

11/25/98
98902217

**OFFICIAL
FILE COPY**
DO NOT REMOVE
(Xerox necessary
copies from this
copy and PLACE
BACK IN FILE)

98902217
2122
29

**CITY COURT OF MONROE
MONROE, LOUISIANA**

**Component Unit Financial Statements
With Independent Auditors' Report
As of and for the Year Ended
April 30, 1998
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 25 1998
Dec. 02 - 1998

**CITY COURT OF MONROE
MONROE, LOUISIANA**

APRIL 30, 1998

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report -----	1
 COMPONENT UNIT FINANCIAL STATEMENTS (OVERVIEW) 	
Combined Balance Sheet - All Fund Types and Account Groups -----	4
Governmental Fund Type - General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance -----	5
Notes to Financial Statements -----	6
 SUPPLEMENTAL INFORMATION SCHEDULES FIDUCIARY FUND TYPE - AGENCY FUNDS 	
Combining Balance Sheet -----	15
Combining Schedule of Changes in Deposits Due Others -----	16
 SUPPLEMENTAL INFORMATION REQUIRED BY GOVERNMENT AUDITING STANDARDS 	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Component Unit Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> -----	18
Schedule of Findings and Questioned Costs -----	20
Status of Prior Year Findings -----	24



John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA
Carolyn A. Clarke, CPA

INDEPENDENT AUDITORS' REPORT

City Court of Monroe Monroe, Louisiana

We have audited the accompanying component unit financial statements of the **City Court of Monroe, Louisiana** (the Court), a component unit of the City of Monroe, Louisiana, as of and for the year ended April 30, 1998, as listed in the accompanying Table of Contents. These component unit financial statements are the responsibility of the Court's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Legislative Auditor and the Society of Louisiana Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Court as of April 30, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 1998, on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**City Court of Monroe, Louisiana
Independent Auditors' Report**

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying information listed as Supplemental Information Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Court. Such other Supplemental Information Schedules have been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, are fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Luffey, Duffman & Marce (APAC)

October 27, 1998

**COMPONENT UNIT FINANCIAL STATEMENTS
(OVERVIEW)**

**CITY COURT OF MONROE
MONROE, LOUISIANA
COMBINED BALANCE SHEET
ALL FUNDS TYPES AND ACCOUNT GROUP**

AS OF APRIL 30, 1998

	<u>Governmental Fund Type - General Fund</u>	<u>Fiduciary Fund Type - Agency Funds</u>	<u>General Fixed Assets Account Group</u>	<u>Total (Memorandum Only)</u>
ASSETS				
Cash	\$ 174,826	\$ 608,560	\$ -	\$ 783,386
Due From Other Funds	61,458	4,653	-	66,111
Office Furnishings and Equipment	-	-	243,768	243,768
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>236,284</u>	\$ <u>613,213</u>	\$ <u>243,768</u>	\$ <u>1,093,265</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts Payable	\$ 3,057	\$ 142,723	\$ -	\$ 145,780
Due to Other Funds	4,653	61,458	-	66,111
Deposits Due Others	-	409,032	-	409,032
Total Liabilities	<u>7,710</u>	<u>613,213</u>	<u>-</u>	<u>620,923</u>
Fund Equity				
Investment in General Fixed Assets	-	-	243,768	243,768
Fund Balance - Unreserved - Undesignated	228,574	-	-	228,574
Total Fund Equity	<u>228,574</u>	<u>-</u>	<u>243,768</u>	<u>472,342</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>236,284</u>	\$ <u>613,213</u>	\$ <u>243,768</u>	\$ <u>1,093,265</u>

The accompanying notes are an integral part of this statement.

**CITY COURT OF MONROE
MONROE, LOUISIANA
GOVERNMENTAL FUND TYPE - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED APRIL 30, 1998**

REVENUES

Local funds - City of Monroe	\$ 649,035
Fees, Charges, and Commissions for Services:	
Civil Fees	23,607
Court Costs	116,295
Reinstatement Fees	1,722
Other Income	5,127
Use of Money and Property - Interest Earnings	<u>17,443</u>
Total Revenues	813,229

EXPENDITURES

Judicial:

 Current:

 Salaries and Related Benefits:

Salaries	466,474
Sick Pay	12,244
Group Insurance	34,025
Pension	65,270
Payroll Taxes	7,184

 Operating Services:

Subscriptions	214
Professional Dues	1,275
Postage	16,205
Equipment Rental	1,199
Equipment Maintenance	11,991
Professional Services	25,224
Judges Ad Hoc	2,850
Bank Charges	717
Utilities	52,257
Telephone	6,650
Miscellaneous	23,379

 Materials and Supplies:

Office Supplies	28,474
Coffee, Cokes and Water	5,293

 Travel and Other:

Travel and Seminars	909
Library	9,746

Capital Outlay - Equipment and Furniture

	<u>3,676</u>
Total Expenditures	775,256

Excess of Revenues Over Expenditures 37,973

Fund Balance at Beginning of Year 190,601

FUND BALANCE AT END OF YEAR \$ 228,574

The accompanying notes are an integral part of this statement.

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1998**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As provided for by Chapter 7 of Title 13 of the Louisiana Revised Statutes, the City Court of Monroe (the Court) has jurisdiction in all civil matters in the City of Monroe (the City) including all of wards Three and Ten of Ouachita Parish. The criminal jurisdiction of the Court is limited to offenses committed within wards Three and Ten of Ouachita Parish and violations of City ordinances, which are not required to be tried by jury. The City judges are elected for six year terms.

A. REPORTING ENTITY

As the governing authority of the City, for reporting purposes, the City of Monroe is the financial reporting entity for the City. The financial reporting entity consists of (a) the primary government (City), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria determining which component units should be considered part of the City of Monroe for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the City to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1998**

Because the City provides the Court's building, a portion of its furnishings, and pays a majority of its operating expenditures, the Court is determined to be a component unit of the City of Monroe, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Court and do not present information on the City, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. FUND ACCOUNTING

The Court uses funds and account groups to report on financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term debt) that are not recorded in the "funds" because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The Court's current operations require the use of governmental and fiduciary funds. The fund types used by the Court are described as follows:

Governmental Fund - General Fund

The General Fund is used to account for the operations of the Court. The various fees and charges due to the Court are accounted for in this fund. General operational expenditures not otherwise provided by the City of Monroe are paid from this fund.

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1998**

Fiduciary (Agency) Funds

The Judicial and Special Cost Clearing Agency Funds are used to account for assets held by the Court as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. GENERAL FIXED ASSETS

Fixed assets used in governmental fund type operations (general fixed assets) purchased by the General Fund are accounted for in the General Fixed Assets Account Group, rather than in the General Fund. General fixed assets provided by the City of Monroe are recorded in the City's general fixed assets account group and are not reported by the Court. Approximately 18 percent of fixed assets are valued at estimated historical cost, based on the actual historical cost of like items, while the remaining 82 percent are based on actual historical costs. No depreciation has been provided on general fixed assets.

D. BASIS OF ACCOUNTING

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used for reporting all governmental and fiduciary fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Court uses the following practices in recognizing and reporting revenues and expenditures:

Revenues

Court costs, civil fees, and reinstatement fees are recorded in the year in which they are earned.

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1998**

Interest income on bank deposits is recorded when the interest has been earned and the amount can be determined.

Substantially all other revenues are recognized when received by the Court.

Based on the above criteria, Court costs, civil fees, and reinstatement fees have been treated as susceptible to accrual.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. BUDGET PRACTICES

The Court is not required to prepare an annual budget for its General Fund because the judiciary is not included within the definition of a "political subdivision" covered by the Louisiana Local Government Budget Act.

F. TOTAL COLUMN ON COMBINED BALANCE SHEET

The total column on the combined balance sheet is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - CASH

Under state law, the Court may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Court may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At April 30, 1998, the Court has cash (book balances) totaling \$783,386, as follows:

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1998**

Demand deposits	\$	782,836
Petty cash		<u>500</u>
 Total	 \$	 <u>783,336</u>

These deposits are stated at cost, which approximates market. 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. Cash (bank balances) at April 30, 1998, are secured as follows:

Bank Balances	\$	764,584
Federal deposit insurance	\$	300,000
Pledged securities	\$	464,584

Because the pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than in the name of the Court, they are considered uncollateralized (Category 3) under the provisions of GASB Codification C20.106; however, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by management of the Court that the fiscal agent bank has failed to pay deposited funds upon demand.

Note 3 - CHANGES IN AGENCY FUNDS' DEPOSITS DUE OTHERS

A summary of changes in agency funds' deposits due others for the year ended April 30, 1998, is as follows:

Balance, May 1, 1997	\$	288,045
Additions		1,781,981
Reductions		<u>(1,660,994)</u>
 Balance, April 30, 1998	 \$	 <u>409,032</u>

Note 4 - CHANGES IN GENERAL FIXED ASSETS

The following table presents changes in general fixed assets for the year ended April 30, 1998:

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1998**

Balance, May 1, 1997	\$	240,092
Additions		<u>3,676</u>
Balance, April 30, 1998	\$	<u>243,768</u>

Note 5 - DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at April 30, 1998, are as follows:

		Due From Other Funds		Due to Other Funds
General Fund	\$	<u>61,458</u>	\$	<u>4,653</u>
Agency Funds:				
Judicial		-		37,446
Special Cost Clearing		<u>4,653</u>		<u>24,012</u>
Total	\$	<u>66,111</u>	\$	<u>66,111</u>

**Note 6 - EXPENDITURES OF THE CITY COURT
PAID BY THE CITY OF MONROE**

The City of Monroe made on-behalf payments totaling \$649,035 for the Monroe City Court for the year ended April 30, 1998. These payments were for salaries and other operating expenses as follows:

Salaries		\$ 466,474
Pension benefits		\$ 65,270
Other operating expenses		\$ 117,291

The Court's building in the City Hall Complex and part of its furnishings and equipment are provided by the City of Monroe and, accordingly, are recorded in the City's general fixed asset account group. Equipment and furniture purchased with Court funds are recorded as an expenditure on the statement of revenues, expenditures, and changes in fund balance and as an asset on the combined balance sheet.

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1998**

Note 7 - RISK FINANCING ACTIVITIES

The Court manages its exposure under general liability for its equipment through the purchase of commercial insurance. The remainder of insurance coverage is provided by the City.

Note 8 - DISCLOSURES OF CONCENTRATIONS

The City of Monroe provides a substantial amount of fiscal support to the Court for its operations. The City is currently considering serious changes in its fiscal operations. The effect on the Court of the City's financial restructuring, if any, is not currently known.

SUPPLEMENTAL INFORMATION SCHEDULES

**CITY COURT OF MONROE
MONROE, LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED APRIL 30, 1998**

FIDUCIARY FUND TYPE - AGENCY FUNDS

JUDICIAL FUND

The Judicial Fund accounts for advance deposits on civil suits filed by litigants. The advances are refundable to the litigants after all costs have been paid.

SPECIAL COST CLEARING FUND

The Special Cost Clearing Fund accounts for the collection of fines and court costs and the payment of these collections to recipients in accordance with applicable laws.

**CITY COURT OF MONROE
MONROE, LOUISIANA
FIDUCIARY FUND TYPE - AGENCY FUNDS
COMBINING BALANCE SHEET, APRIL 30, 1998**

	<u>Judicial Fund</u>	<u>Special Cost Clearing Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 411,280	\$ 197,280	\$ 608,560
Due From Other Funds	<u>-</u>	<u>4,653</u>	<u>4,653</u>
TOTAL ASSETS	<u><u>411,280</u></u>	<u><u>201,933</u></u>	<u><u>613,213</u></u>
LIABILITIES			
Accounts Payable	\$ 17,986	\$ 124,737	\$ 142,723
Due to Other Funds	37,446	24,012	61,458
Deposits Due Others	<u>355,848</u>	<u>53,184</u>	<u>409,032</u>
TOTAL LIABILITIES	<u><u>\$ 411,280</u></u>	<u><u>\$ 201,933</u></u>	<u><u>\$ 613,213</u></u>

**CITY COURT OF MONROE
MONROE, LOUISIANA
FIDUCIARY FUND TYPE - AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN
DEPOSITS DUE OTHERS
FOR THE YEAR ENDED APRIL 30, 1998**

	<u>Judicial Fund</u>	<u>Special Cost Clearing Fund</u>	<u>Total</u>
DEPOSITS DUE OTHERS AT BEGINNING OF YEAR	\$ 252,313	\$ 35,732	\$ 288,045
ADDITIONS			
Court Deposits	416,964	-	416,964
Fines and Court Costs	-	1,365,017	1,365,017
Total Additions	<u>416,964</u>	<u>1,365,017</u>	<u>1,781,981</u>
Total	669,277	1,400,749	2,070,026
REDUCTIONS			
Transfers to General Fund:			
Special Civil Cost	24,000	-	24,000
Court Costs - Traffic and Criminal	-	112,526	112,526
Transfers to City of Monroe:			
Clerk Fees	146,066	-	146,066
Court Costs:			
DWI Probation	-	200	200
Equipment Fund	-	5,500	5,500
Fines and Forfeitures	-	618,246	618,246
Attorney's Fees	1,500	-	1,500
Applied Technology Unit	-	2,750	2,750
Booking Fees	3,062	-	3,062
Curator Fees	269	-	269
Indigent Defender Board	-	276,650	276,650
Judges' Supplemental Compensation Fund	36,885	-	36,885
Louisiana Commission on Law Enforcement	-	31,832	31,832
Louisiana Rehabilitation Services:			
Head and Spinal Cord Injury	-	15,520	15,520
Louisiana State Treasurer	-	22,014	22,014
Marshal's Fees	43,965	199,215	243,180
North Louisiana Criminalistic Laboratory	-	61,060	61,060
Secretary of State	3,925	-	3,925
Settlements to Litigants	-	1,791	1,791
Sheriffs' Fees	12,629	-	12,629
Other Reductions	41,128	261	41,389
Total Reductions	<u>313,429</u>	<u>1,347,565</u>	<u>1,660,994</u>
DEPOSITS DUE OTHERS AT END OF YEAR	\$ <u>355,848</u>	\$ <u>53,184</u>	\$ <u>409,032</u>

**INDEPENDENT AUDITORS' REPORT REQUIRED
BY GOVERNMENT AUDITING STANDARDS**

The following independent auditors' report on compliance and internal control over financial reporting is presented in accordance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States.



(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS

Luffey
Huffman
& Monroe

John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA
Carolyn A. Clarke, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**City Court of Monroe, Louisiana
Monroe, Louisiana**

We have audited the component unit financial statements of the City Court of Monroe, Louisiana (the Court) as of and for the year ended April 30, 1998 and have issued our report thereon dated October 27, 1998. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Court's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 98-01.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Court's ability to record, process, summarize and report financial data consistent with the assertions of

**City Court of Monroe, Louisiana
Monroe, Louisiana**

management in the component unit financial statements. The reportable conditions are described in the accompanying schedule of findings and Questioned Costs as items 98-01, 98-02, 98-03, 98-04, 98-05, and 98-06.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in the accompanying Schedule of Findings and Questioned Costs as items 98-01, 98-02, 98-03, and 98-05 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Court in a separate letter dated October 27, 1998.

This report is intended for the information of management of the Court and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Luffey, Huffman & Maurice (APAC)

October 27, 1998

**CITY COURT OF MONROE
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 1998**

98-01 Fixed Asset Documentation

Finding:

Tagging and location tracking of equipment and furnishings purchased with Court funds are not evident. LRS 24:515 requires that records of all land, buildings, equipment and any other general fixed assets which were purchased or otherwise acquired be maintained.

Recommendation:

We recommend the Court review expenditures charged to capital outlay accounts on a monthly basis and evaluate the expenditures for appropriate inclusion in or exclusion from the general fixed assets records. After identification, the assets can be properly tagged for identification. The original cost and location should be noted for timely inclusion in the records. The records should also provide for keeping up with the asset when it is moved from one location to another.

Management's Corrective Action Plan:

We have obtained property inventory forms but have not begun the physical inventory and tagging of furniture, fixtures and equipment due to a shortage of manpower.

98-02 Reconciliation of the Judicial checking account

Finding:

The bank reconciliations for the Judicial checking account are not prepared in a timely manner. At October 7, 1998 the bank statements for the fiscal year had not been reconciled.

Recommendation:

We recommend that the bank reconciliations be prepared by the business manager and reviewed by the administrative judge on a monthly basis. This reconciliation should be completed within five days of receipt of the bank statement and reviewed within that time period by the Administrative Judge.

Management's Corrective Action Plan:

The bank account has been reconciled through April 1998. Accordingly, bringing the account through to current status will not require much more time. Keeping the reconciliations current will then be done on a monthly basis.

**98-03 Need for Timely Reconciliations of
 Deposits Due Others - Judicial Fund**

Finding:

For the year ended April 30, 1998, the Deposits Due Others account in the Judicial Fund has not been reconciled to the individual civil suit balances maintained in the subsidiary accounting software program. The failure to perform this procedure on a timely basis significantly increases the risk that errors and/or irregularities may occur and not be detected timely. This condition also existed at April 30, 1997.

Recommendation:

On the last day of each month, City Court personnel should produce a printout of individual civil suit balances and reconcile the total of this printout to the Deposits Due Others general ledger account as of the last day of the month.

Management's Corrective Action Plan:

The Business Manager will reconcile Amounts Due Others in the general ledger system to the balances in civil suits as recorded in the Juris computer software beginning at October 31, 1998. She will track the reconciling items on a monthly basis to see if an on-going problem exists in maintaining the working capital to bring open suits to completion.

98-04 Accounting for Absences

Finding:

Time and attendance do not appear adequate to account for sick leave, vacation and other approved absences. Court employees may take time off without proper authorization or without proper accrual against their time on record. This situation could result in the Court's employees being compensated for time off for which they are not entitled.

Recommendation:

The Court should adopt a policy on accounting for absences, communicate this policy and direct someone in a supervisory capacity to oversee its implementation.

Management's Corrective Action Plan:

As of July 22, 1998, the Court adopted a Policy and Procedure Manual applicable to Judges and Court employees including accounting for absences. The Clerk of Court is charged with obtaining a record of vacation/sick leave from the Court's employees monthly and verifying this information to time recorded on the payroll sheets. The Court Administrator (or Administrative Judge) maintains these records for the Judges.

98-05 *Lack of Control over the Mentoring Program*

Finding:

A mentoring program administered by the Court lacks segregation of duties in implementation. A Court employee makes purchases, writes checks and receives the bank statements. As such, the Court has surrendered all control over financial oversight to this program.

Recommendation:

The Court should control all funds expended for this program. To accomplish this goal, the Judges should approve purchases and disbursements and receive periodic reports on the financial activity of the program.

Management's Corrective Action Plan:

Disbursements from this program now require two signatures, the program coordinator and a Judge. Bank statements are sent directly to the Business Manager for reconciliation to the check register and report preparation of financial statements to be submitted to Administrative Judge.

98-06 *Approval of Disbursements*

Finding:

Only one of the Judges' signature is required for checks on all disbursements from the various checking accounts. Prior to oversight of the Court by the Louisiana Supreme Court, the Judges rotated check signing responsibility on a monthly. At the date of this report, the Judge Pro Tem or his administrative assistant signs checks. This gives one Judge full discretion on the nature and amount of any purchase to be made by the Court.

Recommendation:

Two signatures should be required for expenditures from the Court's checking accounts. The Administrative Judge should be one required signature. The other two Judges should alternate on a periodic basis as the other signatory authority. The

**City Court of Monroe
Monroe, Louisiana**

Administrative Judge's signature could be substituted with another Judge's signature only in the event of a situation arising which requires immediate attention.

Management's Corrective Action Plan:

Upon termination by the Louisiana Supreme Court of administrative oversight, checks will require the signature of two of the three Judges, or a Judge plus the Court Administrator.

**CITY COURT OF MONROE
MONROE, LOUISIANA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED APRIL 30, 1998**

In connection with our audit of the Court as of and for the year ended April 30, 1998, in accordance with *Government Auditing Standards* we have also reviewed the status of material prior year findings included in our report dated October 21, 1997. The following table presents the status of those findings:

<u>Prior Year Findings</u>	<u>Current Year Status</u>
Presence and Cancellation of Cash Disbursement Support	Cleared
Negative Balance in Civil Suits	Repeat Management Letter Comment
Deposit Filings for Civil Suits – Monroe Housing Authority	Repeat Management Letter Comment
Condition of Financial Records	Cleared
Timely Reconciliation of Deposits Due Others – Judicial Fund	Repeat Internal Control Comment



Luffey
Huffman
& Monroe

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Accounting Corporation)

John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA
Carolyn A. Clarke, CPA

**City Court of Monroe
Monroe, Louisiana**

In planning and performing our audit of the component unit financial statements of the **City Court of Monroe** (the Court) as of April 30, 1998, and for the year then ended, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the component unit financial statements of the Court and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during the course of our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated October 27, 1998, on the component unit financial statements of the Court.

1. Negative Balances in Civil Suits

Finding:

In the performance of our auditing procedures to test civil suits, we noted six instances within our sample of forty civil suits that had negative balances, i.e., costs incurred and paid in the suit exceeded deposits made.

Recommendation:

Costs of a suit should not be paid without sufficient funds in the suit to cover the payments.

Management Corrective Action Plan:

The Court's policy in regards to costs associated with civil suits is that no activity is to take place in a suit that does not have sufficient funds in it to cover the activity. There are instances where a suit has money in it at the moment an activity takes place and there is not enough money to cover all of the activity; however, no actual disbursement is made on any suit that has a negative balance. The computer is setup to flash "this suit is out of money" when there is a negative balance and a password is needed to override the system in order to make any inputs on that particular suit. When there is a negative balance a letter is sent to the party

(318) 387-2672 FAX (318) 322-8866
1100 N 18th ST • PO Box 4745 • Monroe LA 71211-4745

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**Monroe City Court
Monroe, Louisiana**

involved advising that there can be no further filings in the suit until an additional deposit is made to cover future costs. When a suit is disposed, a thirty day notice will be sent to all parties involved who may have outstanding costs that the funds will be refunded and no costs will be paid after that time.

3. Deposit Filings for Civil Suits - Monroe Housing Authority

Finding:

The Court is required to serve the Monroe Housing Authority without charging any fees. However, the current software records these fees anyway creating a credit balance in the suit. This situation makes Finding 1 appear worse due to the misrepresentation of a credit balance in this suit.

Recommendation:

We recommend that the Court modify its software to prevent negative balances from appearing in suits involving the Monroe Housing Authority

Management Corrective Action Plan:

The Court will contact the software vendor to begin modifications to prevent this anomaly. If the cost of modifying the software is cost-prohibitive considering that it will probably be replaced within the next year, the new software will provide the above referenced recommendation. In the event of the latter taking place, these negative balances will be reconciling items on a monthly basis.

4. Travel Policy

Finding:

Although the Court adopted a travel policy in 1991, it appears that the two newest judges have not been informed of the policy. Subsequently, undocumented expenses were paid by the court. In some instances, the expenses do not appear necessary for the completion of Court business.

Recommendation:

The Court should adopt a travel policy and communicate the policy to all of the Judges and court personnel.

Management's Corrective Action Plan:

As of July 22, 1998, the Court adopted a Policy and Procedure Manual applicable to Judges and Court employees including criteria for travel expenses. Implementation of this policy has begun and the Judges and Business Manager are coordinating their efforts to ensure expenditures for travel are within these guidelines.

Monroe City Court
Monroe, Louisiana

5. Credit Cards

Finding:

The Judges apparently used the Court's credit cards for personal expenditures. The credit card statements would be routed directly to the Judges. The Judges paid these charges themselves without submitting the statements to the Business Manager. Accordingly, the Court's records are not complete with respect to the credit card statements.

Recommendation:

The Court charge cards should only be used for Court expenditures. To facilitate the implementation of this recommendation, the Court should establish control procedures over the use of the charge cards.

Management's Corrective Action Plan:

Judge Leehy has destroyed his Monroe City Court credit card and closed the account. Judges Smith and Jefferson have notified the credit card company to send the monthly statements directly to the Business Manager. Expenses not submitted in this manner will not be paid.

6. Magazine Subscriptions

Finding:

Expenditures for magazine subscriptions which appear to be personal in nature are paid by the Court. While one of the Judges explained that he felt the subscriptions were necessary for visitors of the Court while waiting for their appointment, he did agree to repay the Court approximately \$250 for these subscriptions.

Recommendation:

Any future subscriptions paid by the Court should provide a clear and direct benefit to the Court. Since two signatures will be required for all expenditures once oversight by the Louisiana Supreme Court is completed, two Judges will have to approve a subscription before signing the check. We recommend that both Judges signing the check for a subscription concur on the benefit to the court.

Management's Corrective Action Plan:

The Court no longer pays for magazine subscriptions unless the Judge Pro Tem documents the need and approves them in advance. Judge Smith has agreed to reimbursement the Court for some periodicals charged in the past. As of the date of this report he has not done so.

Luffey, Huffman + Marva (APAC)

October 21, 1997