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# LUTHER SPEIGHT & COMPANY, LLC

*Certified Public Accountants and Consultants*

**THE OFFICE OF THE CLERK OF THE  
CRIMINAL DISTRICT COURT  
ORLEANS PARISH**

**SPECIAL PURPOSE FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 9-15-04

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# LUTHER SPEIGHT & COMPANY, LLC

*Certified Public Accountants and Consultants*

## INDEPENDENT AUDITORS' REPORT

The Office of the Clerk of the  
Criminal District Court-Orleans Parish  
2700 Tulane Avenue  
New Orleans, Louisiana

We have audited the accompanying special purpose financial statements of The Office of the Clerk of the Criminal District Court – Orleans Parish (the Clerk of Court) as of December 31, 2003 and for the year then ended as listed in the Table of Contents. These special purpose financial statements are the responsibility of the Clerk of Court's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

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

Because of the lack of subsidiary detail within the accounting records for the year 2003 and prior, we were unable to satisfy ourselves as to the accuracy of the ending balance of cash bonds payable stated at \$342,008 as of December 31, 2003 by means of other auditing procedures. Therefore, we were unable to form an opinion on the ending balance of cash bonds payable.

Evidence revenue was stated at \$ 71,680 for the year ended December 31, 2003, however the Clerk of Court did not have adequate supporting documentation related to the completeness and accuracy of this balance. We were also unable to satisfy ourselves as to the fairness of the evidence revenue by means of alternative procedures. Accordingly, we were unable to form an opinion regarding the amount of evidence revenue in the accompanying statement of revenues, expenditures and changes in fund balance.

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Fixed assets were recorded at \$260,677 as of December 31, 2003, however the subsidiary records were not adequate to support the balance recorded. We were unable to satisfy ourselves as to the fairness of the fixed asset balance by alternative means.

As described in NOTE 2, the accompanying special purpose financial statements present information only on the funds maintained by the Clerk of Court and do not present information on any funds disbursed by the City of New Orleans on behalf of the Clerk of Court, the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the records concerning cash bonds payable been adequate, the evidence revenue been susceptible to satisfactory audit testing, and the fixed asset balance been properly supported, the special purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Clerk of Court as of December 31, 2003 and results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standard, we have also issued our report dated June 29, 2004 on our consideration of the Clerk of Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit. Also, that report identified reportable conditions that were considered to be material weaknesses.



Luther C. Speight and Company  
New Orleans, LA  
June 29, 2004

**THE OFFICE OF THE CLERK OF THE  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
COMBINED BALANCE SHEET  
AS OF DECEMBER 31, 2003**

	<b>GOVERNMENTAL FUND TYPE</b>	<b>ACCOUNT GROUP</b>	<b>Total (Memorandum Only)</b>
	General Fund	General Fixed Assets	
<b><u>Assets and Other Debit</u></b>			
Cash and cash equivalents (NOTE 3)	\$441,499	\$0	\$441,499
Evidence Fee Receivable	71,680	-	71,680
Employee Advances	11,252	-	11,252
Grant receivable	30,207	-	30,207
Furniture and equipment (NOTE 4)	-	260,677	260,677
<b>Total assets</b>	<b>554,638</b>	<b>260,677</b>	<b>815,315</b>
<b><u>Liabilities, Fund Equity and Other Credit</u></b>			
<b>Liabilities:</b>			
Allocations payable	-17040	-	(17,040)
Accounts payable	392	-	392
Bonds payable	342,008	-	342,008
<b>Total liabilities</b>	<b>325,360</b>	<b>-</b>	<b>325,360</b>
<b>Fund Equity and Other Credit:</b>			
Investment in general fixed assets (NOTE 4)	-	260,677	260,677
Fund balance - unreserved/ undesignated	229,278	-	229,278
<b>Total fund equity</b>	<b>229,278</b>	<b>260,677</b>	<b>489,955</b>
<b>Total liabilities, fund equity, and other credit</b>	<b>\$554,638</b>	<b>\$260,677</b>	<b>\$815,315</b>

The accompanying notes are an integral part of these special purpose financial statements.

**THE OFFICE OF THE CLERK OF THE  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE-GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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**Revenues**

Service fees	\$187,403
Court allocation-fines and costs	14,308
State reimbursement-election expenses	23,593
Interest	3,505
Evidence	71,680
Grants	<u>26,425</u>

Total revenues	<u>326,914</u>
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**Expenditures**

Advertising	5,200
Capital outlay	49,278
Convention and travel expenses	6,379
Custodian fee - voter machine	2,200
Insurance	5,700
Office expense	34,333
Meeting expense	1,939
Office supplies	39,218
Uniform allowances	75
Postage and freight express	11,634
Printing and binding	15,339
Professional services	36,270
Rent-equipment	20,661
Rent-facility	7,569
Repairs and maintenance	13,586
Telephone	14,547
Miscellaneous	<u>6,719</u>

Total expenditures	<u>270,647</u>
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Excess of revenues over expenditures	56,267
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Fund balance, beginning of year	<u>173,011</u>
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Fund balance, end of year	<u><u>\$ 229,278</u></u>
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The accompanying notes are an integral part of these special purpose financial statements.

**THE OFFICE OF THE CLERK OF THE  
CRIMINAL DISTRICT COURT-ORLEANS PARISH**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUDGET  
(GAAP BASIS) AND ACTUAL-GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Service fees	\$196,000	\$187,403	\$8,597
Court allocation-fines and costs	12000	14,308	(\$2,308)
State reimbursement-election expenses	25000	23,593	\$1,407
Interest	4000	3,505	\$495
Evidence	35000	71,680	(\$36,680)
Grants	27000	26,425	\$575
	<u>299,000</u>	<u>326,914</u>	<u>27,914</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
Advertising	5500	5,200	300
Capital outlay	49000	49,278	(278)
Convention and travel expenses	7000	6,379	621
Custodian fee - voter machine	2400	2,200	200
Insurance	6000	5,700	300
Office expense	34800	34,333	467
Meeting expense	2000	1,939	61
Office supplies	38600	39,218	(618)
Uniform allowances	100	75	25
Postage and freight express	12000	11,634	366
Printing and binding	15000	15,339	(339)
Professional services	36000	36,270	(270)
Rent-equipment	20500	20,661	(161)
Rent-facility	7500	7,569	(69)
Repairs and maintenance	14500	13,586	914
Telephone	15200	14,547	654
Miscellaneous	6100	6,719	(619)
	<u>272,200</u>	<u>270,647</u>	<u>1,553</u>
<b>Total expenditures</b>			
Excess of revenues over expenditures	26,800	56,267	29,467
Fund balance, beginning of year	<u>173,011</u>	<u>173,011</u>	<u>0</u>
Fund balance, end of year	<u>\$199,811</u>	<u>\$229,278</u>	<u>\$29,467</u>

The accompanying notes are an integral part of these special purpose financial statements.

**THE OFFICE OF THE CLERK  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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**NOTE 1 - Organization**

As provided by Article V, Section 28 of the Louisiana Constitution of 1974, The Office of the Clerk of the Criminal District Court – Orleans Parish (the Clerk of Court) serves as ex-officio custodian of voting machines and performs other election duties. The clerk is also a member of the parish jury commission, which impanels persons for jury duty. The clerk is elected for a four-year term.

**NOTE 2 - Summary of Significant Accounting Policies:**

**A. Basis of Presentation**

The accompanying special purpose financial statements of the Clerk of Court have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The Clerk of Court is an independently elected official; however, the Clerk of Court is fiscally dependent on the City of New Orleans. The City of New Orleans maintains and operates the parish courthouse in which the Clerk of Court's office is located and provides funds for payroll, equipment, supplies, and furniture of the Clerk's office. Because the Clerk of Court is fiscally dependant on the City of New Orleans, the Clerk of Court was determined to be a component unit of the City of New Orleans, the financial reporting entity. The accompanying special purpose financial statements present information only on the funds maintained by the Clerk of Court and do not present information on any funds disbursed by the City of New Orleans on behalf of the Clerk of Court, the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.



**THE OFFICE OF THE CLERK  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS, CONTINUED**

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C. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Except for certain cash accounts maintained by the Clerk of Court, the appropriations and related general operating expenditures for the Clerk of Court are reported within the general purpose financial statements of the City of New Orleans. The cash accounts maintained by the Clerk of Court are reported in a general fund. The various fees and charges (expenses, expungements, fines and costs) and the cash bond accounts are accounted for in this fund.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental funds are accounted for using a flow of current financial resources measurement focus. The accompanying special purpose financial statements have been prepared on the modified accrual basis of accounting. The governmental funds utilize the following practices in recording revenues and expenditures:

- Revenues  
Revenues are recognized when they become measurable and available.
- Expenditures  
Expenditures are recognized and accounted for in the accounting period in which the liability is incurred, if measurable.

**THE OFFICE OF THE CLERK  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS, CONTINUED**

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E. Budget Practices

The proposed budget which is prepared on the modified accrual basis of accounting must be approved by the City Council of the City of New Orleans. The budget is legally adopted and amended, as necessary, by the Clerk of Court. All appropriations lapse at year-end. The amounts budgeted represent cash transactions that are processed by the City of New Orleans, and are not included in the accompanying financial statements. For the general fund, the Clerk of Court has established a budget for service fees, court allocation-fines, state reimbursements, interest, evidence revenues and grant revenues. Budget amounts included in the accompanying special purpose financial statements include the original adopted budget and all subsequent amendments.

F. Cash and Cash Equivalents

Cash and cash equivalents includes amounts in demand, interest-bearing demand deposits, and time deposits. Under state law, the Clerk of Court may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

G. Fixed Assets

Fixed assets are recorded as expenditures at the time purchased, and the related assets are capitalized (reported) in the general fixed assets account group. General fixed assets provided by the City of New Orleans are not recorded within the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated cost.

**THE OFFICE OF THE CLERK OF THE  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS, CONTINUED**

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H. Total Column on the Combined Balance Sheet

Total column on the combined balance sheet is captioned Memorandum Only to indicate that it is presented only to facilitate analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

NOTE 3 - Cash and Cash Equivalents:

At December 31, 2003, the Clerk of Court has cash and cash equivalents (book balances) totaling \$441,499 as follows:

Demand deposits	\$121,499
Time deposits	<u>320,000</u>
Total	<u>\$441,499</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. 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.

At December 31, 2003, the Clerk of Criminal Court has \$404,103 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$604,103 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

**THE OFFICE OF THE CLERK  
 CRIMINAL DISTRICT COURT-ORLEANS PARISH  
 NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 4 - Changes in General Fixed Assets:**

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>January 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2003</u>
Equipment	\$215,238	\$45,439	\$0	\$260,677

**NOTE 5 - Risk Management:**

The Clerk of Court is exposed to various risks of loss related to torts; theft or damage to and destruction of assets for which the Clerk of Court carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 6 - Operating Lease:**

The Clerk of Court leases office equipment under operating leases expiring in various years through 2007.

Minimum future rental payments under the non-cancelable operating leases that has a remaining term in excess of one (1) year as of December 31, 2003 for each of the next 3 years and in the aggregate are:

<u>Year Ending</u>	<u>Amount</u>
2004	\$1,620
2005	1,620
2006	<u>675</u>
Total minimum future rental payments	<u>\$3,915</u>



# LUTHER SPEIGHT & COMPANY, LLC

*Certified Public Accountants and Consultants*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF SPECIAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

**The Office of the Clerk of the  
Criminal District Court-Orleans Parish**  
2700 Tulane Avenue  
New Orleans, Louisiana

We have audited the special purpose financial statements of The Office of the Clerk of Criminal District Court-Orleans Parish (the Clerk of Court), as of and for the year ended December 31, 2003, and have issued our report thereon dated June 29, 2004. As described, in Note 2 to the special purpose financial statements, the accompanying special purpose financial statements present information only on the funds maintained by the Clerk of Court. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Clerk of Court's special purpose financial statements are free of material misstatements, we performed test 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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as findings numbers, 03-05, 03-09, 03-11, 03-12, 03-13, 03-14, and 03-15.

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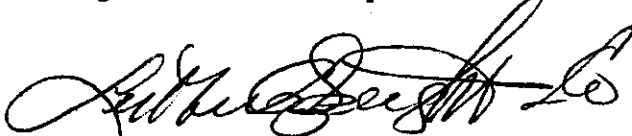
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### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk of Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special 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 Clerk of Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the special purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-01 to 03-13.

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 special purpose 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 necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we considered items 03-01, 03-03, 03-04, 03-06, 03-07, 03-08 and 03-10 to be material weaknesses.

This report is intended solely for the use of management and the State of Louisiana, Legislative Auditor. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Luther C. Speight & Company  
June 29, 2004

**THE OFFICE OF THE CLERK  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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We have audited the special purpose financial statements of the Clerk of the Criminal District Court-Orleans Parish (the Clerk of Court) as of December 31, 2003 and for the year then ended and have issued our report thereon dated June 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the special purpose financial statements as of December 31, 2003 resulted in a qualified opinion.

**1. SUMMARY OF AUDITORS' RESULTS**

- A. Reportable conditions in internal control over financial reporting were disclosed by the audit of the special purpose financial statements: Yes  
Material weaknesses: Yes
- B. Noncompliance which is material to the special purpose financial statements: No.
- C. Reportable conditions in internal control over major programs: N/A  
Material weaknesses: N/A.
- D. The type of report issued on compliance for major programs: N/A.
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: N/A.
- F. Major programs: N/A.
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A.
- I. A management letter was issued: Yes.

**THE OFFICE OF THE CLERK  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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**FINDING# 03-01: CASH ACCOUNT NOT RECORDED**

QUESTION COST: \$ -0-

**CONDITION:**

The general ledger and financial statements of The Clerk of Court Criminal Court did not include the election's account nor were there reconciliations provided for this account. The balance on hand in the election's account as of December 31, 2003, reflected a balance of \$9,418. We were not provided with all of the bank statements or canceled checks for the year related to this account, therefore we were unable to determine the level of activity or eligible purpose of disbursements from this account.

**CAUSE:**

A comprehensive financial management system was not maintained in-house by the Clerk's office. These financial statements and general ledgers were prepared on an after-the-fact basis.

**EFFECT OF CONDITION:**

We were unable to determine the effect of the misstatement to the financial statements or the eligible purpose of the disbursements.

**CRITERIA:**

Generally accepted accounting principles require financial statements to include all financial transactions related to the reporting entity.

**RECOMMENDATION:**

We recommended that the elections account be included in the general ledger and financial statements of the Clerk's office. This account should be reconciled on a monthly basis.



**FINDING# 03-02: GRANTS RECEIVABLES**

QUESTION COST: \$ -0-

**CONDITION:**

During our audit of the Clerk of Court's office we noted that the accounting system and supporting records were not adequate to support the grants receivables stated in the financial statements at \$ 30,207.

**CAUSE:**

A comprehensive financial management system was not maintained in-house by the Clerk's office. These financial statements and general ledgers were prepared on an after-the-fact basis.

**EFFECT OF CONDITION:**

We were unable to determine if the grant receivable balance was fairly stated.

**CRITERIA:**

Governmental accounting standards require that grant activities and balances be supported by adequate source documentation.

**RECOMMENDATION:**

We recommend that the Clerk's accounting system be updated to include support for grant activities including grant receivables.

**FINDING# 03-03:        FIXED ASSETS**

QUESTION COST: \$ -0-

**CONDITION:**

Our examination of the fixed asset records for the Clerk of Criminal Court showed that adequate internal controls regarding the safeguarding or recordation of fixed asset within the Clerk's office were not in place. The exceptions noted during our audit included the following:

1. The last fixed asset inventory was performed during April 2003, however this inventory was incomplete in many respects.
2. The fixed asset subsidiary ledger included numerous duplications and other individual asset errors. In addition, the fixed asset listing was not updated by the Clerk's office to reflect current year additions or deletions.
3. The fixed asset subsidiary ledger did not reconcile to the general ledger and financial statements. The fixed asset listing reflected asset totals of \$85,240, while the general ledger reflected \$260,677, resulting in an unreconciled difference totaling \$175,437.

**CAUSE:**

The Clerk's office did not maintain an adequate system of internal controls over fixed assets.

**EFFECT OF CONDITION:**

We were unable to determine if the fixed assets were fairly stated at December 31, 2003. Present internal control procedures are not adequate to provide safeguards related to control of fixed assets.

**CRITERIA:**

Governmental accounting standards require that internal controls be adequate to provide for adequate safeguarding of fixed assets.

**RECOMMENDATION:**

The Clerk should implement a comprehensive financial management system related to fixed assets. Those procedures should include performing a fixed asset physical inventory and appropriately updating their fixed asset listing based upon the results.

**FINDING# 03-04: BOND PAYABLE**

QUESTION COST: \$ -0-

**CONDITION:**

The Clerk of Court issues cash bonds to individuals requiring surety bonds authorized by specific court orders. These bonds are maintained on deposit by the Clerk until subsequent court orders are received from the Court. The cash bonds records are manually maintained and in some instances date back more than ten (10) years.

The Clerk's accounting for cash bonds does not include a computerized or manual summarization of the cash bond balance sorted by case number. Therefore, we were unable to determine if the cash bond liability stated at \$ 342,008 reconciles to the supporting detail records. In addition, we are unable to determine if the cash on hand in the cash bond account, stated at \$ 334,324 was adequate to fund the cash bond liability.

We also examined a selection of 60 cash bond transactions; reviewed the cash bond receipt log and could not determine if seven (7) of the bond receipts had been redeemed or otherwise canceled.

**CAUSE:**

The accounting for cash bond activity was manually performed and was not reconciled to the financial statements.

**EFFECT OF CONDITION:**

We were unable to determine if the cash bond liability stated at \$ 342,008 reconciles to the supporting detail records. In addition, we are unable to determine if the cash on hand in the cash bond account, stated at \$ 334,324 was adequate to fund the cash bond liability.

**CRITERIA:**

The responsibility related to accounting for cash bonds requires that the Clerk maintain accountability and assurance that the restricted cash on hand for cash bonds remain adequate to fund the corresponding cash bond liability amount.

**RECOMMENDATION:**

We recommend that the Clerk of Court computerize its accounting for cash bonds and provide monthly reconciliations between restricted cash on hand and the corresponding cash bond liability.

We also recommended that the Clerk of Court improve its file maintenance procedures related to source documents supporting cash bonds.

**FINDING# 03-05: SEIZED MONEY EVIDENCE**

QUESTION COST: \$ -0-

**CONDITION:**

The Clerk of Court is the custodian of money evidence seized in connection with criminal proceedings. Money evidence is available to be returned to the owner, as ordered by the judge or the district attorney, within five years after final disposition of the case. Money evidence remaining in the custody of The Clerk of Court Criminal Court after the five (5) year period should be returned to the governing authority for the Parish of Orleans.

During our examination we noted that money evidence not disposed of within the five-year period was routinely transferred to the accounts of the Clerk as opposed to the proper governing authority as required by state statute. The money evidence transferred to the Clerk totaled \$71,680 and \$62,458 for 2003 and 2002 respectively.

We also noted that the Clerk's record keeping was not adequate to determine in all instances the specific money evidence meeting the five-year requirement that was available for disposition.

**CAUSE:**

Procedures in effect at the Clerk's office did not conform to state statutes. In addition, internal accounting and administrative controls related to the seized money evidence were inadequate.

**EFFECT OF CONDITION:**

Seized evidence money was transferred to the accounts of the Clerk of Criminal Court during the audit period and prior years as opposed to proper disposition in accordance with state statute.

**CRITERIA:**

RS 15:32 states "Whenever any money used as evidence of a crime in criminal cases and thereafter deposited with the Clerk of the district court is not disposed of by the district attorney or the district judge within five years after final disposition of the case, the Clerk of the Criminal District Court shall remit all of such funds to the governing authority of the parish to be placed to the credit of the general fund of the parish" This statute dates back to 1967.

**RECOMMENDATION:**

We recommend that the Clerk of Court perform a comprehensive review and assessment of its procedures and controls over the seized money evidence. Seized money evidence determined to be eligible for disposition after the five-year period should be returned to the proper governing authority.

**FINDING# 03-06: SERVICE FEE REVENUE DEPOSITS**

**QUESTION COST: \$ -0-**

**CONDITION:**

The Clerk of Court earns fees for various services rendered on behalf of the Court. Our review of bank deposit slips for and service fees recorded per financial statements showed numerous minor differences existed between the fees recorded and the supporting information.

**CAUSE:**

Accounting procedures for reconciliation were not adequate to identify and resolve minor differences that existed between financial statements and source documents for revenue.

**EFFECT OF CONDITION:**

Misstatements of financial statement balances related to recorded revenues existed at December 31, 2003.

**CRITERIA:**

Generally accepted accounting principles require that financial statements be supported by adequate source documentation.

**RECOMMENDATION:**

We recommend that monthly reconciliations be performed between revenue source documents and amount recorded per financial statements.

**FINDING# 03-07: DISBURSEMENT PROCEDURES INADEQUATE**

QUESTION COST: \$ -0-

**CONDITION:**

Our examination included tests of sixty-eight (68) disbursement transactions related to goods and services for the Clerk of Criminal Court. Our results showed that forty (40) of these transactions did not have a purchase requisition or travel authorization on file. In addition, seven (7) of these transactions were not recorded to the proper general ledger account.

**CAUSE:**

We were unable to determine the cause of this condition.

**EFFECT OF CONDITION:**

Internal controls related to purchases over goods and services were not adequate.

**CRITERIA:**

The Clerk's Financial Control Systems and Procedure Manual sets forth required procedures for processing of disbursements.

**RECOMMENDATION**

We recommend that the *Financial Control Systems and Procedures Manual* be followed by Clerk personnel. This manual should be updated to reflect revised procedures as required.

**FINDING# 03-08:            SEGREGATION OF DUTIES**

QUESTION COST: \$ -0-

**CONDITION:**

Segregation of duties was not adequate for certain key accounting functions at the Clerk's office including purchasing of goods and services. One employee was responsible for approval for requisitions, receives supplies and equipment as well as posting disbursement transactions to the general ledger. This employee also performs bank reconciliations.

**CAUSE:**

Inadequate staffing levels at the Clerk of Criminal Court's office appeared to contribute to the lack of segregation of duties over disbursements.

**EFFECT OF CONDITION:**

Internal controls related to purchasing function are inadequate.

**CRITERIA:**

Proper internal control procedures require that adequate segregation of duties be in effect for critical accounting functions.

**RECOMMENDATION:**

We recommend that segregation of duties be implemented related to these functions.

**FINDING 03-09: BOND PAYOUTS/FORFEITURES**

QUESTION COST: \$ -0-

**CONDITION:**

Our examination of cash bond payout and forfeiture procedures indicated that significant exceptions to established policies and procedures existed for the year ended December 31, 2003. A summary of the exceptions is as follows:

We tested a sample of forty-nine (49) bond payout and forfeiture transactions and noted the following exceptions:

- Eleven (11) transactions did not state the reason for the payout i.e., bond refund or forfeiture
- Three (3) transactions did not have the correct general classification code
- Twenty-nine (29) were not canceled "PAID" to avoid duplicate processing
- Two (2) transactions did not reflect proof of identification for walk-in claimants for bond refunds
- Two (2) transactions did not include the signature of the person requesting payment

**CAUSE:**

The errors appeared due to not following established procedures outlined in the *Financial Control Procedures Manual*; inadequate staffing to allow for a review process of employees work; and due to human error.

**EFFECT OF CONDITION:**

A general lack of reliability in the accuracy and completeness of the cash bond balance recorded on the financial statement exists.



**CRITERIA:**

Established procedures related to bond payout procedures are set forth in the Financial Control Procedures Manual for the Clerk's office.

**RECOMMENDATION:**

We recommend that the supervisory review of employee work be increased and other steps taken to minimize the errors noted.

**FINDING 03-10: PROCEDURE MANUAL**

QUESTION COST: \$ -0-

**CONDITION:**

Policy and procedures for the Clerk of Criminal Court were set forth in their *Financial Control System and Procedures Manual*. However, we noted that this manual had not been updated since 1996. As outlined in other findings, numerous deviations to these established policies were noted during our examination.

**CAUSE:**

It appears that resources had not been allocated to updating of the manual.

**EFFECT OF CONDITION:**

Policies and procedures may be outdated and contributing to the high level of deviations.

**CRITERIA:**

Optimum operating efficiency can best be accomplished by maintaining current policies and procedures.

**RECOMMENDATION:**

We recommend that the Clerk of Criminal Court perform a review and update of the procedure manual. In addition, revisions in present procedures should be implemented as a result of this review.

**FINDING 03-11: NO SUPPORT FOR ELECTION EXPENSE ACCOUNT**

**QUESTIONED COSTS:       \$ 23,593**

**CONDITION:**

The Clerk of Criminal Court is reimbursed by the State of Louisiana for election related expenses incurred by their office directly related to all elections within Orleans Parish. These reimbursements totaled \$ 23, 593 for the year ended December 31, 2003. We attempted to examine the support for these reimbursements, however we were not provided with source documentation for the expenses.

**CAUSE**

File maintenance procedures were not adequate to locate and make available the required source documentation

**EFFECT:**

We were unable to determine the allowability of these expenses due to the lack of supporting documentation.

**CRITERIA:**

Grant accounting guidelines and State regulations require that supporting documentation be maintained for expenditures funded with government funds.

**RECOMMENDATION:**

We recommend that all support relating to election expenses be maintained on file.

**FINDING 03-12:           EXPUNGEMENT PROCESSING FEE NOT  
COLLECTED**

QUESTIONED COSTS: \$ 0

**CONDITION**

During our examination we noted that the Clerk did not collect the processing fee related to expungements as of December 31, 2003. There were no revenues recorded per the Clerk's financial statements as of year-end.

**CAUSE**

We were unable to determine the cause for this condition.

**EFFECT**

Potential revenues related to processing of expungements were not collected.

**CRITERIA**

State Act 1043 provides that the Clerk of Criminal Court may charge a fee of \$10 for processing of each expungement in accordance with court order.

**RECOMMENDATION**

We recommend that the Clerk assess the applicable fee related to processing expungements.

**FINDING 03-13:           PROPERTY AND EVIDENCE ROOM INTERNAL  
CONTROL DEFICIENCIES**

QUESTIONED COSTS: \$ 0

**CONDITION**

The Clerk of Criminal Court is responsible for the custody and control of evidence related to criminal cases before the Court. The nature of the evidence is varied and includes cash, weapons, drugs and other personal property. During our examination we noted that the accounting for the evidence as well as safeguarding controls related to evidence appeared grossly inadequate.

Procedures for handling of cash evidence were under revision and updating during the course of our engagement by the present Clerk of Court's staff. Personnel turnover precluded a detailed examination of the internal controls in effect for the year ended December 31, 2003 over the cash evidence function. However, our general observations and inquiries indicated that material weaknesses related to internal controls over cash evidence existed during the year ended December 31, 2003. The internal control exceptions noted included the following:

1. We were not provided with any documented procedures governing the operations of the property and evidence room.
2. The Clerk's record keeping related to evidence is manually maintained which did not appear adequate to reflect an actual perpetual inventory of evidence within the Clerk's custody.
3. The physical condition of the evidence room did not provide for adequate safeguarding of evidence.

**CAUSE**

Space constraints as well as general disorganization appeared to contribute to the lack of safeguard controls.

**EFFECT**

The condition of the evidence and property room provides a high risk that errors or irregularities could occur and not be detected in a timely manner.

## CRITERIA

Internal control procedures should be in effect that reduce the risk of errors or irregularities that might occur and not be detected on a timely basis.

## RECOMMENDATION

We recommend that the Clerk of Criminal Court perform a comprehensive review and assessment of the property and evidence function. In addition a policy and procedure manual should be developed to set forth established guidelines.

**FINDING # 03-14****CASH AND NONCASH EVIDENCE EXCEPTIONS**

QUESTIONED COSTS: \$ 0

**CONDITION**

We traced a sample of twenty-two (22) cash evidence items from the inventory records to the actual evidence room for verification of existence. We further traced seventeen (17) evidence items from the actual inventory to the perpetual records to determine reporting accuracy. Our examination also included an examination of sixteen (16) noncash evidence items. The exceptions noted included the following;

Seven (7) of the twenty-two (22) cash evidence entries tested totaling \$5,459 could not be traced to actual cash evidence in the custody of the Clerk of Court. Further examination of these exception revealed that source documents indicating the proper disposition of the evidence money had not been posted to the cash evidence inventory reports. No exceptions were noted related to our tracing of actual cash evidence to the inventory records.

Four (4) of the noncash evidence items could not be verified based upon tracing from the inventory records to actual evidence locations. We were unable to efficiently trace any noncash evidence items from their actual location to the evidence records due to the voluminous and manual nature of the noncash property evidence records.

**CAUSE**

Space constraints, general disorganization and the manual recordkeeping system appeared to significantly contribute to these conditions.

**EFFECT**

The condition of the evidence and property room provides a high risk that errors or irregularities could occur and not be detected in a timely manner.

**CRITERIA**

Internal control procedures should be in effect that reduce the risk of errors or irregularities that might occur and not be detected on a timely basis.

**RECOMMENDATION**

We recommend that the Clerk of Criminal Court perform a comprehensive review and assessment of the property and evidence function. In addition a policy and procedure manual should be developed to set forth established guidelines.

**FINDING # 03-15**

**CURRENT AUDIT NOT COMPLETED TIMELY**

**QUESTIONED COSTS: \$ 0**

**CONDITION**

The agency's audit was delayed due to the number and the complexity of findings noted during the audit and the flow of relevant information during the audit from agency's personnel.

**CAUSE**

The agency experienced changes in their administration for the year subsequent to the audit period, which delayed the availability of financial records and supporting documentation.

**EFFECT**

The effect of this condition is that the Clerk of Criminal District Court is not in compliance with LSA-R.S. 24:513 and could be subject to legal remedies as provided for in LSA-R.S. 24:518.

**CRITERIA**

LSA-R.S. 24:513 requires that "all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee's fiscal year."

**RECOMMENDATION**

We recommend the Clerk of Criminal District Court should remain in compliance with the State law governing audit engagement completion.



**CLERK OF CRIMINAL DISTRICT COURT  
STATUS OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2003**

	<b>RESOLVED</b>	<b>UNRESOLVED</b>
02-01 - Bonds Payables Lacking Detail To Support Liability		X
02-02 - Lack of Procedures to Retain Unclaimed Cash Evidence		X
02-03 - Seized Money is Adequately Protected and Accurately Recorded		X
02-04 - Accounting for Sequential Issuance of Bond Receipts		X

**THE OFFICE OF THE CLERK  
CRIMINAL DISTRICT COURT-ORLEANS PARISH  
MANAGEMENT'S RESPONSES**

As of the issuance of our report management's responses were not available. Their responses will be submitted under separate cover.



**Office Of The Clerk Of Court**  
PARISH OF ORLEANS  
CRIMINAL DISTRICT COURT

**KIMBERLY WILLIAMSON BUTLER, CLERK**  
EX-OFFICIO CUSTODIAN OF VOTING MACHINES



2700 Tulane Avenue  
Room #114  
New Orleans, Louisiana 70119  
504-827-3520

September 10, 2004

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
State of Louisiana  
1600 North Third Street  
Post Office Box 94397

Dear Mr. Theriot:

I am in receipt of the Office of the Clerk of Criminal District Court – Orleans Parish Independent Auditor's Report for the year ended December 31, 2003 and wish to respond to the substantial findings contained therein. Please understand that this is the first change in administration at the Clerk of Criminal District Court office in 29 years. Many of the critical issues cited were identified immediately upon taking office (December 2, 2003) and efforts have already been initiated to correct many of the findings. Other items however, require an influx of financial resources to the organization to remedy. As you know, the City of New Orleans is required by State statute to fund our operations. The City's budget process for 2005 is underway and we recently submitted and presented our proposed budget for 2005. This proposed budget was developed with the sole focus on addressing these audit findings and securing the financial resources necessary to bring the organization into compliance.

The following is an itemized summary of recommendations for each finding outlined in the audit:

**Finding #03-01: CASH ACCOUNT NOT RECORDED**

Steps have been employed to include the elections account in the general ledger and financial statements of the Clerk's office.

**Finding #03-02: GRANTS RECEIVABLES**

Higher standards of accountability have been instituted to ensure that supporting documentation is received and retained to ensure adequate accountability. A request for funding to upgrade accounting systems is included in our 2005 proposed budget submission to the City of New Orleans. Furthermore, training and staff development classes as well as membership in the Government Finance Institute is being offered to staff to increase knowledge of government regulations and procedures.

**Finding #03-03: FIXED ASSETS**

The 2005 proposed budget includes overtime allocated to conduct an inventory of fixed assets that would include bar coding and an itemization of all fixed assets.

**Finding #03-04: BONDS PAYABLE**

The 2005 proposed budget includes an allocation for a computerized accounting system per the auditor's recommendation. Steps have been employed to improve file maintenance procedures related to source documents supporting cash bonds.

**Finding #03-05: SEIZED MONEY EVIDENCE**

While the Clerk's office has not properly maintained records as such, the office has routinely submitted and been granted approval by the Chief Administrative Officer of the City to retain unclaimed money evidence in the Clerk's Expense Fund in the years referenced and (according to Councilman Marlin Gusman, former Chief Administrative Officer of the City of New Orleans) even dating back to 1994 and throughout his six-year term as CAO. This practice was approved to accommodate operational needs of the office not funded by the City.

Furthermore, the 2005 proposed budget includes an allocation for technology upgrades to the property and evidence room that would implement a system to flag items eligible for redemption. This process currently requires a manual audit of all entries to determine those items eligible for redemption or disposition.

**Finding #03-06: SERVICE FEE REVENUE DEPOSITS**

Higher standards of accountability have been established and additional staffing has been employed to balance the workload and ensure that monthly reconciliations are performed between revenue source documents and amounts recorded.

**Finding #03-07: DISBURSEMENT PROCEDURES INADEQUATE**

Additional staffing has been employed to balance the workload and assist in handling functions related to purchasing. Furthermore, the 2005 proposed budget includes an allocation to secure a professional services contract to update the Financial Control Systems and Procedure Manual.

**Finding #03-08: SEGREGATION OF DUTIES**

Additional staff has been employed to balance the workload and ensure adequate segregation of duties for critical accounting functions. A request to retain employees allowing this segregation of duties has been made in the 2005 proposed budget.

**Finding #03-09: BOND PAYOUTS/FORFEITURES**

Training is in progress to ensure that staff are adequately knowledgeable of established procedures related to bond payout procedures.

**Finding #03-10: PROCEDURE MANUAL**

The 2005 proposed budget includes an allocation to secure a professional services contract to update the Financial Control Systems and Procedure Manual.

**Finding #03-11: NO SUPPORT FOR ELECTION EXPENSE ACCOUNT**

Higher standards of accountability have been established and additional staff employed to balance the workload and ensure proper file maintenance and adequate documentation of required source documentation for election expenses. A request to retain employees to assist in performing this function has been made in the 2005 proposed budget.

**Finding #03-12: EXPUNGEMENT PROCESSING FEE NOT COLLECTED**

This finding is inaccurate. A total of 837 expungements were processed in 2003 with a total value of \$315,915 of which the Clerk of Criminal District Court received \$24,330. A total of \$76,110 in revenue was lost by the Clerk's office due to Criminal District Judge fee waivers for 637 expungements. An En Banc court order reestablished the fee for expungements allocating \$120 of the total \$200 expungement fee to the Clerk of Criminal District Court. These fees are deposited in an expungement account maintained at Liberty Bank.

**Finding #03-13: PROPERTY AND EVIDENCE ROOM INTERNAL CONTROL DEFICIENCIES and**

**Finding #03-14: CASH AND NONCASH EVIDENCE EXCEPTIONS**

A procedures manual is currently being developed for the property and evidence room. The remainder of the findings require a significant influx of cash to remedy. The 2005 proposed budget includes allocations for the following:

- Technology upgrades to create a computerized inventory, implementing a bar code tracking system and integrated with the NOPD, other Clerk departments and/or necessary criminal district agencies.
- Additional staff and overtime to conduct an inventory of all seven property and evidence rooms.
- Additional security equipment and security personnel to ensure the safekeeping and monitoring of stored evidence.
- Annual audit of cash evidence
- Funding to provide temporary storage space for evidence during reconstruction of property and evidence rooms to provide for greater space utilization and storage equipment.

**Finding #03-15: CURRENT AUDIT NOT COMPLETED TIMELY**

The Clerk's office experienced the first change in administration in 29 years. The condition of the records and documentation (as indicated by the multiple findings) made it difficult to obtain the necessary documentation to complete the audit in a timely manner.

Steve Theriot  
September 13, 2004  
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**PRIOR YEAR FINDINGS:**

**Finding #02-01: BONDS PAYABLES LACKING DETAIL TO SUPPORT LIABILITY**  
See response to finding #03-04

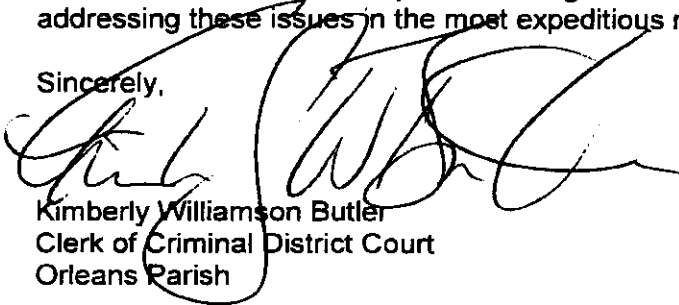
**Finding #02-02: LACK OF PROCEDURES TO RETAIN UNCLAIMED CASH EVIDENCE**  
See response to finding #03-13

**Finding #02-03: SEIZED MONEY IS ADEQUATELY PROTECTED AND ACCURATELY RECORDED**  
See response to finding #03-05

**Finding #02-04: ACCOUNTING FOR SEQUENTIAL ISSUANCE OF BOND RECEIPTS**  
See response to finding #03-04

Please rest assured that I am making every effort to adequately and appropriately address each finding with speed and diligence. I look forward to working with you and to addressing these issues in the most expeditious manner possible.

Sincerely,



Kimberly Williamson Butler  
Clerk of Criminal District Court  
Orleans Parish