibit 2**  
**2020 Expenditures**  
**Total: \$8,937,324**



Source: 2020 Annual Fiscal Report

**Exhibit 3**  
**Four-Year Expenditure Trend**



**Source:** 2017 to 2020 Annual Fiscal Reports

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

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

EJB:RJM:BH:EFS:aa

THIRD CCA 2021





## **APPENDIX A: MANAGEMENT'S RESPONSE**





**Hon. Sylvia R. Cooks**  
**Chief Judge**

P.O. Box 3841  
Lafayette, LA 70502  
Tel: (337) 235-2196

**Court of Appeal, Third Circuit**

State of Louisiana  
1000 Main Street  
Lake Charles, Louisiana 70615  
[www.La3Circuit.org](http://www.La3Circuit.org)

**Judges**

John D. Saunders  
Elizabeth A. Pickett  
Billy H. Ezell  
Shannon J. Gremillion  
John E. Conery  
D. Kent Savoie  
Van H. Kyzar  
Candyce G. Perret  
Jonathan W. Perry  
Sharon Darville Wilson  
Charles G. Fitzgerald

August 16, 2021

Mr. Michael J. "Mike" Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, La. 70804-9397

Re: Official Response to Reportable Engagement Finding  
**"Inadequate Controls Over Information Technology Expenditures"**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your finding. We concur in part with your finding, and we concur with and have implemented your recommendation. We partially agree with the technicality of your finding as stated but we want to clarify some important substantive points. The Third Circuit emphasizes *that all of the expenditures which you found lacked written documentation acknowledging receipt of goods or services as required by our internal policy were in fact received before vendor payments were made and all are duly accounted for.* **Importantly, it is the Third Circuit's current policy that all items or services purchased by the Court are in the Court's possession prior to any payment to vendors.** This policy is rigorously enforced. As noted, confirmation of receipt for goods/services has either been verbal, via packing slips submitted and/or email messaging.

The Third Circuit further notes:

1. For many of the instances you list, a verbal verification confirming receipt of services/items was made between IT and Business Services who work directly beside each other. Some of the items did not include packing slips.
2. Photographic verification and emails were sent to the Auditor confirming that these items were received by the Third Circuit.
3. When the Procurement Policy was adopted employees in the IT Department were not fully knowledgeable about the policy as they were without a Director for several months during the implementation period. We also note that this is an internal policy for our Court to monitor purchased items.
4. All items received valued over \$1,000 are fixed with asset tags by our Property Manager and reported to Louisiana Property Assistance Agency. Through this mechanism *there is confirmation of receipt.*

As with most new policies seeking to establish best practices, we realize that our Procurement Policy needs tweaking to fit varied circumstances not considered when the policy was formatted. For example, IT items often do not have packing slips. As Chief Judge, I have instructed our IT Department as to the importance of rigorously following our existing internal control policies regarding information technology expenditures. Going forward, the Court intends to amend its Procurement Policy to allow other forms of verification in instances where packing slips are not included with items. The Third Circuit conference of judges will amend this policy accordingly within the next 30 days.

Please note too, that during our Covid crisis and two hurricanes, items such as face masks were purchased locally and had no packing slips. Again, these items, however, are fully accounted for. It simply was not possible to strictly adhere to the Procurement Policy requirements at that time because many of the manufacturers did not include packing labels as they might ordinarily provide absent a pandemic.

We appreciate the diligent efforts of your office and thank you for focusing our attention on the need to improve both the language of our policy to better provide for a variety of circumstances and to assure full implementation of our procurement policy.

Very Truly Yours,



Chief Judge Sylvia R. Cooks

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Court of Appeal, Third Circuit (Court) for the period from July 1, 2019, through June 30, 2021. Our objective was to evaluate certain controls the Court uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is 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 revenue, payroll expenditures, information technology expenditures, and information technology infrastructure.
- 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.