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**CITY COURT OF MONROE
MONROE, LOUISIANA**

**Component Unit Financial Statements
With Independent Auditors' Report
As of and for the Year Ended
April 30, 2001
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 11/07/01

**CITY COURT OF MONROE
MONROE, LOUISIANA**

APRIL 30, 2001

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INDEPENDENT AUDITORS' REPORT

City Court of Monroe Monroe, Louisiana

We have audited the accompanying component unit financial statements of the **City Court of Monroe, Louisiana** (the Court), a component unit of the City of Monroe, Louisiana, as of and for the year ended April 30, 2001, as listed in the accompanying Table of Contents. These component unit financial statements are the responsibility of the Court's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

Over the years the Court has not been able to reconcile the individual cases in the Judicial Fund (Civil) (Fiduciary Fund Type) to the general ledger of the City Court system. The Judicial Fund represents the majority of the Fiduciary Fund Type. Because of the inability of the Court to reconcile the Judicial Fund to the general ledger of the Court for the year ended April 30, 2001, we were unable to form an opinion regarding the financial activities of the Fiduciary Fund Type column included in the accompanying component unit financial statements.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the financial activities of the Fiduciary Fund Type, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Court as of April 30, 2001, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2001, on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The financial information listed as Supplemental Information Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Court. The information in such schedules has been subjected to the auditing procedures applied in the audit of the basic component unit financial statements; and, in our opinion, except for the effect of such adjustments, if any, as might be required had we been able to satisfy ourselves as to the financial activities of the Fiduciary Fund Type as discussed in the second preceding paragraph, is fairly stated in all material respects in relation to the basic component unit financial statements taken as a whole.



(A Professional Accounting Corporation)

July 6, 2001

**COMPONENT UNIT FINANCIAL STATEMENTS
(OVERVIEW)**

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

AS OF APRIL 30, 2001

	Governmental Fund Type - General Fund	Fiduciary Fund Type - Agency Funds	General Fixed Assets Account Group	Total (Memorandum Only)
		(Unaudited)		
ASSETS				
Cash	\$ 401,021	\$ 711,447	\$ -	\$ 1,112,468
Investments	-	55,050	-	55,050
Accounts Receivable	360	315	-	675
Due From Other Funds	23,393	-	-	23,393
Office Furnishings and Equipment	-	-	340,514	340,514
TOTAL ASSETS	\$ 424,774	\$ 766,812	\$ 340,514	\$ 1,532,100
 LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts Payable	\$ 9,384	\$ 139,912	\$ -	\$ 149,296
Due to Other Funds	-	23,393	-	23,393
Deposits Due Others	-	603,507	-	603,507
Total Liabilities	9,384	766,812	-	776,196
 Fund Equity				
Investment in General Fixed Assets	-	-	340,514	340,514
Fund Balance - Unreserved - Undesignated	415,390	-	-	415,390
Total Fund Equity	415,390	-	340,514	755,904
TOTAL LIABILITIES AND FUND EQUITY	\$ 424,774	\$ 766,812	\$ 340,514	\$ 1,532,100

The accompanying notes are an integral part of this statement.

**CITY COURT OF MONROE
MONROE, LOUISIANA
ALL GOVERNMENTAL FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED APRIL 30, 2001**

	General
REVENUES	
Intergovernmental	\$ 1,093,490
Fees, Charges, and Commissions for Services:	
Civil Fees	25,730
Court Costs	205,616
Probation Fees	12,460
Reinstatement Fees	1,888
Other Income	13,030
Use of Money and Property - Interest Earnings	42,447
Total Revenues	1,394,661
 EXPENDITURES	
Current:	
Judicial	
Salaries and Related Benefits:	
Salaries	723,427
Sick Pay	28,989
Group Insurance	56,200
Pension	123,286
Payroll Taxes	10,267
Vacation Pay	23,708
Operating Services:	
Subscriptions	817
Professional Dues	1,618
Postage	28,556
Equipment Rental	4,656
Equipment Maintenance	32,583
Legal Fees	9,485
Liability Insurance	1,700
Professional Services	21,150
Judges Ad Hoc	750
Bank Charges	1,464
Utilities	71,650
Telephone	17,427
Materials and Supplies:	
Office Supplies	41,995
Coffee, Cokes and Water	698
Travel and Other:	
Travel and Seminars	39,600
Library	18,758
Capital Outlay - Equipment and Furniture	7,369
Total Expenditures	1,266,153
 Excess Revenues Over Expenditures	 128,508
 Fund Balance at Beginning of Year, as Originally Reported	 322,680
 Adjustment for the Correction of an Error (Note 9)	 <u>(35,798)</u>
 FUND BALANCE AT END OF YEAR	 <u><u>\$ 415,390</u></u>

The accompanying notes are an integral part of this statement.

MONROE CITY COURT
(A COMPONENT UNIT OF THE CITY OF MONROE, LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2001

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

MONROE CITY COURT
(A COMPONENT UNIT OF THE CITY OF MONROE, LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2001

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

B. FUND ACCOUNTING

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

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

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

Governmental Funds

General Fund

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

MONROE CITY COURT
(A COMPONENT UNIT OF THE CITY OF MONROE, LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2001

Fiduciary (Agency) Funds

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

C. GENERAL FIXED ASSETS

Fixed assets used in governmental fund type operations (general fixed assets) purchased by the General Fund are accounted for in the General Fixed Assets Account Group, rather than in the General Fund. General fixed assets provided by the City of Monroe are recorded in the City's general fixed assets account group and are not reported by the Court. The majority of general fixed assets are valued at actual historical costs. No depreciation has been provided on general fixed assets.

D. BASIS OF ACCOUNTING

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

Revenues

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

Interest income on bank deposits is recorded when the interest has been earned and the amount can be determined. Substantially all other revenues are recognized when received by the Court.

MONROE CITY COURT
(A COMPONENT UNIT OF THE CITY OF MONROE, LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2001

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

Expenditures

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

E. BUDGET PRACTICES

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

F. TOTAL COLUMN ON COMBINED BALANCE SHEET

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

Note 2 - CASH

Under state law, the Court may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Court may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At April 30, 2001, the Court has cash and investments (book balances) totaling \$1,167,518 as follows:

Demand deposits	\$	1,111,968
Petty cash		500
Total cash		1,112,468
Investments		55,050
Total cash and investments	\$	1,167,518

MONROE CITY COURT
(A COMPONENT UNIT OF THE CITY OF MONROE, LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2001

Under state law, these deposits, or the resulting bank balances, must be secured by Federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash (bank balances) at April 30, 2001, are secured as follows:

Bank Balances	\$	1,255,654
Federal deposit insurance	\$	400,000
Pledged securities	\$	996,394

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

Note 3 - CHANGES IN AGENCY FUNDS' DEPOSITS DUE OTHERS (UNAUDITED)

A summary of changes in agency funds' deposits due others for the year ended April 30, 2001, is as follows:

Balance, May 1, 2000 (restated)	\$	530,332
Additions		2,299,554
Reductions		<u>(2,226,379)</u>
Balance, April 30, 2001	\$	<u>603,507</u>

Note 4 - CHANGES IN GENERAL FIXED ASSETS

The following table presents changes in general fixed assets for the year ended April 30, 2001:

Balance, May 1, 2000	\$	333,145
Additions		7,369
Retirements		<u>-</u>
Balance, April 30, 2001	\$	<u>340,514</u>

MONROE CITY COURT
(A COMPONENT UNIT OF THE CITY OF MONROE, LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2001

Note 5 - DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at April 30, 2001, are as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 23,393	\$ -
Agency Funds:		
Judicial	-	7,516
Special Cost Clearing	-	15,877
	<hr/>	<hr/>
Total	\$ 23,393	\$ 23,393

Note 6 - ON-BEHALF PAYMENTS

The City of Monroe made on-behalf payments totaling \$1,093,490 for the Monroe City Court for the year ended April 30, 2001. These payments were for salaries and other operating expenses as follows:

Salaries	\$ 723,427
Pension benefits	\$ 123,286
Other operating expenses	\$ 246,777

Note 7 - RISK FINANCING ACTIVITIES

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

Note 8 - DISCLOSURES ABOUT CONCENTRATIONS

The City of Monroe provides a substantial amount of fiscal support to the Court for its operations.

MONROE CITY COURT
(A COMPONENT UNIT OF THE CITY OF MONROE, LOUISIANA)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2001

Note 9 - CORRECTION OF AN ERROR

In a prior year, adjustments of approximately \$35-38,000 were made to the books of the Court to record transfers between funds and other items. Upon further investigation, the transfers were being made on a monthly basis and no adjustment was necessary. The correction of the effect of this error has been recorded as an adjustment to beginning fund balance in the Operation and Expense Fund and to Deposits Due Others in the Fiduciary Funds.

SUPPLEMENTAL INFORMATION SCHEDULES

**CITY COURT OF MONROE
MONROE, LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED APRIL 30, 2001**

FIDUCIARY FUND TYPE - AGENCY FUNDS

JUDICIAL FUND

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

SPECIAL COST CLEARING FUND

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

**CITY COURT OF MONROE
MONROE, LOUISIANA
FIDUCIARY FUND TYPE - AGENCY FUNDS
COMBINING BALANCE SHEET, APRIL 30, 2001**

	<u>Judicial Fund</u>	<u>Special Cost Clearing Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 565,985	\$ 145,462	\$ 711,447
Investments	-	55,050	55,050
Accounts Receivable	315	-	315
	<u>566,300</u>	<u>200,512</u>	<u>766,812</u>
TOTAL ASSETS	\$ <u>566,300</u>	\$ <u>200,512</u>	\$ <u>766,812</u>
LIABILITIES			
Accounts Payable	\$ 21,391	\$ 118,521	\$ 139,912
Due to Other Funds	7,516	15,877	23,393
Deposits Due Others	537,393	66,114	603,507
	<u>566,300</u>	<u>200,512</u>	<u>766,812</u>
TOTAL LIABILITIES	\$ <u>566,300</u>	\$ <u>200,512</u>	\$ <u>766,812</u>

**CITY COURT OF MONROE
MONROE, LOUISIANA
FIDUCIARY FUND TYPE - AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN
DEPOSITS DUE OTHERS
FOR THE YEAR ENDED APRIL 30, 2001**

	<u>Judicial Fund</u>	<u>Special Cost Clearing Fund</u>	<u>Total</u>
DEPOSITS DUE OTHERS			
AT BEGINNING OF YEAR, AS ORIGINALLY REPORTED	\$ 424,698	\$ 66,916	\$ 491,614
ADJUSTMENT FOR THE CORRECTION OF AN ERROR	38,718	-	38,718
DEPOSITS DUE OTHERS, AS RESTATED	<u>463,416</u>	<u>66,916</u>	<u>530,332</u>
ADDITIONS			
Advance Deposits	458,047	-	458,047
Fines and Court Costs	-	1,841,507	1,841,507
Total Additions	<u>458,047</u>	<u>1,841,507</u>	<u>2,299,554</u>
Total	921,463	1,908,423	2,829,886
REDUCTIONS			
Transfers to General Fund:			
Special Civil Cost	25,730	-	25,730
Court Costs - Traffic and Criminal	-	205,631	205,631
Transfers to City of Monroe:			
Clerk Fees	149,917	-	149,917
Court Costs:			
DWI Probation	-	6,800	6,800
Equipment Fund	-	6,800	6,800
Fines and Forfeitures	-	716,440	716,440
Jail	-	135,790	135,790
Attorney's Fees	1,610	-	1,610
Applied Technology Unit	-	3,400	3,400
Bond Release	45,131	-	45,131
Booking Fees	383	-	383
Curator Fees	476	-	476
Indigent Defender Board	-	344,165	344,165
Judges' Supplemental Compensation Fund	41,872	-	41,872
Louisiana Commission on Law Enforcement	-	48,027	48,027
Louisiana Rehabilitation Services:			
Head and Spinal Cord Injury	-	12,690	12,690
Louisiana State Treasurer	-	27,158	27,158
Marshal's Fees	55,451	271,540	326,991
North Louisiana Criminalistic Laboratory	-	58,600	58,600
Secretary of State	2,275	-	2,275
Settlements to Litigants	-	5,267	5,267
Sheriffs' Fees	31,747	-	31,747
Other Reductions	29,479	-	29,479
Total Reductions	<u>384,071</u>	<u>1,842,308</u>	<u>2,226,379</u>
DEPOSITS DUE OTHERS AT END OF YEAR	<u>\$ 537,392</u>	<u>\$ 66,115</u>	<u>\$ 603,507</u>

OTHER SUPPLEMENTAL INFORMATION

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

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

We have audited the component unit financial statements of the City Court of Monroe, Louisiana (the Court) as of and for the year ended April 30, 2001 and have issued our report thereon dated July 6, 2001. In our report, we did not express an opinion on the Fiduciary Fund Type due to inadequate accounting records. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Court's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note an immaterial instance of noncompliance which we have communicated to management of the Court in a separate letter dated July 6, 2001.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matter involving the internal control over financial reporting and its operation that we

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

consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the component unit financial statements. The reportable condition is described in the accompanying Schedule of Findings as items 01-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying Schedule of Findings as item 01-01 to be a material weakness.

This report is intended for the information of management of the Court and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

July 6, 2001

**CITY COURT OF MONROE
MONROE, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED APRIL 30, 2001**

01-01 State of Accounting and Reporting for Judicial Fund

Finding:

Over the years the Court has had problems accounting for and reconciling the individual cases in the Judicial Fund (Civil) (Fiduciary Fund Type) to the general ledger of the City Court system. Several years ago a new bank account was established and named "Judicial 2", in order to start anew, and therefore provide for a reconciliation process. This reconciliation never came to pass and the Court ended up with two accounts not being reconciled from the subsidiary ledger of individual civil suits to the general ledger. During the current year the Court purchased a new software program for the Judicial Fund. During the conversion from the old software to the new, several thousand cases were unable to be converted. Even ignoring these cases that were not converted it has been impossible to reconcile the subsidiary of individual civil cases to the control account in the general ledger. Additional modifications need to be made to the program in order for the reconciliation process to work.

During the year ended April 30, 2001 there were 3,427 civil cases filed. In the performance of our auditing procedures to test these civil suits, we noted seven instances within our sample of thirty civil suits that had negative balances, i.e., costs incurred and paid in the suit exceeded deposits made. We further noted in eleven instances that fees were not charged for all services rendered.

This fund accounts for approximately \$400,000 of funds each year and with the lack of the accounting and reconciliation controls, increases the risk of misappropriation of assets and/or the risk that errors or irregularities in amounts material to the Court's financial statements could occur and go undetected by employees in the normal course of performing their assigned functions.

Recommendation:

Management of the court should continue to work with the software developer and make sure modifications are made to the program in order to accurately reconcile the subsidiary ledger of individual civil cases to the control account in the general ledger. The several thousand cases that were not converted need to be corrected. In addition, the Court should work with the software vendor to ascertain if additional edit checks could be put in the program to reduce clerical errors. Due to the volume of the Court's civil suits filed each year, it is critical that the detail balances in the civil cases be reconciled to the control account in the general ledger on at least a monthly basis. Review of the system-generated activity reports will detect incorrect coding so that costs charged to the suit can be corrected in a timely manner.

**CITY COURT OF MONROE
MONROE, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED APRIL 30, 2001**

All fees and charges should be posted to the suit files and expenses related to a suit should not be incurred or paid without sufficient funds documented in the suit file to cover the payments.

Management's Corrective Action Plan:

The Court implemented a new Case Management Software packet in November 2000. The primary purpose for purchasing the new software is to provide the Court with a mechanism to reconcile the subsidiary ledger of individual civil suits to the General Ledger. However, due to discrepancies within the software we were unable to do so by the end of the 2001 fiscal year. Since that time, the Court has consulted with the software developer as well as the auditor and devised the following Corrective Action Plan:

The software developer will make modifications to the program that will not allow the clerks to charge, make correction, or deletion to the ledger within a prior date. The business manager will be provided with a report of all overrides. The system will also be modified to post service charges to the ledger when the returns are entered and the funds are disbursed. The charges will be encumbered (i.e. placed on a hold status) until the service is rendered.

In addition to the modification, he has agreed to write the following reports, produced from information processed in the Case Management System, to use as an instrument to make the necessary journal entries to the General Ledger on a daily basis:

1. A report of all ledger postings grouped by key distribution categories.
2. A report of all ledger postings that have not been disbursed.
3. A report of all cases with a negative, positive and combined balances.

The Business Manager will use these reports to make the following daily Journal Entries to the General Ledger:

1. Record all cash collected to advanced deposit.
2. Record all daily expenses and credit service fee payable.
3. Record all expense paid and debit service fee payable.

Commencing November 1, 2001, the Business Manager will generate a report of all ledger postings between May 1, 2001 – October 30, 2001, and a report of all disbursements between May 1, 2001 – October 30, 2001. Any difference will be the beginning balance for the service fee payable account. The Business Manager will also reconcile the disbursement report to the General Ledger. If the General Ledger has paid more than the disbursement report indicates, that amount will be classified as a receivable due to the court. At the end of the fiscal year the court will decide how all uncollected debt will be

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resolved. In order to prevent the court from having a receivable, the Clerks will review each case balance to check to see if there are sufficient funds available to process the work. All work will cease on the case if the litigant has a negative balance. A notice is generated and mailed to the litigant requesting additional funds.

With the recommendation of the Auditors, the court opened a new bank account, Judicial Fund III on May 1, 2001. The Business Manager has requested a report of all litigant balances that converted to determine a true amount due to litigants and to identify any true receivables due to the court. The net of these two amounts will be the beginning cash balance for Judicial Fund III.

The court acknowledges cases that did not convert during the conversion. The software developer has agreed to provide a list of all those cases. It has been determined that the court will need to hire additional staff to convert each case manually. It is the goal of the court to have completed this task by April 2002. We understand that even after we establish these procedures there may be a small amount remaining in the Judicial Fund unaccounted for. We plan to have all funds accounted for and to have an unqualified audit at the end of fiscal year 2003.

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In connection with our audit of the Court as of and for the year ended April 30, 2001, in accordance with the *Louisiana Governmental Audit Guide*, we have also reviewed the status of prior year findings included in our report dated September 8, 2000. The following table presents the status of those findings:

00-01 State of Accounting and Reporting Function

Finding:

We noted certain matters which impaired the ability of the accounting staff to produce accurate and timely financial statements. These items included financial records in the Fiduciary Funds not being reconciled in a timely and accurate manner; failure to timely reconcile bank statements; expenditures recorded in the wrong accounting period and not always properly supported; outstanding checks dating back to 1996 that had not been investigated and properly disposed of and discounts on vendor invoices not being taken and late fees assessed. In addition, there was a lack of administrative oversight of the Mentoring Program.

Status:

1. All accounting adjusting entries were recorded to the general ledger and reconcile to the prior year financial statements on November 1, 2000.
2. The Court retained accounting firm Luffey, Huffman & Monroe to train and consult the business manager on the proper usage of the accounting software. Checks are now being voided through the void check option.
3. All active bank accounts are current and have been consistently reconciled to the general ledger on a monthly basis.
4. The business manager is currently transferring interest to the general fund and making the necessary journal entry to close due to/due from every month.
5. The saving accounts and certificates of deposits have been reclassified and recorded to the general fund.
6. Outstanding checks dated back to 1996 have been investigated and their disposition determined. These checks have been voided and restored to cash and some will be re-issued or sent to unclaimed property within the five-year limitation.

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7. Accounts payable have been analyzed and reviewed. All necessary corrections have been made to the ledger and expenses have been reclassified accordingly. The business manager is currently making sure that all expenses are properly supported.
8. Management has agreed to forward all invoices to the business manager on a timely basis, to ensure that they are paid on time.
9. The Court retained Luffey, Huffman & Monroe, CPA firm to reconcile judicial fund liability "Deposit Due Others" to the general ledger. The firm recommended that we open a new bank account, commencing May 1, 2001. In addition, the Court has consulted with the program developer to make modifications to the software in order rectify this process.
10. The Mentoring Account is closed.

00-02 Controls Over Civil Suit Receipts and Disbursements

Finding:

In the Civil Suit files, required fees were not always charged and individual Suit Files were found with negative balances.

Status:

The deputy clerks will review and verify balances within a suit before processing documents. If the initial filing fees answer exceeds the deposit, the system will automatically print out an invoice to be mailed to the plaintiff and all work will cease until additional funds are received.

MANAGEMENT LETTER

Cellular Phone Policy

The court has adopted the following policy and procedures regarding the use of cellular telephones. Cellular telephones will be provided to the three Judges and the Clerk/Court Administrator. The court will pay the basic monthly service charge and all service calls not to exceed \$250 per month, any amounts above that shall be paid by the user.



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

MANAGEMENT LETTER

City Court of Monroe Monroe, Louisiana

In planning and performing our audit of the component unit financial statements of the **City Court of Monroe** (the Court) as of April 30, 2001, and for the year then ended, we considered its internal control in order to determine our auditing procedures for purposes of expressing our opinion on the component unit financial statements of the Court and not to provide assurance on the internal control or overall compliance with laws and regulations.

However, during the course of our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated July 6, 2001, on the component unit financial statements of the Court.

Collateralization of Bank Deposits

Finding:

In performing our tests of compliance, we noted that the Court's bank deposits were not covered fully by a combination of FDIC insurance and pledged collateral. Of the total deposits of approximately \$1,000,000 on deposit with Bank One, the pledged collateral was inadequate by \$25,106. Although the Court minimizes its risk of loss by using only high-quality, credit worthy financial institutions, collateral should be maintained at 100% of any balance not covered by FDIC insurance.

Recommendation:

We recommend that the Court monitor its collateral position using the monthly management reports provided by the financial institutions to insure that adequate collateral is maintained on funds in excess of FDIC coverage.

Management's Corrective Action Plan:

Commencing in October 2001, the court will monthly monitor and review within 15 days upon receipt, by the court all pledge reports as well as bank statements provided by the financial institution to insure that adequate collateral is maintained on all funds. Upon conclusion of the review, the Administrative Judge and/or the Court Administrator will verify the review by signing and dating the reports. The review will also include making a determination whether the security provided by the bank is adequate.



(A Professional Accounting Corporation)

July 6, 2001