



LUTHER SPEIGHT & COMPANY, LLC

Certified Public Accountants and Consultants

FUNDS ON DEPOSIT

**CLERK OF CIVIL DISTRICT COURT
FOR THE PARISH OF ORLEANS**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
AS OF AND 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 8-4-04

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LUTHER SPEIGHT & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT

To: The Honorable Dale N. Atkins
Clerk of Civil District Court
for the Parish of Orleans

We have audited the accompanying statements of financial position of Funds on Deposit with the Clerk of Civil District Court for the Parish of Orleans, as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Clerk of Civil District Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in NOTE 1, the financial statements present only the activities of the Funds on Deposit with the Clerk of Civil District Court and do not purport to and do not present fairly the financial position, results of operations and cash flows of the Civil District Court of the Parish of Orleans in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Funds on Deposit with the Clerk of Civil District Court for the Parish of Orleans as of December 31, 2003 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2004 on our consideration of the Organization's internal control structure and on its compliance with laws and regulations.

Luther C. Speight and Company
New Orleans, LA
April 22, 2004

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Atlanta Office: 400 Colony Square, Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

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**Clerk of Civil District Court For The Parish Of Orleans
Funds On Deposit
Statement of Financial Position
As of December 31, 2003**

	<u>Registry Fund Garnishment Fund</u>	<u>Appeals Fund</u>	<u>Total</u>
Assets:			
Cash	\$ 15,876,461	\$ 558,896	\$ 16,435,357
FHLMC Discount Note	4,994,222	0	4,994,222
Total Assets	<u>\$ 20,870,683</u>	<u>\$ 558,896</u>	<u>\$ 21,429,579</u>
Liabilities:			
Deposits by Litigants and Interest Credited	21,111,403	558,896	21,670,299
Due To Judicial Expense Fund	135,054	0	135,054
Total Liabilities	21,246,457	558,896	21,805,353
Net Assets:			
Net Assets - Pending Litigation	(386,350)	0	(386,350)
Net Assets - Undistributed Funds	10,576	0	10,576
Total Liabilities & Net Assets	<u>\$ 20,870,683</u>	<u>\$ 558,896</u>	<u>\$ 21,429,579</u>

See accompanying notes.

Clerk of Civil District Court For The Parish Of Orleans
Funds On Deposit
Statement of Activities
For the Year Ended December 31, 2003

Temporarily Restricted Net Assets	
Investment Return	\$ 270,108
Net Assets Released From Restrictions:	
Transfer to Registry Fund	(135,054)
Transfer to Judicial Expense Fund	(135,054)
Temporarily Restricted Net Assets	0
Net Assets At Beginning of Year	<u>(112,789)</u>
Prior Year Adjustment	(262,985)
Net Assets At End of Year	<u>\$ (375,774)</u>

See accompanying notes.

Clerk of Civil District Court For The Parish of Orleans
Statement of Cash Flows
Funds On Deposit
For the Year Ended December 31, 2003

Cash Flows From Activities:

Increase in Net Assets	
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Increase in Deposits by Litigants	775,022
Decrease in Transfer to Judicial Expense Fund	<u>(8,973)</u>
Net increase in Cash and Cash Equivalents	\$ 766,049
Cash and Cash Equivalents, Beginning of Year	<u>20,926,515</u>
Prior Year Adjustment	(262,985)
Cash and Cash Equivalents, End of Year	<u>\$ 21,429,579</u>

See accompanying notes.

**ORLEANS PARISH CLERK OF CIVIL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General- The Civil District Court for the Parish of Orleans was created by LSA-R.S. 13:1136. The Registry of Court fund of the Civil District Court (CDC) was created by LSA-R.S.1305.

The Clerk of Civil District Court is the custodian of the Registry of Court Fund and the Appeals Fund. The Clerk is required to receive cash and/or property deposits according to court order, which will remain the cash and/or property of the litigants until the Clerk is court ordered to disburse the cash and/or property.

Certain administrative expenses associated with the Registry of Court Fund are paid from a portion of the interest earned from the state authorized investment of these funds while held on deposit.

Basis of Accounting- The accompanying financial statements of the Funds on Deposit with the Orleans Parish Clerk of Civil District Court are reported in accordance with generally accepted accounting principles (GAAP). These principles utilize the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

Cash and Cash Equivalents- Cash includes amounts in demand deposits, interest-bearing 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. Cash and cash equivalents include all highly liquid investments.

Investments- Investments are limited by R.S.33:2955 and Clerk of Court's investment policy. Original maturities of investments that exceed 90 days are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

2. CASH AND INVESTMENTS

Cash and investments consisted of the following:

Cash	\$ 16,435,357
Investment	<u>4,994,222</u>
Total	\$ <u>21,429,579</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent 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 has \$16,435,357 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank.

An investment held in the name of the Civil District Court by its agent is a Category 1 investment under GASB 3 requirements. Louisiana Revised Statutes authorize the Civil District Court to invest in direct United States Treasury obligations, bonds, debentures, notes or other indebtedness issued or guaranteed by U.S. government instrumentalities which are federally sponsored or federal agencies that are backed by the full faith and credit of the United States; short-term repurchase agreements; and time certificates of deposit at financial institutions, state banks and national banks having their principal offices in Louisiana.

3. FIDUCIARY FUNDS – AGENCY FUNDS

Appeals Fund- The Appeals Fund, as provided by Louisiana Revised Statute 13:842, accounts for advance deposits on suits filed by litigants. The advances are refundable to the litigants after all applicable costs have been paid.

Registry of Court Fund - The Registry of Court Fund, as provided by Louisiana Revised Statute 13:475, accounts for funds that have been ordered by the court to be held on deposit until judgment has been rendered in court litigation. These funds are withdrawn only upon order of the court to named recipients.

Interest is earned on the funds on deposit with the Registry of the Court. This interest is allocated 50% to the Judicial Expense Fund and 50% to the respective litigant accounts. These allocations are reported on the statement of activities as transfers to judicial expense fund and to litigant accounts stated at \$135,054 and \$ 135,054 respectively.

4. PENDING LITIGATION

During the 2002 fiscal year, a contracted service provider was accused of writing and negotiating checks from the Clerk of Court's office in the amount of \$386,350. However, since the Clerk of Court's discovery of the theft, charges have been filed, the party has pled guilty. Funds in the amount of \$129,534 for 2002 and \$101,576 for 2003 have been recovered as of December 31, 2003. The remaining balance is part of pending litigation against the bank and the guilty party.

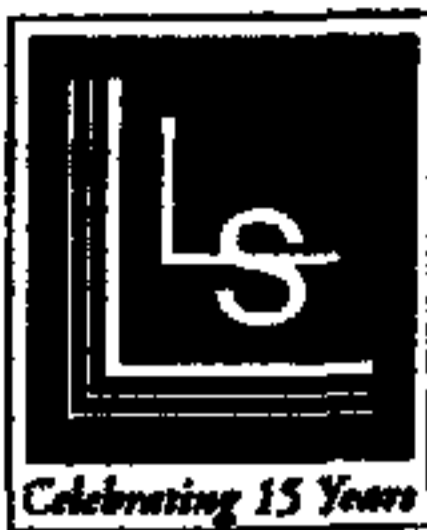
5. PRIOR YEAR ADJUSTMENT

The Clerk of Court accounts for all monies received from the Court based upon court orders. Each of the recoveries related to the theft referred to in Note 4, were accounted for as reductions in the deficit resulting from the theft. However, it was noted during the 2003 audit period that new litigant cases were appropriately opened related to each of the recoveries as a result of court orders. Accordingly, the fund balance deficit is restated to reflect the full amount of the original theft. Once the Court closes this matter and issues a final court order to the Clerk's office the fund balance deficit will be offset by the litigant cases reflecting the recoveries and any remaining differences will be adjusted based upon the funding source identified by the Court.

In order to restate the beginning fund balance in accordance with the above circumstances, a prior period adjustment totaling \$ 262,985 is recorded for the year ended December 31, 2003.

6. NET ASSETS

All funds on deposit with the Clerk of Civil District Court in the Registry and Appeals funds are maintained on behalf of litigants. Accordingly, there are no net assets generally recorded for these funds. The net assets reported in the Registry fund totaling (\$386,350) relate to the theft described in Note 4. The net assets reported in the Registry fund at \$ 10,574 represent an unreconciled overage in the cash on deposit in the Registry fund as described in the findings section of this report.



LUTHER SPEIGHT & COMPANY, LLC

Certified Public Accountants and Consultants

**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***

To: The Honorable Dale N. Atkins
Clerk of Civil District Court for the Parish of Orleans

We have audited the accompanying financial statements of Funds on Deposit with the Clerk of Civil District Court for the Parish of Orleans as of and for the year ended December 31, 2003, and have issued our report thereon dated April 22, 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.

Compliance

As part of obtaining reasonable assurance about whether the Funds on Deposit with the Clerk of Civil District Court of the Parish of Orleans financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk of Civil District Court for the Parish of Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the 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 operations 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 financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-2 and 03-3.

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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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that items 03-2 and 03-3 as described above are considered material weaknesses.

This report is intended solely for the information and use of management and others within the organization and over-sight entities and is not intended to be and should not be used by anyone other than those specified parties.



Luther C. Speight and Company
New Orleans, Louisiana

April 22, 2004

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

Section I -- Summary of Auditor's Results

Financial Statements

An unqualified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weakness(es) identified? yes no

Reportable condition(s) identified
not considered to be material weaknesses? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Reportable condition(s) identified
not considered to be material weaknesses? yes no

A qualified opinion was issued on compliance for the major programs.

Any audit findings disclosed that are required to be
Reported in accordance with Circular
A-133 , Section 510(a)?

yes no

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

Finding # 03-1: ESTABLISHED POLICY AND PROCEDURE

QUESTIONED COST: \$ -0-

CONDITION

The Registry fund accounts for monies on deposit with the Clerk of Civil Court's Office related to litigated matters on appeal. We examined (40) forty appeals fund transactions and noted that all amounts received were deposited, however one (1) receipt transaction amount did not agree with the amount per the court order. The transaction related to insurance proceeds and the difference appeared to represent earned interest on those proceeds. We were subsequently provided with a court order that represented the full amount of the receipt, including interest.

CAUSE

Interest was earned on the insurance proceeds from the time of the court order and the receipt and deposit of the funds.

EFFECT OF CONDITION

The amount recorded as due to litigant did not agree with the court order.

CRITERIA

Clerk of Court policies require that amounts received and recorded into the registry fund agree with the amount reflected in the court order.

RECOMMENDATION

We recommend that the Clerk's Office review the policies and procedures related to verification of receipts with the responsible employees.

03-2 UNRECONCILED DIFFERENCES IN BANK RECONCILIATIONS

QUESTIONED COST: \$ -0-

CONDITION:

We examined the bank reconciliations for the registry fund and noted that unreconciled differences existed during each month of the year. The differences consistently reflected more cash in bank than reported for book purposes and amounted to \$10,576 as of December 31, 2003.

CRITERIA:

All differences resulting from bank reconciliations should be researched and resolved on a monthly basis.

EFFECT:

We were unable to determine the nature of the difference or the appropriate adjusting entry.

CAUSE:

The procedures in effect for the reconciliations did not provide for resolution of all differences on a monthly basis.

RECOMMENDATION:

We recommend that the all differences resulting from bank reconciliations be researched and resolved on a monthly basis.

03-3 APPEALS FUND BALANCES NOT RECONCILED

QUESTIONED COST: \$ -0-

CONDITION

The Appeals fund accounts for monies on deposit with the Clerk of Civil Court's Office related to litigated matters on appeal. These amounts were received and distributed by the Clerk's office in accordance with the court orders issued by the respective Judges. During our examination, we noted that the Clerk's office maintains an electronic listing of all receipts and disbursements relative to the Appeals fund, however this spreadsheet does not contain the cumulative balance for the Appeals Fund.

CAUSE

Amounts were not initially intended to accumulate in the Appeals fund, however due to the extended timing of cases on appeal the fund has grown to its present level and require additional accounting controls.

EFFECT OF CONDITION

We were unable to determine if the funds on deposit in the Appeals fund, recorded at \$558,896 reconciles to and is adequate to fund the amount required by the respective litigant cases.

CRITERIA

Proper accountability for the Appeals fund require that the funds on deposit be reconciled to the amounts due to the respective litigant cases.

RECOMMENDATION

We recommend that the Clerk's office develop a database for the Appeals funds that includes separate balances for each litigant case file. This database should be reconciled to the Appeals fund cash on deposit on a monthly basis.

**ORLEANS PARISH CLERK OF CIVIL DISTRICT COURT
UPDATE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003**

CAPTION	RESOLVED	UNRESOLVED
02-1 Appeals Fund Balances Not Reconciled		X

Clerk of Court -- Orleans Parish

4142



CIVIL DISTRICT COURT
421 LOYOLA AVENUE
ROOM 402
NEW ORLEANS, LA 70112

Dale N. Atkins
CLERK OF COURT

TELEPHONE:
592-9100

June 21, 2004

Mr. Steve J. Theriot
Legislative Auditor, State of Louisiana
1000 North Third Street
Baton Rouge, LA 70804

Dear Mr. Theriot:

This communication is in response to the audit finding of Funds On Deposit of Orleans Parish Clerk of Civil District Court as of and for the year ended December 31, 2003.

Finding # 03-1: **ESTABLISHED POLICY AND PROCEDURE**

CONDITION:

The Registry Fund accounts for monies on deposit with the Clerk of Civil District Court's Office related to litigated matters on appeal. We examined forty (40) appeal fund transactions and noted that all amounts received were deposited, however, one (1) receipt transaction amount did not agree with the amount per the court order. The transaction related to insurance proceeds and the difference appeared to represent earned interest on those proceeds. We were subsequently provided with a court order that represented the full amount of the receipt, including interest.

CORRECTIVE ACTION:

The Clerk's Office has established policy and procedure relating to money deposited into and withdrawn from the Registry of Court. Monies deposited into and withdrawn from the Registry of Court must agree with the amount reflected in the court's order. In this matter, the check was delivered to the Clerk's Office several days after the court order was signed. Therefore, interest continued to accrue and the amount of the check was greater than the amount in the court's order. Subsequently, a court order was obtained which represented the full amount of the deposit including interest. This documentation was provided to the auditor.

Finding # 03-2: UNRECONCILED DIFFERENCES IN BANK RECONCILIATION

CONDITION:

We examined the bank reconciliations for the Registry Fund and noted that unreconciled differences existed during each month of the year. The differences consistently reflected more cash in bank than reported for book purposes and amounted to \$10,576.00 as of December 21, 2003.

CORRECTIVE ACTION:

The Clerk's Office procedures require monthly bank reconciliation for funds on deposit in the Registry of Court. Unreconciled differences for the year 2003 have been researched and resolved. Additionally, new procedures have been established to verify that differences resulting from bank reconciliations are researched and resolved on a monthly basis.

Finding # 03-3: APPEALS FUND BALANCE IS NOT RECONCILED

CONDITION:

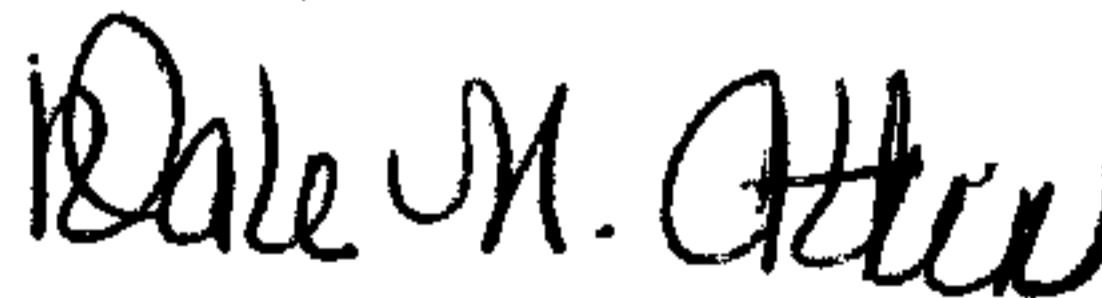
The Appeals Fund accounts for monies on deposit with the Clerk of Civil District Court's Office related to litigated matters on appeal. These amounts were received and distributed by the Clerk's Office in accordance with the court orders issued by the respective Judges. During our examination, we noted that the Clerk's Office maintains an electronic listing of all receipts and disbursements relative to the Appeals Fund, however this spreadsheet does not contain the cumulative balance for the Appeals fund.

CORRECTIVE ACTION:

The Clerk's Office is implementing a computerized database that will account for the accumulated balances to each litigant account. This process began in early 2003. However, due to the volume of transactions and research the database will not be completed until late 2004.

If you have any questions, please contact me at (504) 592-3472.

Sincerely,



Hon. Dale N. Atkins
Clerk, Civil District Court