

COURT OF APPEAL, SECOND CIRCUIT  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED MAY 26, 2021

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# Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Court of Appeal, Second Circuit



May 2021

*Audit Control # 80210031*

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## Introduction

The primary purpose of our procedures at the Court of Appeal, Second Circuit (Court) was to evaluate certain controls the Court uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

## Results of Our Procedures

We evaluated the Court’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the Court’s controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, self-generated revenue, nonpayroll expenditures, payroll expenditures, and information technology (IT) access.

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### Cash

The Court maintains one operating checking account for general operations; and two fee fund checking accounts and a certificate of deposit for maintaining self-generated revenues. The cash balance per the Court’s Annual Fiscal Report was \$2,498,253 as of June 30, 2020. We obtained an understanding of the Court’s controls over bank accounts and evaluated the segregation of duties between Court employees. We examined support for deposits made in June 2020 and examined bank reconciliations for the months August 2019, February 2020, June 2020, September 2020, and December 2020. We also reviewed the collateral and pledgee bank agreements and the lists of pledged securities for the month ended June 30, 2020.

Based on the results of our procedures, collections were properly deposited, bank reconciliation were timely prepared and reviewed, and bank balances were adequately secured by FDIC insurance and/or pledged securities.

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## **Self-Generated Revenue**

The Court's operations are funded through appropriations and self-generated revenues from filing and copy fees authorized and determined by Louisiana Revised Statute 13:352. The Court's filing fees fluctuate annually based on the number of cases filed from the lower courts. We selected and examined the reconciliation of filing fee revenues recorded in the general ledger to the listing of cases entered in the automated case tracking system for the month of June 2020 and reviewed the reconciliations performed during the months August 2019, February 2020, September 2020, and December 2020 for consistency. Based on results of our procedures, the Court had adequate controls to ensure that self-generated revenue collections were deposited timely and properly recorded.

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## **Nonpayroll Expenditures**

The Court incurred nonpayroll expenditures for travel, operating services and supplies, capital outlay, and other purposes. We obtained an understanding of the Court's controls over nonpayroll expenditures and reviewed a listing of expenditure transactions for the period from July 1, 2019, through March 31, 2021. We selected and examined supporting documentation for expenditure transactions incurred during the months October 2019, December 2019, February 2020, April 2020, May, 2020, June 2020, September 2020, and January 2021. Based on results of our procedures, the Court had adequate controls to ensure nonpayroll expenditures were approved and made for proper business purposes; sufficient documentation was maintained to support the expenditures; and expenditures were accurately recorded and adhered to vendor agreement terms.

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## **Payroll Expenditures**

Salaries and related benefits comprised approximately 82% of the Court's expenditures in fiscal year 2020. The Court has employees located in the main office in Shreveport and satellite offices in Winnsboro, Ruston, and Monroe. We obtained an understanding of the Court's controls over the time and attendance function and pay rate authorizations. We reviewed listings of employees' salaries for the two-year period ending June 30, 2021, as of March 31, 2021. For selected employees, we examined time sheets and leave records, pay rate authorizations, and recomputed the amounts paid. Based on results of our procedures, the Court had adequate controls in place to ensure that time and leave taken were timely approved and employee pay was properly authorized and recorded.

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## **IT Access**

The Court uses two systems, Automated Case Tracking System (ACTS) to track cases and Micro Information Product (MIP) general ledger system software to record revenue and expenditure transactions into the general ledger and prepare the year-end information needed for the Annual

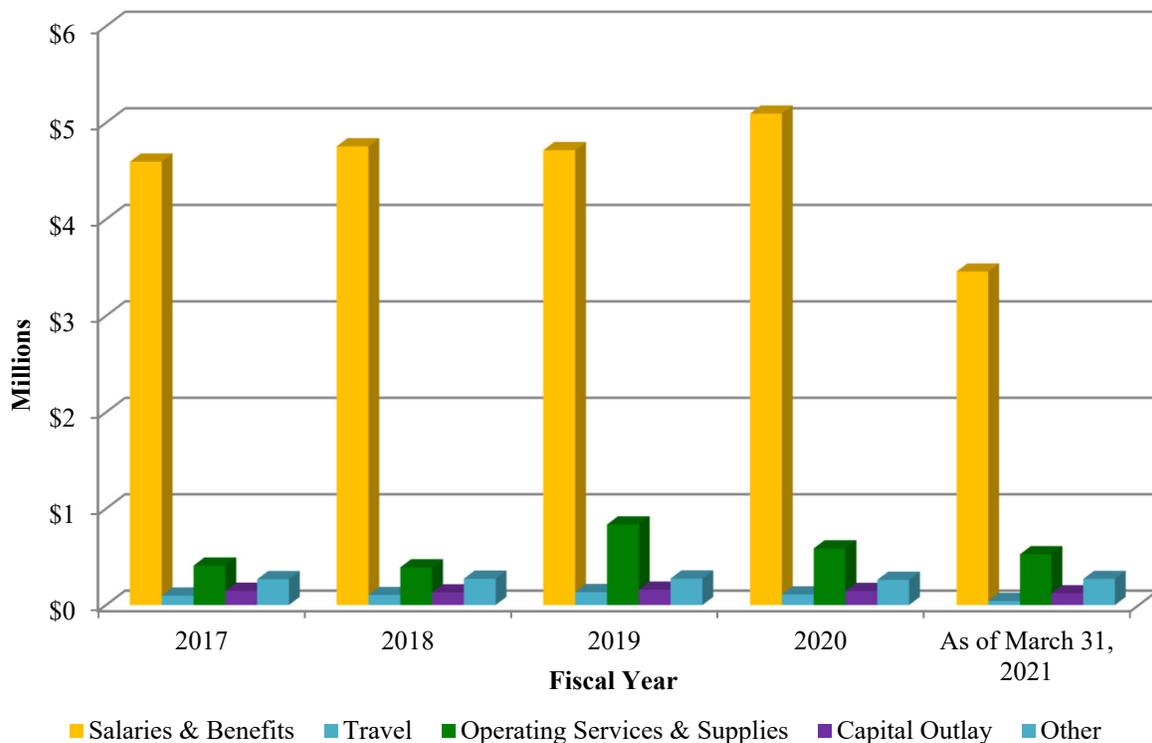
Fiscal Report. We performed procedures to determine whether IT access was restricted to business-need only and access was adequately segregated. Based on the result of our procedures, the Court had adequate controls in place to ensure access was properly restricted and segregated.

## Trend Analysis

We compared the most current and prior-year financial activity using the Court’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from the Court’s management for any significant variances. We also prepared an analysis of the District’s expenditures over the last five fiscal years as of March 31, 2021, as shown in the exhibit below.

The Court’s revenues for fiscal years 2020 and 2019 totaled \$5,903,327 and \$5,926,726, respectively, of which approximately 98% consisted of interagency transfers from the Louisiana Supreme Court. Salaries and related benefits make up the majority of the Court’s expenditures. In fiscal year (FY) 2020, salaries and related benefits increased mainly due to a new pay plan that increased the pay rates for certain employees. In FY 2019, operating services and supplies increased due to the purchase of a new telephone system and telephones with server support and a disaster recovery system.

**Five-Year Expenditure Trend**



Source: Annual Financial Statements

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

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## APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Court of Appeals, Second Circuit (Court) for the period from July 1, 2019, through May 17, 2021. Our objective was to evaluate certain controls the Court uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the Court's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The Court's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Court's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Court.
- Based on the documentation of the Court's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, self-generated revenue, nonpayroll expenditures, payroll expenditures, and information technology access.
- We compared the most current and prior-year financial activity using the Court's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the Court's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the Court, and not to provide an opinion on the effectiveness of the Court's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.