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CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

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 AUG 04 1998

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT ON
GENERAL PURPOSE FINANCIAL STATEMENTS

June 11, 1999

Constable of the First City Court
City of New Orleans
New Orleans, Louisiana

We have audited the accompanying general purpose financial statements of the Constable of the First City Court, City of New Orleans as of December 31, 1998 and 1997. These general purpose financial statements are the responsibility of the management of the Constable's Office. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Constable of the First City Court, City of New Orleans as of December 31, 1998 and 1997, and the results of its operations for the years ended December 31, 1998 and 1997, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued a report dated June 11, 1999, on our consideration of the Constable of the First City Court, City of New Orleans' internal control over financial reporting and on its compliance with laws and regulations.

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MEMBERS

American Institute of Certified Public Accountants

Society of Louisiana Certified Public Accountants

1997				
GOVERN- MENTAL FUND TYPE GENERAL	FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUP GENERAL FIXED ASSETS	TOTALS (MEMORANDUM ONLY) DECEMBER 31,	
			1998	1997
\$ 178,275	\$ --	\$ --	\$ 289,215	\$ 178,275
--	156,102	--	113,446	156,102
192,814	--	--	200,538	192,814
1,045	--	--	1,079	1,045
5,673	--	--	12,130	5,673
97	--	--	1,878	97
--	--	129,358	143,672	129,358
--	--	17,801	17,801	17,801
--	--	85,343	88,935	85,343
--	--	20,119	20,119	20,119
--	--	(223,147)	(238,362)	(223,147)
<u>\$ 377,904</u>	<u>\$ 156,102</u>	<u>\$ 29,474</u>	<u>\$ 650,451</u>	<u>\$ 563,480</u>
\$ 32,626	\$ --	\$ --	\$ 43,275	\$ 32,626
2,386	--	--	475	2,386
--	156,102	--	113,446	156,102
<u>35,012</u>	<u>156,102</u>	<u>--</u>	<u>157,196</u>	<u>191,114</u>
--	--	29,474	32,165	29,474
<u>342,892</u>	<u>--</u>	<u>--</u>	<u>461,090</u>	<u>342,892</u>
<u>342,892</u>	<u>--</u>	<u>29,474</u>	<u>493,255</u>	<u>372,366</u>
<u>\$ 377,904</u>	<u>\$ 156,102</u>	<u>\$ 29,474</u>	<u>\$ 650,451</u>	<u>\$ 563,480</u>

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE GENERAL FUND (THE ONLY GOVERNMENTAL FUND TYPE)
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Revenues:		
User charges for services:		
Fees	\$ 1,139,731	\$ 1,004,759
Commissions	327,200	338,441
Labor fees (Note 3)	23,702	33,140
	<u>1,490,633</u>	<u>1,376,340</u>
Interest	7,758	11,333
Other	12,437	14
Total revenues	<u>1,510,828</u>	<u>1,387,687</u>
Expenditures:		
Current general government:		
Salaries	755,777	806,625
Employee medical insurance	114,285	151,894
Payroll taxes	59,646	66,186
Labor cost (Note 3)	25,990	33,155
Professional fees	165,180	129,249
Accounting	75,639	58,637
Gasoline	16,194	32,566
Radio communication	14,558	16,108
Telephone	21,919	12,685
Office supplies and services	93,631	64,190
Other operating expenditures	31,905	37,685
Capital outlay:		
Purchase of equipment	17,906	11,760
Total expenditures	<u>1,392,630</u>	<u>1,420,740</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	118,198	(33,053)
Fund balance at beginning of year	<u>342,892</u>	<u>375,945</u>
FUND BALANCE AT END OF YEAR	<u>\$ 461,090</u>	<u>\$ 342,892</u>

See accompanying notes.

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
User charges for services:			
Fees	\$ 981,582	\$ 1,139,731	\$ 158,149
Commissions	340,223	327,200	(13,023)
Labor fees	35,902	23,702	(12,200)
	<u>1,357,707</u>	<u>1,490,633</u>	<u>132,926</u>
Interest	9,909	7,758	(2,151)
Other	<u>1,391</u>	<u>12,437</u>	<u>11,046</u>
Total revenues	<u>1,369,007</u>	<u>1,510,828</u>	<u>141,821</u>
EXPENDITURES:			
Current general government:			
Salaries	815,513	755,777	59,736
Employee medical insurance	131,507	114,285	17,222
Payroll taxes	60,733	59,646	1,087
Labor cost	36,539	25,990	10,549
Professional fees	98,540	165,180	(66,640)
Accounting	--	75,639	(75,639)
Gasoline	38,720	16,194	22,526
Radio communication	17,176	14,558	2,618
Telephone	12,943	21,919	(8,976)
Office supplies and services	13,522	93,631	(80,109)
Other operating expenditures	57,225	31,905	25,320
Capital outlay:			
Purchase of equipment	21,000	17,906	3,094
Total expenditures	<u>1,303,418</u>	<u>1,392,630</u>	<u>(89,212)</u>
EXCESS OF REVENUES OVER EXPENDITURES	65,589	118,198	\$ <u>52,609</u>
Fund balance at beginning of year	<u>342,892</u>	<u>342,892</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 408,481</u>	<u>\$ 461,090</u>	

See accompanying notes.

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
User charges for services:			
Fees	\$ 752,200	\$ 1,004,759	\$ 252,559
Commissions	280,000	338,441	58,441
Labor fees	38,500	33,140	(5,360)
	<u>1,070,700</u>	<u>1,376,340</u>	<u>305,640</u>
Interest	5,000	11,333	6,333
Other	(300)	14	314
Total revenues	<u>1,075,400</u>	<u>1,387,687</u>	<u>312,287</u>
EXPENDITURES:			
Current general government:			
Salaries	780,000	806,625	(26,625)
Employee medical insurance	190,000	151,894	38,106
Payroll taxes	63,570	66,186	(2,616)
Labor cost	38,500	33,155	5,345
Professional fees	35,000	129,249	(94,249)
Accounting	--	58,637	(58,637)
Gasoline	36,000	32,566	3,434
Radio communication	14,000	16,108	(2,108)
Telephone	11,000	12,685	(1,685)
Office supplies and services	20,000	64,190	(44,190)
Other operating expenditures	31,000	37,685	(6,685)
Capital outlay:			
Purchase of equipment	45,000	11,760	33,240
Total expenditures	<u>1,264,070</u>	<u>1,420,740</u>	<u>(156,670)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(188,670)	(33,053)	\$ <u>155,617</u>
Fund balance at beginning of year	<u>433,820</u>	<u>375,945</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 245,150</u>	<u>\$ 342,892</u>	

See accompanying notes.

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

ORGANIZATION:

The Constable of the First City Court, City of New Orleans, was established by Sections 89 and 92 of Article 7 of the Louisiana Constitution of 1921 and retained by virtue of the revised provisions of Article 5, Section 15(A) of the Louisiana Constitution of 1974. Act No. 461 of the 1978 Louisiana Regular Session established a fund for the Office of Constable, First City Court, composed of all fees collected by the Constable as provided in Revised Statute 13:2158. The Constable pays from this fund all salaries, including his own and any other costs or expenses of any other nature whatsoever, including the purchase of office or other equipment, automobiles, or other necessities deemed proper by the Constable. In the event, fees and commissions authorized by R.S. 13:2158 exceed the necessary expenditures of the Constable in the efficient performance of his duties, the excess shall remain in the Constable's fund and may be expended by him in any succeeding year in which fees and commissions are insufficient to cover salaries and expenditures. However, in accordance with Louisiana Revised Statute 33:1737, at the end of each six-year term, the Constable is required to remit to the State Treasurer any remaining moneys in the Constable's fund in excess of one third of the amount of revenues of the last year of his term in office. The amount left in the Constable's fund shall be used as a revolving fund to assist in financing the operation of the Office and for purchasing equipment.

At the completion of the six-year term ending December 31, 1996, the provisions of Revised Statute 33:1737, allowed the Office of the Constable to retain all of its fund balance.

The Constable serves court pleadings, makes seizures, conducts sales, and performs other duties under orders of the First City Court. The First City Court has civil jurisdiction concurrent with the District Court in cases where the principal amount in dispute, or the value of property involved does not exceed \$20,000.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY

The Constable of the First City Court of the City of New Orleans, is the reporting entity. Although the Constable (an elected official) provides services to the residents of the City from offices provided by the City, the City of New Orleans does not report the office of the Constable as a component unit of the City since the Constable is not within the oversight of the City, is not included under the City Charter, and is not subject to financial or budgetary controls of the City. The Constable provides services of his office solely through user charges at rates within limitations set by the State Legislature.

The Constable is an elected official. Lambert C. Boissiere, III, the present Constable, was elected to a six-year term of office beginning on January 1, 1997. The former Constable William M. Detweiler, J.D.'s term ended December 31, 1996.

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

BASIS OF PRESENTATION:

The accounts of the Constable's office are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The Constable's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund categories, fund types and account groups presented in the financial statements are described as follows:

Governmental Funds:

Governmental Fund Type - The General Fund is used to record the general operations of the Office and any other items not required to be reported in other funds.

Fiduciary Fund Type - An Agency Fund is used to account for cash deposits held by the Constable for service users.

Account Groups:

General fixed assets account group is used to account for property and equipment of governmental funds.

The combined balance sheet of all fund types and account groups includes a total column that aggregates the balance sheets of the various fund types and account groups. The column is designated "memorandum only" because the total is not comparable to a consolidation in that interfund transactions are not eliminated.

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with the General Fund is determined by its measurement focus. The General Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on its balance sheet. Its reported fund balance is considered a measure of "available spendable resources." The General Fund statement of revenues, expenditures, and changes in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, it is said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in the General Fund operation (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in the General Fund. The accumulated depreciation recorded in the account group is offset by a decrease in the investment in general fixed assets. No depreciation has been provided in the General Fund. All fixed assets are valued at historical cost.

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

BASIS OF PRESENTATION: (Continued)

Long-term liabilities expected to be financed from the General Fund are accounted for in the General Long-Term Debt Account Group, not in the General Fund. There were no balances in the Long-Term Debt Account Group at December 31, 1998 and 1997.

The two account groups are not "funds." They are concerned only with the measurement of results of operations.

Because of its spending measurement focus, expenditure recognition in the General Fund is limited to exclude amounts represented by noncurrent liabilities. Because they do not affect net current assets, such long-term amounts are not recognized as expenditures or liabilities in the General Fund. They instead are reported as liabilities in the General Long-Term Debt Account Group.

BASIS OF ACCOUNTING:

The General Fund of the governmental fund type uses a modified accrual basis of accounting. Revenues are recognized when available and measurable. The Constable considers accounts receivable as available if they are collected within 60 days after year-end. Expenditures are recorded when the liability is incurred.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BUDGETS:

The budget column on the statement of revenues, expenditures, and changes in fund balance, budget and actual for the General Fund represents the Constable's forecast of revenues and expenditures for 1998 and 1997 made for planning and control purposes. Expenditures are not limited by the budget.

Encumbrances outstanding at year end, if material, are reported as reservations of fund balances because they do not constitute expenditures or liabilities. There were no material encumbrances outstanding at December 31, 1998 and 1997.

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

2. CASH AND CASH EQUIVALENTS:

CASH:

At December 31, 1998, the carrying amount of cash was \$402,661 and the bank balance was \$570,342 of which \$72,773 was uninsured and uncollateralized. The remaining balance was covered by Federal Depository Insurance and collateralization with securities held by the banking institution in the Constable's name.

CASH EQUIVALENTS:

The Constable's office invests in certificates of deposit with a maturity of three months. These certificates of deposit are considered cash equivalents. The total balance as of December 31, 1998 and 1997 is \$200,538 and \$192,814, respectively. Both certificates are fully insured by FDIC insurance.

3. LABOR REVENUE AND LABOR EXPENSE:

Revenue is received by the office from landlords or attorneys to reimburse the office for the cost of labor to vacate premises. All such revenue is in turn given to the deputies of the Constable who perform the service and the expense account approximates the related revenue account.

4. VACATION AND SICK LEAVE:

Employees of the office are allowed to accumulate 10 days of vacation time and 10 days of sick leave during a calendar year. Vacation time not used by the end of the year is lost. Sick time may accumulate up to a maximum of 30 days. Any unused sick leave is not paid upon termination.

5. GENERAL FIXED ASSETS:

Changes in the general fixed assets account group are as follows:

	Beginning Balance	<u>1998</u>		Ending Balance
		Additions	Reductions	
Machinery and equipment	\$129,358	\$14,314	\$ --	\$143,672
Automobile	17,801	--	--	17,801
Office furniture and equipment	85,343	3,592	--	88,935
Office improvements	20,119	--	--	20,119
Accumulated depreciation	(223,147)	(15,215)	--	(238,362)
An addition of (\$15,215) was computed using the straight- line method over 5 or 10 years for substantially all fixed assets				
	<u>\$ 29,474</u>	<u>\$ 2,691</u>	<u>\$ --</u>	<u>\$ 32,165</u>

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

5. GENERAL FIXED ASSETS: (Continued)

	Beginning Balance	<u>1997</u>		Ending Balance
		<u>Additions</u>	<u>Reductions</u>	
Machinery and equipment	\$127,598	\$ 1,760	\$ --	\$129,358
Automobile	17,801	--	--	17,801
Office furniture and equipment	75,343	10,000	--	85,343
Office improvements	20,119	--	--	20,119
Accumulated depreciation	(208,088)	(15,059)	--	(223,147)
An addition of (\$15,059) was computed using the straight- line method over 5 or 10 years for substantially all fixed assets				
	<u>\$ 32,773</u>	<u>\$(3,299)</u>	<u>\$ --</u>	<u>\$ 29,474</u>

6. RESERVED FUND BALANCE:

The use of the term "reserve" in describing fund balance indicates that a portion of the fund balance is not available in the next period or is legally restricted. The reserve fund balance of \$461,090 and \$342,892 at December 31, 1998 and 1997, respectively, is legally restricted for use in the next year to fund the office if fees and commissions are insufficient to cover salaries and expenditures.

7. EXPENDITURES - ACTUAL AND BUDGET:

Actual expenditures exceeded budgeted expenditures as of December 31, 1998 and 1997 by \$89,212 and \$156,670, respectively.

8. YEAR 2000:

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the organization's operations as early as fiscal year 1999.

The Constable of the First City Court, City of New Orleans has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the Constable's operations. Based on this inventory, the Constable is in the remediation stage in that computer software and hardware changes are being made which are believed to be year 2000 compliant for financial reporting. Testing and validation will occur once the required system components are installed.

However, because of the unprecedented nature of the Year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Constable is or will be year 2000 ready, that the Constable's remediation efforts will be successful in whole or in part, or that parties with whom the Constable does business will be year 2000 ready.

CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

June 11, 1999

Constable of the First City Court
City of New Orleans
New Orleans, Louisiana

We have audited the general purpose financial statements of the Constable of the First City Court, City of New Orleans, as of and for the year ended December 31, 1998, and have issued our report thereon dated June 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Constable of the First City Court, City of New Orleans' general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted immaterial instances of non-compliance that we have reported in a separate letter dated June 11, 1999.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Constable of the First City Court, City of New Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 Constable of the First City Court, City of New Orleans' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.

Segregation of Duties:

Due to a limited size accounting staff, multiple accounting and internal control functions overlap which causes a lack of segregation of duties. The custody of certain assets and the recording of such in the general ledger is not independent. For example, one individual reconciles the cash receipts, makes the bank deposits, prepares the operating and payroll checks and is an authorized signature of checks. This individual also is responsible for maintaining the accounts payable and payroll journals and coding information to the general ledger. Additionally, another employee is responsible for purchasing and receiving supplies and is allowed to sign checks.

The custody of assets and the maintenance of the general ledger should not be handled by the same individual. This separation allows for an independent check by a second individual.

We recommend that the Constable review the cost benefit ratio of separating the duties of the accountant where possible.

Cash:

The cash drawer is not reconciled at the end of the cashier's shift on a consistent basis. The shift close was observed on four days and on one of the four days the cash was counted and reconciled. In addition cash overages/shortages that occur are not being investigated and resolved on a timely basis. From the sample of twenty tested we noted sixteen instances of a small overage/shortage.

The cashier should count the cash drawer and reconcile the receipts to the register tape on a daily basis upon the shift close. In addition, any overage/shortage should be reconciled and resolved on a timely basis.

We recommend that the cashier count the cash drawer and reconcile the receipts to the cash register tape at the end of the shift. In addition any overage/shortage should be reconciled and resolved on a timely basis. A second individual should approve the reconciliation to ensure that all items are properly accounted for and that any overages/shortages are addressed timely.

As a result of the observation of the cash receipts cycle, it was discovered that a number of office personnel have access to the same cash drawer.

Access to the cash drawer should be designated and limited to cashiers only. Each cashier should have their own cash drawer. It should be accessed only by that cashier and it should be kept in a secure location when the cashier is off duty.

We recommend that the Constable of the First City Court implement a policy to limit access of the cash drawers to cashiers only. It is our understanding that this cannot be accomplished with the present cash receipts computer software. However, the Constable of the First City Court is in the process of updating the software to include all proper controls over cash.

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 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 over financial reporting that might be material weaknesses. We believe that the reportable conditions described above are not material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated June 11, 1999.

This report is intended for the information of the Constable of First City Court, City of New Orleans, management and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

DUPLANTIER, HRAPMANN, HOGAN &
MAHER, LLP

Duplantier, Hrapmann Hogan & Maher LLP

CARRIGEE & MOORE, LLP

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CONSTABLE OF THE FIRST CITY COURT
CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS
DECEMBER 31, 1998

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Constable of the First City Court as of and for the year ended December 31, 1998, and have issued our report thereon dated June 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 1998 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No Reportable Conditions X Yes ___ No

Compliance

Compliance Material to Financial Statements ___ Yes X No

Section II Financial Statement Findings

COMPLIANCE WITH LAWS AND REGULATIONS:

The following noncompliance with laws and regulations comments will be reported in the management letter.

MEMBERS

American Institute of Certified Public Accountants

Society of Louisiana Certified Public Accountants

98-1 During the course of the audit we noted old outstanding checks considered under Louisiana Revised Statute 9:151-9:196 as abandoned property under the unclaimed property law as follows:

- i. Outstanding checks due merchants over three years old in the amount of \$2,973
- ii. Outstanding checks from trust funds held by the court over one year old in the amount of \$37,749.

The law requires all outstanding checks owed to a vendor older than three years and outstanding checks held by a governmental agency for trust funds older than one year to be reported and remitted annually to the Louisiana Department of Revenue. Noncompliance to this state statute could result in interest and penalties.

Due to the complexity of trust funds held by the court, we recommend an attorney research the provisions of the law pertaining to those funds. All amounts due should be remitted to the Department of Revenue.

Response:

Management will comply with the recommendation and forward all merchant checks that are over three years old to the State of Louisiana, Unclaimed Property Division as required by LRS 9:151-9:196. Management has contacted its legal counsel and reviewed the provisions of the law to determine its legal obligation as it pertains to the trust funds held by the court. It was advised that the funds were to be sent to the State of Louisiana, Unclaimed Property Division with a stipulation that the funds cannot be released to the defendant unless authorized by an order of this court. Management has contacted the head of the Unclaimed Property Division, and held preliminary discussions as to the functions of this type of arrangement. Management feels confident that a proper arrangement can be reached with the State of Louisiana, Unclaimed Property Division to ensure proper treatment of the trust funds held by this court that are older than one year.

98-2 As a result of the audit test on compliance with the Louisiana Budget Act, it was discovered that the Constable of the First City Court is not in compliance with the following areas of the Act:

- a. The budget does not include the beginning fund balance and ending fund balance.
- b. The budget does not include a proposed budget instrument and an adopted budget instrument which defines the authority of the budget preparer to make changes within the various budget classifications without the approval by the governing authority as well as those powers reserved solely to the governing authority.
- c. The budget was not amended when actual expenditures exceeded budgeted expenditures by more than 5%.

The Constable should be in compliance with all aspects of the Louisiana Budget Act.

We recommend the Constable of the First City Court comply with all aspects of the Act.

Response:

Management will comply with this recommendation. Management has subscribed to West Law to keep abreast of the applicable State laws and statutes that impact this office.

- 98-3 As of December 31, 1998, the Constable of the First City Court did not have sufficient collateral for its deposits at Whitney National Bank. The Constable of the First City Court had cash deposits in excess of FDIC insurance and pledged securities in the amount of \$72,773.

All deposits with financial institutions should be fully insured or collateralized at all times.

We recommend that the Constable of the First City Court maintain the amount of pledged securities on an ongoing basis in order to ensure that the necessary collateral is present at all times.

Response:

Management has contacted Whitney National Bank and requested additional collateral to cover the excess of cash deposits. Whitney National Bank will increase the needed collateral within the week.

INTERNAL CONTROL:

The following comments on internal controls are considered reportable conditions and will be included in the audit report.

- 98-4 Due to a limited size accounting staff, multiple accounting and internal control functions overlap which causes a lack of segregation of duties. The custody of certain assets and the recording of such in the general ledger is not independent. For example, one individual reconciles the cash receipts, makes the bank deposits, prepares the operating and payroll checks, and is an authorized signature of checks. This individual also is responsible for maintaining the accounts payable and payroll journals and coding information to the general ledger. Additionally, another employee is responsible for purchasing and receiving supplies and is allowed to sign checks.

The custody of assets and the maintenance of the general ledger should not be handled by the same individual. This separation allows for an independent check by a second individual.

We recommend that the Constable review the cost benefit ratio of separating the duties of the accountant where possible.

Response:

Management will continue to monitor the segregation of duties within the accounting department and implement controls whenever possible to create the proper segregation with the maximum benefit to the office.

- 98-5 The cash drawer is not reconciled at the end of the cashier's shift on a consistent basis. The shift close was observed on four days and on one of the four days the cash was counted and reconciled. In addition cash overages/shortages that occur are not being investigated and resolved on a timely basis. From the sample of twenty tested we noted sixteen instances of a small overage/shortage.

The cashier should count the cash drawer and reconcile the receipts to the register tape on a daily basis upon the shift close. In addition, any overage/shortage should be reconciled and resolved on a timely basis.

We recommend that the cashier count the cash drawer and reconcile the receipts to the cash register tape at the end of the shift. In addition any overage/shortage should be reconciled and resolved on a timely basis. A second individual should approve the reconciliation to ensure that all items are properly accounted for and that any overages/shortages are addressed timely.

Response:

Management has implemented the recommendation that the cashier reconciles the drawer daily to the cash register report and the over/under variances are researched timely. Norman Roussell will approve the reconciliation and investigate the overages/shortages. Robert Porche will review the coding and make the general ledger entries.

- 98-6 As a result of the observation of the cash receipts cycle, it was discovered that a number of office personnel have access to the same cash drawer.

Access to the cash drawer should be designated and limited to cashiers only. Each cashier should have their own cash drawer. It should be accessed only by that cashier and it should be kept in a secure location when the cashier is off duty.

We recommend that the Constable of the First City Court implement a policy to limit access of the cash drawers to cashiers only. It is our understanding that this cannot be accomplished with the present cash receipts computer software. However, the Constable of the First City Court is in the process of updating the software to include all proper controls over cash.

Response:

Management will implement a policy that will limit access to the cash register menu and require a password authorization to enter transactions in this module. A letter to the computer programmers will address this recommendation.

The following comment on internal control will be included in the management letter.

98-7 During the audit it was noted that anyone using vacation or sick leave would inform the office manager. The office manager would document this on a calendar. However, there was a lack of controls over maintaining cumulative vacation and sick leave. Thus, one could possibly use more vacation and sick leave than is allowed by the Constable's office.

All vacation and sick leave accrued and taken should be documented and maintained to ensure all personnel are using the correct amount during the year.

It is our understanding that during 1999 the Constable of the First City Court has implemented a new payroll system that allows one to track all vacation and sick leave accrued and taken during the year.

Response:

Management has implemented controls concerning the recordation of vacation and sick time taken or accrued for each employee. Management has converted the payroll function to a software package that tracks each type of accrued benefit for each employee. Management has also recorded the data manually to serve as a backup source document.

Section III Schedule of Prior Year Findings

The following is a summary of the prior year's audit findings:

97-1 In the prior year it was noted that the Constable of the First City Court had \$2,329.38 in old outstanding checks considered to be abandoned property under the Louisiana Revised Statute 9:151-9:196. In addition the Constable of the First City Court had \$40,318.95 of outstanding checks from trust funds held over one year old. We recommended the Constable of the First City Court remit the outstanding checks to the Department of Revenue and also consult with an attorney regarding the disposition of the outstanding checks in the trust funds. This comment is repeated through comment number 98-1.

Response:

Management has contacted the State of Louisiana, Unclaimed Property Division to set up the transfer of trust funds held by this court.

97-2 In the prior year audit it was noted that as of December 31, 1997 the Constable of the First City Court did not have sufficient collateral for all its deposits. We recommended that the Constable of the First City Court maintain the amount of pledged securities on an ongoing basis in order to ensure that the necessary collateral is present at all times. This comment is repeated through comment number 98-3.

Response:

Management has contacted each institution where deposits have exceeded collateral and requested additional collateral from each institution.

97-3 In the prior year it was noted that the Constable of the First City Court was not in compliance with the Louisiana Budget Act regarding the following:

- i. The budget did not include a message signed by the preparer which included a summary, description of the proposed budget and discussion of the budget's most important features.
- ii. The budget did not include beginning fund balances and ending fund balance.
- iii. The budget did not include a proposed budget instrument and an adopted budget instrument which defined the authority of the budget preparer to make changes within various budget classifications without the approval by the governing authority as well as those powers reserved solely to the governing authority.
- iv. The budget was not amended when actual expenditures exceeded budgeted expenditures by more than 5%.

The comment regarding the budget message was not a problem during the current year audit. However the other comments regarding the budget not including the beginning and ending fund balance, the budget not including a proposed budget instrument and an adopted budget instrument and the budget not being amended when actual expenditures exceeded budgeted expenditures is repeated through comment number 98-2.

Response:

Management has implemented procedures to comply the Louisiana Budget Act.

97-4 It was noted in the prior year that the Constable of the First City Court did not have proper password protection for the cash and payroll systems. This comment has been resolved during the year.

Response:

Management has implemented password protection in the cash and payroll systems.

97-5 It was noted in the prior year that the cashier does not reconcile the cash drawer at the end of the shift and the cashier did not investigate any overage/shortage in a timely manner. This comment is repeated through comment number 98-5.

Response:

Management has implemented an office policy to address this recommendation.

97-6 In the prior year it was noted that a number of office personnel had access to the same cash drawer. This comment is repeated through comment number 98-6.

Response:

Management is in the design stage of an entire office remodeling project. The dual cash register system is in the plans with the intention to change software packages that will also allow multiple cash registers.

97-7 In the prior year there were several comments regarding weaknesses in the internal controls over the payroll system. They included:

- i. Sign in sheets tested did not include all deputies, many deputies did not sign in or out and none of the sign-in sheets were signed by a supervisor.
- ii. Timecards were deficient in not including the total hours on the timecard, employees punched in and did not punch out, employees hand wrote time in or time out, timecards were not used at all and last names did not appear on timecards.
- iii. Timesheets did not include the employee's signature and/or supervisor's signature nor were timesheet completed for each work week by all employees required.
- iv. Sick leave and vacation records were not properly maintained.

The sign in sheets do include all deputies. However, there still existed the problem of deputies not signing in or out and the sign in sheets not being signed by a supervisor. We used the daily log book to verify employee time. We did not experience any problems with timecards not being totaled, employees punching in and not punching out, employees hand writing time in or out, timecards not used nor last names not appearing on timecards. We did however have a problem with timecards not being approved. Timesheets are no longer being used by the Constable of the First City Court. Another method of documenting attendance was implemented; thus we did not have any problems with timesheets. We did repeat the comment regarding sick and vacation leave through comment number 98-7.

Response:

Management has implemented policies addressing the documentation of pay rates and increases.

97-8 In the prior year it was noted that pay rates were kept on the payroll computer system and that employee's personnel files did not contain documentation on approved rates. Lastly, it was noted that there was no documentation of any evaluations performed. We recommended that all pay rates and approval of rate increases and staff evaluation be documented. This was not a problem during the current year audit.

Response:

Management has implemented policies addressing the documentation of pay rates and increases.

97-9 In the prior year we noted that the check signing policy was not being complied with. This was not a problem during the current year audit.

Response:

Management has made a concerted effort to adhere to the check signing policy.

97-9 In the prior year we noted the lack of segregation of duties over the accounting function. This comment is repeated through comment number 98-4.

Response:

Management has reviewed the accounting process for areas of segregation and will continue to monitor the process looking for ways to increase the internal control.

97-10 In the prior year it was noted that contracts between the Constable of the First City Court and various professionals were not signed; the contracts did not specify the term, there were no written agreements, there were no witnesses to the signatures on the contracts, the contracts did not specify the services to be provided, and the contracts did not specify the rate to be paid for the services. This was not a problem during the current year audit.

Response:

Management addressed the contract issue during 1998.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

William Stamm

William G. Stamm, CPA
Partner

CARRIGEE & MOORE, LLP

Henry Carrigee

Henry Carrigee, CPA
Partner

WGS/fk

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June 11, 1999

Constable Lambert C. Boissiere
First City Court, City of New Orleans
New Orleans, Louisiana 70112

In planning and performing our audit of the general purpose financial statements of Constable of the First City Court, City of New Orleans for the year ended December 31, 1998, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that are presented for your consideration. This letter does not affect our report dated June 11, 1999.

Internal Control:

Payroll

- a) During the audit it was noted that anyone using vacation or sick leave would inform the office manager. The office manager would document this on a calendar. However, there was a lack of controls over maintaining cumulative vacation and sick leave. Thus, one could possibly use more vacation and sick leave than is allowed by the Constable's Office.

All vacation and sick leave accrued and taken should be documented and maintained to ensure all personnel are using the correct amount during the year.

It is our understanding that during 1999 the Constable of the First City Court has implemented a new payroll system that allows one to track all vacation and sick leave accrued and taken during the year.

MEMBERS

American Institute of Certified Public Accountants

Society of Louisiana Certified Public Accountants

We also noted the following immaterial instances of noncompliance with laws and regulations:

Outstanding checks:

During the course of the audit we noted old outstanding checks considered under Louisiana Revised Statute 9:151-9:196 as abandoned property under the unclaimed property law as follows:

- i. Outstanding checks due merchants over three years old in the amount of \$2,973
- ii. Outstanding checks from trust funds held by the court over one year old in the amount of \$37,749.

The law requires all outstanding checks owed to a vendor older than three years and outstanding checks held by a governmental agency for trust funds older than one year to be reported and remitted annually to the Louisiana Department of Revenue. Noncompliance to this state statute could result in interest and penalties.

Due to the complexity of trust funds held by the court, we recommend an attorney research the provisions of the law pertaining to those funds. All amounts due should be remitted to the Department of Revenue.

Louisiana Budget Act:

As a result of the audit test on compliance with the Louisiana Budget Act, it was discovered that the Constable of the First City Court is not in compliance with the following areas of the Act:

- a. The budget does not include the beginning fund balance and ending fund balance.
- b. The budget does not include a proposed budget instrument and an adopted budget instrument which defines the authority of the budget preparer to make changes within the various budget classifications without the approval by the governing authority as well as those powers reserved solely to the governing authority.
- c. The budget was not amended when actual expenditures exceeded budgeted expenditures by more than 5%.

The Constable should be in compliance with all aspects of the Louisiana Budget Act.

We recommend the Constable of the First City Court comply with all aspects of the Act.

Collateralization of Cash:

As of December 31, 1998, the Constable of the First City Court did not have sufficient collateral for its deposits at Whitney National Bank. The Constable of the First City Court had cash deposits in excess of FDIC insurance and pledged securities in the amount of \$72,773.

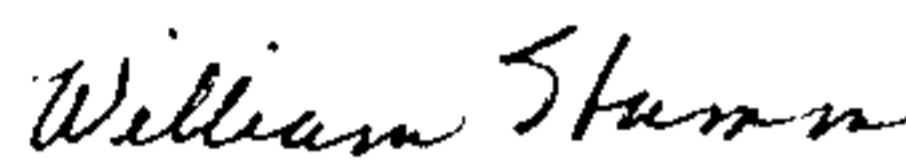
All deposits with financial institutions should be fully insured or collateralized during all times.

We recommend that the Constable of the First City Court maintain the amount of pledged securities on an ongoing basis in order to ensure that the necessary collateral is present at all times.

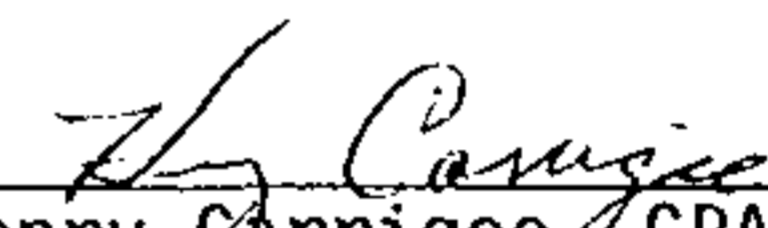
This report is intended solely for the information and use of the Constable First City Court, City of New Orleans, management, and others within the administration and the Legislative Auditor. This restriction is not intended to limit distribution of this report, which is a matter of public record.

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

CARRIGEE & MOORE, LLP



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Partner



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