

**CITY OF NEW ORLEANS**

**JUDICIAL EXPENSE FUND**  
**OF THE**  
**TRAFFIC COURTS**

**FOR THE PERIOD ENDING DECEMBER 31, 2006**

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 10-17-07

**City of New Orleans**  
**Judicial Expense Fund of the Traffic Courts**

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# PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To The Traffic Court Judges  
City of New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the City of New Orleans Traffic Court (hereafter "the Court"), solely to assist the court with respect to the accounting records of the Judicial Expense Fund of the City of New Orleans Traffic Courts for the period January 1, 2006 through December 31, 2006. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### Procedure 1.

Meet with management of the Court to review and document the current internal control environment. Interview key employees and complete Internal Control Questionnaires from the Practitioners Publishing Corporation for the following areas:

Electronic Data Processing.

### Findings

#### Electronic Data Processing

We noted no exceptions.

### Procedure 2.

Review documentation provided by the Court that support the year-end cash balances for the year ended December 31, 2006.

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## **Findings**

As per laws and regulations, the Court is authorized to maintain a Judicial Expense bank account for the disbursement of operating expenditures for the Court. Due to an apparent misappropriation of assets by Court personnel, the Judicial Expense fund revenues will be increased by \$ 51,897 and the cash balance will be reduced by \$ 53,787 because the court has to reimburse authorized agencies for fine amounts not remitted to them.

### **Procedure 3.**

Obtain copies of bank statements and cancelled checks from January 1, 2006 through December 31, 2006.

## **Findings**

We obtained copies of the Court's Judicial Expense account bank statements and reviewed each statement to verify that revenues and disbursements agreed to backup documentation. Also, we reviewed each statement for unusual transactions. We noted no exceptions.

### **Procedure 4.**

Review the accounting process and documentation used to support the financial information reported to the City of New Orleans for inclusion in its Comprehensive Annual Financial Report(CAFR) for the year 2006. This review will include revenues and disbursements of the Judicial Expense Fund. Select a representative sample of bond receipts, refunds and forfeitures and vouch each item selected to supporting documentation. Procedures will include, reviewing each item for adequate documentation, propriety and compliance with the City of New Orleans Code of Ordinances. The sample, for purposes of establishing a scope for these procedures, will not exceed seventy-five (75) receipts and seventy-five (75) disbursements, for a maximum total of one hundred and fifty (150) selections.

## **Findings**

From a review of the CAFR of the City of New Orleans for the year 2004, it has been determined that the financial information regarding the Court's Judicial Expense Fund account for the year of 2004 has been included in the Comprehensive Annual Financial Report for the City of New Orleans, but a determination could not be made on whether the financial information presented in the Comprehensive Annual Financial Report for the City of New Orleans was ever reconciled to the Court's physical records. There is not an available Comprehensive Annual Financial Report of the City of New Orleans for either the year ending 2005 or for the year ending 2006. Consequently, we were unable to apply this procedure for those years.

From the sample selected, we did not note any exceptions in the Court's accounting process for the receipt of revenues and disbursement of expenditures.

**Procedure 5.**

Select fifty (50) cases with final disposition from a list of cases maintained in the courts electronic database. Review each case from inception until the fine is paid (or bond refunded). Examine each case to determine if the correct procedures (i.e. fines, fine amounts, etc.) have been applied to each case as it relates to the Judicial Expense fund.

**Findings**

Of the fifty (50) cases samples, seventeen (17) cases provided examples were funds are being coded to the Judicial Expense account by court personnel without proper authorization.

**Procedure 6.**

Perform inquires and analytical procedures on the Court's Judicial Expense Fund account for the period January 1, 2006 through December 31, 2006.

**Findings**

Court revenues were substantially lower in 2005 as a result of the interruption of court operations because of Hurricane Katrina. In the year ending 2006, Court revenues increased but the Court has not reached pre-Katrina levels due to a lack of operating space capacity, lack of support staff, and decline in the city's population.

**Procedure 7.**

Prepare a written report of revenues and expenditures for the period of January 1, 2006 through December 31, 2006.

**Findings**

We compiled a Statement of Revenues, Expenditures and Changes in Fund balance for the year ending December 31, 2006. The beginning fund balance on the statement consists of funds in the Court's Dryades and Whitney bank accounts as of December 31, 2005. Furthermore, these funds consists of excess revenue maintained by the City of New Orleans from prior years' Judicial Expense balance splits (there is a 50-50 split of year end court funds with the City of New Orleans.) There are issues over what should be split with the City of New Orleans in prior years that have not been resolved and fall outside the scope of this report. The court has excess revenue of \$ 205,947 for the period of January 1, 2006 through December 31, 2006. The excess revenue of \$ 205, 947 was taken from the compiled Statement of Revenues, Expenditures and Changes in Fund Balance. Furthermore, we are not expressing any opinion or other form of assurance on the amount. The City of New Orleans maybe entitled to fifty percent (50%) of the excess revenue.

**Procedure 8.**

Submit six (6) copies of the final report.

**Findings**

We noted no exceptions. We will review the report with and submit copies to the judicial administrator's office of the Court, judges of the Court, and the Louisiana Legislative Auditors office.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Paillet, Meunier and Le Blanc, L.L.P.*

Metairie, Louisiana  
April 23, 2007

# PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants  
Management Consultants

To The Judges  
City of New Orleans Traffic Court  
New Orleans, Louisiana

We have compiled the accompanying statement of assets, liabilities, and fund balance for NEW ORLEANS TRAFFIC COURT as of December 31, 2006 , and the related statement of revenues, expenditures, and changes fund balance for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

*Pailet, Meunier and Le Blanc, L.L.P.*

Metairie, Louisiana  
April 23, 2007

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**NEW ORLEANS TRAFFIC COURT  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE  
JUDICIAL EXPENSE FUND  
DECEMBER 31, 2006**

**ASSETS**

Cash (including interest bearing accounts)	\$ 2,412,809
Undeposited Funds	51,897
Due from Cash Bonds Fund	2,080,322
Due from Escrow Fund	139,114
Other Assets	2,500
<b>Total Assets</b>	<b><u>\$ 4,686,642</u></b>

**LIABILITIES & FUND BALANCE**

<b>Liabilities:</b>	
Accrued Liabilities	1,192,329
<b>Total Liabilities</b>	<b><u>1,192,329</u></b>
 <b>Fund Balance:</b>	
Fund Balance	3,494,313
 <b>Total Liabilities &amp; Fund Balance</b>	<b><u>\$ 4,686,642</u></b>



**NEW ORLEANS TRAFFIC COURT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**JUDICIAL EXPENSE FUND**  
**For The Year Ending December 31, 2006**

<b>REVENUES :</b>	
Traffic Tickets	\$ 2,216,907
Interest Income	74,756
Total Revenues	2,291,663
 <b>EXPENDITURES</b>	
Automobile	92,431
Bank Charges	218
Cleaning/Janitorial	6,941
Equipment/Computers	167,094
Conferences/Meetings	20,804
Dues & Subscriptions	10,385
Insurance	7,033
Miscellaneous/Rounding	3
Pagers/Equipment	9,584
Advertising	1,209
Postage	6,786
Printing	32,420
Professional Services	468,396
Building and Maintenance	4,354
Rent/Lease	7,200
Repairs	7,267
Supplies	24,358
Telephone	33,439
Security	131,860
Uniforms	418
Payroll Reimbursement	1,053,516
Total Expenditures	2,085,716
Excess (Deficiency) of Revenues over Expenditures	205,947
 <b>OTHER FINANCING SOURCES (USES):</b>	
Excess (Deficiency) of Revenues and other Financing Sources over Expenditures and other Financing Uses	205,947
FUND BALANCE, BEGINNING OF YEAR	3,288,366
FUND BALANCE, END OF YEAR	\$ 3,494,313

**NEW ORLEANS TRAFFIC COURT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLIICIES**

The financial statements of the Traffic Court of the City of New Orleans (hereafter "the Court), Louisiana (hereafter "the City") have been prepared in conformity with generally accepted accounting principles. The most significant accounting and reporting policies are described in the following notes to the financial statements.

The City was incorporated in 1805. The City's system of government was established by its Home Rule Charter which became effective in 1954 and was amended effective January 1, 1996. The City operates under a Mayor-Council form of government and provides services as authorized by its charter.

**BASIS OF ACCOUNTING**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred and measurable. Prepaid insurance and similar items are not normally recorded as assets. Judicial Expense monies, forfeitures and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable or available until actually received. Investment earnings are recorded as earned since they are measurable and available.

**NOTE B - MISAPPROPRIATION OF ASSETS**

Facts and circumstances suggest that the Court's personnel manipulated the Court's computer system to circumvent internal control procedures. Through this manipulation approximately \$ 105,000 for the period of January 1, 2006 through December 31, 2006 was misappropriated and not accounted for by the Court. This act of manipulation was identified by the Court's accounting department and the personnel committing the acts were terminated. In addition, the appropriate authorities were informed of the act of misappropriation. From the overall misappropriated amount, approximately \$ 51, 897 would have been revenue for the Judicial Expense Account. The remaining amount would have been required to be submitted to agencies which were designated to receive a portion of each fine amount paid to the court. Accordingly, the amount which would have been revenue to the court has been added as a revenue source and the amount which would have gone to designated agencies will be disbursed by the Judicial Expense account.

**NOTE C - CASH AND CERTIFICATES OF DEPOSIT**

In June 2004, the Court was authorized by state statute to take control over and administer all deposits and disbursements of the Judicial Expense Account. The Judicial Expense Account contains funds for use in the administration of the Court. The Judicial Administrator shall deposit into the fund any monies specifically designated for such purpose.

**NEW ORLEANS TRAFFIC COURT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**NOTE C - CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)**

At December 31, 2006, the Court's bank balance was \$ 2,412,809. The Court's bank balance is categorized below to give an indication of the level of risk assumed by the Court at year end. Category 1 includes insured or collateralized cash with securities held by the Court or by its agent in the Court's name. Category 2 includes collateralized cash with securities held by the pledging financial institution's trust department or agent in the Court's name. Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Court's name.

Level of risk assumed at December 31, 2006

	<u>Category</u>			
Bank Balance:	1	2	3	Total
Cash	\$ 100,000	\$ 2,312,809	\$ -	\$ 2,412,809
Certificates of Deposit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 100,000</u>	<u>\$ 2,312,809</u>	<u>\$ -</u>	<u>\$ 2,412,809</u>

**NOTE D - ACCRUED LIABILITIES**

The Traffic Court of New Orleans payroll is paid through the City of New Orleans; however, the Court has to reimburse the City of New Orleans for the total payroll expense incurred for January through December. This reimbursement is generally paid in January or February of the following year. Accordingly, the Court accrues its payroll expense for the period of January through December. As of December 31, 2006, this the Court's payroll expense equaled 1,042,829.

The Municipal Court of New Orleans has an annual review of its records performed each year. This review process includes an analysis of court procedures, review of cash bond outstanding checks, and compilation of financial statements. The review process is performed in the following year but is attributable to preceding accounting period. For the year ending December 31, 2006, the court had \$ 149,500 of accrued accounting expenses which will be paid when the review of accounting records is completed in 2007.



State of Louisiana  
City of New Orleans  
Traffic Court



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**TRAFFIC COURT OF NEW ORLEANS  
CORRECTIVE ACTION PLAN  
FOR THE JUDICIAL EXPENSE FUND**

In response to the recent findings listed in Paillet Meunier & LeBlanc's independent accountant's report, the Traffic Court of New Orleans (hereafter "the court") has taken actions to correct court operations as it relates to the Judicial Expense fund. Listed below are the findings detailed by Paillet Meunier & LeBlanc and the corresponding action implemented by the court.

**Finding**

As per laws and regulations, the court is authorized to maintain a Judicial Expense bank account for disbursement of operating expenditures for the Court. Due to an apparent misappropriation of assets by court personnel, the Judicial Expense fund revenues will be increased by \$ 51,897 and the cash balance will be reduced by \$ 53,787 because the court has to reimburse authorized agencies for amounts not remitted to them.

**Corrective Action**

As the misappropriation became known to court management, the court contacted the proper authorities and immediately terminated the appropriate employees. .

**Finding**

Of the fifty (50) cases sampled, seventeen (17) cases provided examples where funds are being coded to the Judicial Expense account by court personnel without proper authorization.

**Corrective Action**

The court has now implemented a requirement that all fines coded to the Judicial Expense fund be signed off by only the judge or the court's minute clerk in the judges' absence.

**Finding**


The court is required to split excess revenue with the City of New Orleans.

**Corrective Action**

The court has submitted a check to the City of New Orleans for one-half of the court's excess revenue for the period of January to December 2006.

The above actions were implemented and are being carried out by court personnel daily. If there are any questions, please feel free to call Lou Ivon at 504-658-2031.

Sincerely



Lou Ivon  
Judicial Administrator