



Audit of the Superior Court of California, County of Contra Costa

REPORT OF AUDIT SERVICES

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JUDICIAL COUNCIL
OF CALIFORNIA

LEADERSHIP SERVICES DIVISION

AUDIT SERVICES

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Superior Court of California, County of Contra Costa

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MANAGEMENT SUMMARY

Introduction

The Trial Court Funding Act of 1997 (Act) eliminated the requirement for county audits of the courts effective January 1, 1998. Since that time, the Superior Courts of California have undergone significant changes to their operations. These changes have also impacted their internal control structures, yet no independent reviews of their operations were generally conducted until the Judicial Council of California (Formerly Administrative Office of the Courts), Audit Services (AS), began court audits in 2002.

The audit of the Superior Court of California, County of Contra Costa (Court) was initiated by AS in June 2015. Depending on the size of the court, the audit process typically involves one or two audit cycles encompassing the following primary areas:

- Court administration
- Cash controls
- Court revenue and expenditure
- General operations

AS audits cover all four of the above areas. The audit process involves the review of the Court's compliance with California statute, California Rules of Court, the Trial Court Financial Policies and Procedures Manual (FIN Manual), and other relevant policies. AS conducted its first audit of the Court in FY 2007–2008. Additionally, AS has regularly follows up on issues identified in the prior audit to determine whether the Court adequately resolved previous issues. On the latest contact in May of 2015 there were still 14 issues unresolved from the prior audit.

Compliance with the State Leadership Accountability Act (SLAA, formerly known as the Financial Integrity and State Manager's Accountability Act or FISMA) is also an integral part of the audit process. The primary focus of a SLAA review is to evaluate the Court's internal control structure and processes. While AS believes that SLAA may not apply to the judicial branch, AS understands that it represents good public policy and conducts audits incorporating the following SLAA concepts relating to internal control:

- A plan of organization that provides segregation of duties appropriate for proper safeguarding of assets;
- A plan that limits access to assets to authorized personnel;
- A system of authorization, record keeping, and monitoring that adequately provides effective internal control;
- An established system of practices to be followed in the performance of duties and functions; and
- Personnel of a quality commensurate with their responsibilities.

AS believes that this audit provides the Court with a review that also accomplishes what SLAA requires.

AS audits are designed to identify instances of non-compliance, such as with the FIN Manual and SLAA. Some of these instances of non-compliance are highlighted in the Audit Issues

Overview below. Although AS audits do not emphasize or elaborate on areas of compliance, we did identify examples in which the Court was in compliance with the FIN Manual and SLAA. Specifically, except for those issues reported in this report, some of the areas where AS found the Court in compliance included the following:

- An organizational plan that provides for an effective segregation of duties to properly safeguard assets, including money from its collection to deposit.
- A well documented system of authorization and recordkeeping for revenues and expenditures that provides effective accounting control.
- Management controls to monitor personnel in the performance of their duties and responsibilities.
- The ability to attract and retain quality personnel that are knowledgeable and motivated to take accountability and responsibility for the performance of their duties.

To enable the Court to continue to improve and strengthen its system of internal controls, it is important that the Court note those areas of noncompliance reported below and in the body of this report. The Court should actively monitor the issues reported in this audit, and any issues identified by its own internal staff that may perform periodic reviews of Court operations and practices, to ensure it implements prompt, appropriate, and effective corrective action.

Audit Issues Overview

The number of issues (66) in this audit is considered low for a court this size based on our audits of other courts and although the 36 (55%) significant issues are higher than would be expected, almost 80% of the total issues identified in the report were reported to be corrected at the date of our exit with the Court. While there are a higher number (9) of issues repeated from the prior audit of the Court than expected, the concentration is in two areas, cash collections and information systems security. The cash collection repeats have been addressed and the information systems security issues are in process of being addressed. Information systems is a transition area for the Court as it is looking at new case management systems and the replacement of its other aging systems.

Any areas of noncompliance to policy, procedures, laws, rules, and regulations noted in this audit are reported in the body and appendix of this report. There are areas of noncompliance that Audit Services did not consider significant enough to include in the report, but were nonetheless communicated to Court management. Audit Services provided the Court with opportunities to respond to all the issues identified in this report and included these responses in the report to provide the Court's perspective. Audit Services did not perform additional work to verify the implementation of all of the corrective measures asserted by the Court in its responses.

Although the audit identified numerous issues, the following issues are considered significant enough to highlight for Court management's attention:

The Court Needs to Improve Its Financial Accounting and Reporting Practices (4.1)

To determine whether the Court properly recorded, classified, and reported its financial transactions, we reviewed its general ledger (GL) account balances and its accounting treatment on an overall basis and then selected on a judgmental basis certain financial transactions to review during the audit. Our review determined that the Court generally does properly account for and report its financial transactions but our review noted situations where it did not.

Specifically as one example, we noted that annually the Court receives a reimbursement from the Franchise Tax Board (FTB) as part of the court ordered debt reimbursement program. In December of 2014 the FTB issued a reimbursement check to the Court for \$373,907 for debt collected during FY 12/13. The Court recorded this reimbursement incorrectly by recording it in the “Miscellaneous Revenue” account. The Court must redistribute on a pro-rata basis any reimbursement from the Franchise Tax Board’s Court-Ordered Debt Collections Program (FTB-COD) based on the applicable reimbursement period pursuant to Penal Code § 1463.001 guidelines. The Court’s portion of the distributed funds must be treated as an abatement to the costs of the enhanced collections programs that collect the Court-Ordered Debt.

Information System Controls Require Further Strengthening to Ensure Strong Controls Are in Place for Security Threats (6.1)

Information technology (IT) is the main driver of business processes and operational efficiency within the trial court. Therefore, IT management and subsequent technology decisions should be synchronized with the trial court’s overall technology plan and more importantly, with the judicial branch’s strategic technology initiatives. To achieve this core business requirement, strong IT controls must be implemented and instilled in the trial court’s business environment. Though IT control policies and procedures have yet to be developed and included in the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), the Judicial Council has developed and provided courts with the *Guide to Information Security Control Framework* to assist Court’s in maintaining IT systems are compliant with appropriate system security controls to protect the information the systems contain. This guide will assist the Court in developing information system security controls to ensure the Court has adequate controls in place so that it is prepared for the constantly changing threats from a wide range of internal and external sources, including computer assisted fraud, espionage, sabotage, cyber-attacks, hacking, and vandalism. Using this guide the Court can be better prepared since most of the systems used at court’s have most probably not been designed and updated to meet the challenges of today’s ever changing system security risks.

At the time of our review the Court did not have written comprehensive policies and procedures in place for its MS Network, CUBS collection system, and its criminal cashing TEK machine SAMS4. The Court did provide standard operating procedures that are specific to network changes and server management, but these are considered components of a network policies and procedures and not the complete document. Furthermore, the Court stated that that they keep their policies and procedures fluid and use Microsoft’s current recommendations. In addition, although the Court has written policies in place for its case management systems LJIS/AMORS and ICMS, these policies are very high level and fail to adequately cover at a minimum activities such as password and user management. (Repeat issue from previous audit)

At the time of our review the Court had sixty-five users with active VPN tokens that are used for remote access to the Court’s IT systems. The County DoIT issues VPN tokens to the Court at a cost of \$125 per token and each token has a four year shelf life. Although, the Court has made improvements since the last audit to strengthen its controls for remote access, further improvements should be put into place to control and monitor remote access using VPN tokens. For example, when the Court’s VPN user list was reviewed by Audit Services the following was noted:

- The VPN user list that the Court provided to Audit Services is generated from data provided by the County. The VPN user list showed that eleven tokens that had been assigned to employees

had not been used as their last login showed 1/1/1986. This was discussed with the Court and the Court advised that this was incorrect as some employees showing this date were hired after 1986. The Court advised that the data the County provides to the Court is not in a readable format and when converted often results in inaccurate data. As a result, without an accurate report reflecting activity of VPN tokens that have been issued to court staff, the Court cannot use this report to appropriately monitor the tokens. (Repeat issue from previous audit)

- The VPN user list that the Court provided has twelve user ID's designated for its vendors. The Court was asked to provide copies of the signed non-disclosure confidentiality agreements for all vendors. The Court did not have signed disclosures in place for two of the vendor groups (ATI and ISD). In addition, the Legal Aid contractor's VPN agreement should be signed by each contractor, not their manager. (Repeat issue from previous audit)

Certain Procurement Controls and Processes Need Improvement (9.1)

On March 24, 2011, Senate Bill 78 was enacted, creating Part 2.5 of the Public Contract Code (PCC) designated the California Judicial Branch Contract Law (JBCL). With certain exceptions, the JBCL requires that superior courts, as well as other judicial branch entities (JBEs), comply with provisions of the PCC that are applicable to state agencies and departments related to the procurement of goods and services. To determine whether the Court follows the procurement policies and procedures in the JBCM, we interviewed Court management and staff regarding its procurement practices. We selected 20 expenditure transactions for FY 14/15 to review. Our review indicates that the Court did not always follow the required judicial branch procurement policies and procedures. Specifically, we noted the following:

1. In eleven of twenty-one applicable procurement files reviewed, the file did not contain a purchase requisition. In one of ten procurements reviewed where a purchase requisition did contain an approval signature, the IT Director approving the purchase did not have the authority to approve the requisition as the amount (\$47,740) was over her positions approval limit. Additionally, it was noted that the Court does have a "Purchase Order Request Form" but it appears that it is not being used consistently throughout the Court.
2. In seven of ten applicable procurement files reviewed, there was no evidence that the vendor signed a Darfur certification as required by the JBCM.
3. The Court did not properly notify the California State Auditor (state auditor) pursuant to PCC § 19204(a) for one contract that exceeded \$1 million.
4. The Court did not engage in competitive procurement practices for four of twelve purchases that were required to be procured competitively. Although individual orders were less than \$5,000, the total amount of the contract exceeded \$5,000 and therefore required a competitive procurement.
5. In eight of ten purchase card transactions reviewed, a purchase requisition was not prepared. In one of two purchase card transactions reviewed where a purchase requisition was prepared, the purchase requisition did not contain an approval signature.

The Court Needs to Strengthen Its Controls Over Accounts Payable (11.1)

As stewards of public funds, courts have an obligation to demonstrate responsible and economical use of public funds. As such, the FIN Manual provides trial courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements. Additionally, courts must scrutinize every expenditure to ensure that they are for court operations as defined by Government Code 77003 and are allowable under Rule of Court 10.810. Lastly, accounts payable staff must apply other mandated procedures that

are set by California State Legislature to the processing of invoices for individuals that serve the Court as jurors. For example, CCP 215(c) states: “All jurors in the superior court, in civil and criminal cases, shall be reimbursed for mileage at the rate of thirty-four cents (\$0.34) per mile for each mile actually traveled in attending court as a juror after the first day, in going only”.

To determine whether the Court adheres to the applicable judicial branch invoice processing policies and procedures, we reviewed 36 invoices and claims paid between July 2014 and June 2015. Our review indicates that the Court did not always follow the required judicial branch invoice processing guidelines, State Legislature mandates, and Rule of Court. Specifically, we noted the following:

Two jury mileage claims tested revealed that the Court is not paying juror mileage per the mandated procedures that are set by the California State Legislature. Specifically, Civil Code of Procedure, CCP 215(c) requires that courts reimburse jurors for each mile actually traveled to the court to serve as a juror after the first day. In one claim reviewed the Court underpaid the juror mileage by \$24.31, and in another the Court overpaid the juror mileage by \$6.81. This error in mileage calculation is due to the jury software system that the Court and many other court’s in the State use to maintain and manage all juror participants.

The Court advised that the software calculates the mileage using the zip code of the juror’s home address to identify the nearest post office address in the same zip code, and then uses that post office address for the calculation. The system does not use the jurors’ actual home address. This method causes variances in mileage calculation and, as a result, jurors are not being reimbursed for each mile actually traveled as required by CCP 215(c).

STATISTICS

The Superior Court of California, County of Contra Costa (Court) operates nine courthouses from four separate locations in the cities of Richmond, Pittsburg, Walnut Creek, and Martinez. The Court has 47 judges and subordinate judicial officers and employs approximately 285 court staff to fulfill its administrative and operational activities. It incurred total trial court expenditures of approximately \$57.9 million for the fiscal year that ended June 30, 2014.

Before 1997, courts and their respective counties worked within common budgetary and cost parameters—often the boundaries of services and programs offered by each blurred. The courts operated much like other county departments and, thus, may not have comprehensively or actively sought to segregate or identify the cost and service elements attributable to court operations and programs. With the mandated separation of the court system from county government, each entity had to reexamine their respective relationships relative to program delivery and services rendered, resulting in the evolution of specific cost identification and contractual agreements for the delivery of county services necessary to operate each court.

For fiscal year 2014–2015, the Court received various services from the County Public Works Department, including printing, mailing, courier, recycling and shredding, facilities maintenance, and vehicle maintenance and repair. Furthermore, the County provides services to the Court for telecommunications and various IT services from the County DoIT. At the time of our review, nearly all County-provided services were covered under a Court-County Memorandum of Understanding (MOU). The Court also received court security services from the County Sheriff under a separate MOU.

The charts that follow contain general Court statistical information.

County Population (Estimated as of January 1, 2015)	1,102,871
<small>Source: California Department of Finance</small>	
Number of Court Locations	4
Number of Courtrooms	41
<small>Source: Superior Court of California, County of Contra Costa</small>	
Number of Case Filings in FY 2012–2013:	
Criminal Filings:	
6. Felonies	4,159
7. Non-Traffic Misdemeanor	3,419
8. Non-Traffic Infractions	4,421
9. Traffic Misdemeanors	3,823
10. Traffic Infractions	86,745
Civil Filings:	
▪ Civil Unlimited	4,332
▪ Motor Vehicle PI/PD/WD	655
▪ Other PI/PD/WD	378
▪ Other Civil Complaints & Petitions	3,128
▪ Small Claims Appeals	171
▪ Limited Civil	12,913

<ul style="list-style-type: none"> ▪ Small Claims <p>Family and Juvenile Filings:</p> <ul style="list-style-type: none"> ▪ Family Law (Marital) ▪ Family Law Petitions ▪ Juvenile Delinquency – Original ▪ Juvenile Delinquency – Subsequent ▪ Juvenile Dependency – Original ▪ Juvenile Dependency – Subsequent <p>Other Filings:</p> <ul style="list-style-type: none"> ▪ Probate ▪ Mental Health 	<p>3,340</p> <p>3,666</p> <p>5,527</p> <p>786</p> <p>195</p> <p>762</p> <p>199</p> <p>1,321</p> <p>221</p>
Source: Judicial Council of California's 2014 Court Statistics Report	
Judicial Officers as of June 30, 2013:	
<p>Authorized Judgeships</p> <p>Authorized Subordinate Judicial Officers</p>	<p>39</p> <p>8</p>
Source: Judicial Council of California's 2014 Court Statistics Report	
Court Staff as of June 30, 2015:	
<p>Total Authorized FTE Positions</p> <p>Total Filled FTE Positions</p>	<p>333.80</p> <p>324.75</p>
Source: FY 2014-2015 Schedule 7A	
Select FY 2014-2015 Financial Information:	
<p>Total Financing Sources</p> <p>Total Expenditures</p> <p>Total Personal Services Costs</p> <p>Total Temporary Help Costs</p>	<p>\$58,179,482</p> <p>\$57,986,174</p> <p>\$41,057,620</p> <p>\$226,799</p>
Source: FY 2014-2015 Quarterly Financial Statements – Fourth Quarter	

FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has identified accountability as the paramount objective of financial reporting. The GASB has further identified two essential components of accountability, fiscal and operational. **Fiscal accountability** is defined as:

The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year).

The **Strategic Plan for California's Judicial Branch 2006-2012** entitled Justice in Focus established, consistent with the mission statement of the Judicial Council, a guiding principle that states that "Accountability is a duty of public service" and the principle has a specific statement that "The Judicial Council continually monitors and evaluates the use of public funds." As the plan states, "All public institutions, including the judicial branch, are increasingly challenged to evaluate and be accountable for their performance, and to ensure that public funds are used responsibly and effectively." For the courts, this means developing meaningful and useful measures of performance, collecting and analyzing data on those measures, reporting the results to the public on a regular basis, and implementing changes to maximize efficiency and effectiveness. Goal II of the plan is independence and accountability with an overall policy stated as:

Exercise the constitutional and statutory authority of the judiciary to plan for and manage its funding, personnel, resources, and records and to practice independent rule making.

Two of the detailed policies are:

1. Establish fiscal and operational accountability standards for the judicial branch to ensure the achievement of and adherence to these standards throughout the branch; and
2. Establish improved branch wide instruments for reporting to the public and other branches of government on the judicial branch's use of public resources.

Under the independence and accountability goal of The Operational Plan for California's Judicial Branch, 2008 – 2011, objective 4 is to "Measure and regularly report branch performance – including branch progress toward infrastructure improvements to achieve benefits for the public." The proposed desired outcome is "Practices to increase perceived accountability."

To assist in the fiscal accountability requirements of the branch, the Judicial Council of California (JCC) developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of Contra Costa (Court), implemented this fiscal system and processes fiscal data through the JCC Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three schedules are:

1. Balance Sheet (statement of position);
2. Statement of Revenues, Expenditures, and Changes in Fund Balances (statement of activities); and
3. Statement of Program Expenditures (could be considered "product line" statement).

The fiscal year 2013–2014 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for “information purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

There are three basic fund classifications available for courts to use: Government, Proprietary and Fiduciary. The Court utilizes the following classifications and types:

- **Governmental**
 - General – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
 - Special Revenue – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received). Funds included here are:
 - **Special Revenue**
 1. Small Claims Advisory Fund – 120003
 2. Dispute Resolution Fund – 120004
 3. Grand Jury Fund – 120005
 4. Enhanced Collections Fund – 120007
 5. Children’s Waiting Room Fund – 180005
 - **Grants**
 1. Assembly Bill (AB)1058 Family Law Facilitator Program – 1910581
 2. AB1058 Child Support Commissioner Program – 1910591
 3. Substance Abuse Focus Program – 1910601
- **Fiduciary**
 - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”¹ Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:
 - **Trust – 320001**
 - **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations,

¹ GASB Statement No. 34, paragraph 69.

or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide financial statements.² They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability. Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:

- **Civil Filing Fees Fund – 450000**
- **Treasury Fund – 910000**

² GASB Statement No. 34, paragraph 12.

Superior Court of California, County of Contra Costa
 Trial Court Operations Fund
 Balance Sheet
 (Unaudited)

	For the month ended June								2013/14 Total Funds (Info. Purposes Only)
	Fiscal Year 2014/15								
	Governmental Funds					Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	
General	Special Revenue		Capital Project	Debt Service					
	Non-Grant	Grant							
ASSETS									
Operations	\$ (3,067,903)	\$ 2,593,559	\$ 0				\$ 409,591	\$ (64,753)	\$ 6,811,005
Payroll	\$ 0							\$ 0	\$ 0
Jury Revolving	\$ 50,000							\$ 50,000	\$ 50,000
Other Distribution							\$ 197,215	\$ 197,215	\$ (425,251)
Civil Filing Fees							\$ 0	\$ 0	\$ 0
Trust							\$ (584,172)	\$ (584,172)	\$ (409,721)
Credit Card									
Cash on Hand	\$ 8,393							\$ 8,393	\$ 9,476
Cash with County									
Cash Outside of the JCC									
Cash Equivalents	\$ 8,937,888						\$ 14,095,759	\$ 23,033,647	\$ 13,220,454
Total Cash and Cash Equivalents	\$ 5,928,378	\$ 2,593,559	\$ 0				\$ 14,118,393	\$ 22,640,330	\$ 19,255,963
Short-Term Investment									
Investments									
Total Investments									
Accrued Revenue	\$ 29,028	\$ 607,143					\$ 0	\$ 636,172	\$ 342,377
Accounts Receivable - General	\$ 0		\$ 0					\$ 0	\$ 377,658
Dishonored Checks									
Due From Employee	\$ 23,967							\$ 23,967	\$ 5,201
Civil Jury Fees									
Trust							\$ 8,941	\$ 8,941	\$ 165
Due From Other Funds	\$ 2,269,135						\$ 0	\$ 2,269,135	\$ 1,240,974
Due From Other Governments	\$ 74,202	\$ 138,501	\$ 170,916					\$ 383,619	\$ 198,399
Due From Other Courts	\$ 499,505		\$ 350,692				\$ 0	\$ 850,197	\$ 0
Due From State	\$ 1,632,535	\$ 56,994	\$ 1,089,249					\$ 2,778,778	\$ 1,715,147
Trust Due To/From							\$ 0	\$ 0	\$ 0
Distribution Due To/From							\$ 0	\$ 0	\$ 20
Civil Filing Fee Due To/From									
General Due To/From	\$ 12,410							\$ 12,410	\$ 7,098
Total Receivables	\$ 4,540,784	\$ 802,638	\$ 1,610,857				\$ 8,941	\$ 6,963,219	\$ 3,887,038
Prepaid Expenses - General	\$ 0							\$ 0	\$ 0
Salary and Travel Advances									
Counties									
Total Prepaid Expenses	\$ 0							\$ 0	\$ 0
Other Assets									
Total Other Assets									
Total Assets	\$ 10,469,162	\$ 3,396,197	\$ 1,610,857				\$ 14,127,334	\$ 29,603,550	\$ 23,143,000
LIABILITIES AND FUND BALANCES									
Accrued Liabilities	\$ 1,202,972	\$ 34,492	\$ 14,849					\$ 1,252,313	\$ 531,799
Accounts Payable - General	\$ 62,909	\$ 0	\$ 0				\$ 0	\$ 62,909	\$ 131,397
Due to Other Funds	\$ 0	\$ 723,189	\$ 1,545,947				\$ 12,410	\$ 2,281,546	\$ 1,248,092
Due to Other Courts	\$ 3,375							\$ 3,375	\$ 2,975
Due to State	\$ 29,959							\$ 29,959	\$ 26,453
TC145 Liability							\$ 0	\$ 0	\$ 0
Due to Other Governments	\$ 292,605		\$ 0					\$ 292,605	\$ 213,305
AB145 Due to Other Government Agency							\$ 9,375,783	\$ 9,375,783	\$ 8,793,110
Due to Other Public Agencies									
Sales and Use Tax	\$ 2	\$ 0	\$ 0					\$ 2	\$ 0
Interest							\$ 16	\$ 16	\$ 8
Miscellaneous Accts. Pay. and Accrued Liab.	\$ 0							\$ 0	\$ 0
Total Accounts Payable and Accrued Liab.	\$ 1,591,821	\$ 757,681	\$ 1,560,796				\$ 9,388,210	\$ 13,298,507	\$ 10,947,138
Civil							\$ 3,457,947	\$ 3,457,947	\$ 2,896,864
Criminal							\$ 724,016	\$ 724,016	\$ 833,050
Unreconciled - Civil and Criminal							\$ 33,219	\$ 33,219	\$ 438,114
Trust Held Outside of the JCC									
Trust Interest Payable							\$ 45,475	\$ 45,475	\$ 82,124
Miscellaneous Trust									
Total Trust Deposits							\$ 4,260,657	\$ 4,260,657	\$ 4,250,152
Accrued Payroll	\$ 938,985	\$ 0						\$ 938,985	\$ 701,662
Benefits Payable	\$ (80,999)	\$ 782						\$ (80,217)	\$ 53,504
Deferred Compensation Payable	\$ 0							\$ 0	\$ 0
Deductions Payable	\$ 1,250,114	\$ 5,982						\$ 1,256,096	\$ 849,920
Payroll Clearing	\$ 0							\$ 0	\$ 1,831
Total Payroll Liabilities	\$ 2,108,100	\$ 6,764						\$ 2,114,864	\$ 1,606,917
Revenue Collected in Advance	\$ 3,282,126		\$ 50,061					\$ 3,332,187	\$ 16,132
Liabilities For Deposits	\$ 141,326		\$ 0				\$ 469,447	\$ 610,773	\$ 560,979
Jury Fees - Non-Interest							\$ 4,350	\$ 4,350	\$ 10,350
Fees - Partial Payment & Overpayment							\$ 4,842	\$ 4,842	\$ 1,104
Uncleared Collections	\$ (25)						\$ (173)	\$ (198)	\$ (34,051)
Other Miscellaneous Liabilities									
Total Other Liabilities	\$ 3,423,427		\$ 50,061				\$ 478,467	\$ 3,951,955	\$ 554,515
Total Liabilities	\$ 7,123,348	\$ 764,445	\$ 1,610,857				\$ 14,127,334	\$ 23,625,984	\$ 17,358,722
Total Fund Balance	\$ 3,345,814	\$ 2,631,752	\$ 0					\$ 5,977,566	\$ 5,784,278
Total Liabilities and Fund Balance	\$ 10,469,162	\$ 3,396,197	\$ 1,610,857				\$ 14,127,334	\$ 29,603,550	\$ 23,143,000

Superior Court of California, County of Contra Costa
Trial Court Operations Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
(Unaudited)

For the month ended June											
Fiscal Year 2014/15											
	Governmental Funds							Total Funds (Info. Purposes Only)	Current Budget (Annual)	2013/14	
	General	Special Revenue		Capital Projects	Debt Service	Proprietary Funds	Fiduciary Funds			Total Funds (Info. Purposes Only)	Final Budget (Annual)
		Non-Grant	Grant								
REVENUES											
State Financing Sources											
Trial Court Trust Fund	\$ 42,349,838	\$ 342,969					\$ 42,692,806	\$ 41,248,126	\$ 42,113,255	\$ 40,211,704	
Improvement and Modernization Fund	\$ 148,904						\$ 148,904	\$ 138,461	\$ 0	\$ 138,461	
Judges' Compensation (45.25)	\$ 348,455						\$ 348,455	\$ 370,500	\$ 349,600	\$ 370,500	
Court Interpreter (45.45)	\$ 1,908,590						\$ 1,908,590	\$ 1,665,869	\$ 1,536,092	\$ 1,300,000	
Civil Coordination Reimbursement (45.55)	\$ 4,283,978						\$ 4,283,978	\$ 4,435,670	\$ 4,411,834	\$ 4,729,055	
MOU Reimbursements (45.10 and General)	\$ 1,396,191						\$ 1,396,191	\$ 1,396,191	\$ 1,396,191	\$ 1,396,191	
Other Miscellaneous	\$ 50,435,956	\$ 342,969					\$ 50,778,924	\$ 49,254,817	\$ 49,806,972	\$ 48,145,911	
Grants											
AB 1058 Commissioner/Facilitator			\$ 1,377,337				\$ 1,377,337	\$ 1,357,041	\$ 1,326,268	\$ 1,357,041	
Other Judicial Council Grants			\$ 336,765				\$ 336,765	\$ 325,121	\$ 325,121	\$ 325,121	
Non-Judicial Council Grants			\$ 163,416				\$ 163,416				
			\$ 1,877,518				\$ 1,877,518	\$ 1,682,162	\$ 1,563,341	\$ 1,682,162	
Other Financing Sources											
Interest Income	\$ 24,688	\$ 5,879					\$ 30,567	\$ 44,404	\$ 43,656	\$ 51,019	
Investment Income											
Donations											
Local Fees	\$ 172,331	\$ 1,082,898					\$ 1,255,229	\$ 1,024,636	\$ 1,081,616	\$ 1,263,060	
Non-Fee Revenues											
Enhanced Collections		\$ 2,461,752					\$ 2,461,752	\$ 1,977,000	\$ 2,244,630	\$ 2,640,000	
Escheatment	\$ 777,632						\$ 777,632				
Prior Year Revenue	\$ 0		\$ 27,045				\$ 27,045		\$ (155,422)		
County Program - Restricted		\$ 368,420					\$ 368,420	\$ 940,704	\$ 318,166	\$ 744,441	
Reimbursement Other	\$ 215,771						\$ 215,771	\$ 262,450	\$ 249,894	\$ 180,842	
Sale of Fixed Assets	\$ 12,715	\$ 373,907					\$ 386,623	\$ 181,452	\$ 205,500	\$ 31,452	
Other Miscellaneous	\$ 1,203,138	\$ 4,292,856	\$ 27,045				\$ 5,523,039	\$ 4,430,646	\$ 3,988,041	\$ 4,910,814	
Total Revenues	\$ 51,639,094	\$ 4,635,825	\$ 1,904,564				\$ 58,179,482	\$ 55,367,625	\$ 55,358,354	\$ 54,738,887	
EXPENDITURES											
Personal Services											
Salaries - Permanent	\$ 21,363,790	\$ 363,032	\$ 879,672				\$ 22,606,493	\$ 23,577,117	\$ 20,894,218	\$ 22,335,178	
Temp Help	\$ 184,067	\$ 69	\$ 54,382				\$ 238,519	\$ 55,281	\$ 2,053,778	\$ 2,361,780	
Overtime	\$ 226,676	\$ 123					\$ 226,799	\$ 164,878	\$ 227,342	\$ 110,000	
Staff Benefits	\$ 17,145,615	\$ 249,998	\$ 590,196				\$ 17,985,810	\$ 18,107,347	\$ 17,207,580	\$ 17,314,042	
	\$ 38,920,148	\$ 613,222	\$ 1,524,250				\$ 41,057,620	\$ 41,904,623	\$ 40,382,918	\$ 42,121,000	
Operating Expenses and Equipment											
General Expense	\$ 974,546	\$ 5,490	\$ 3,084				\$ 983,120	\$ 853,148	\$ 1,774,129	\$ 1,121,194	
Printing	\$ 185,626	\$ 8,600					\$ 194,226	\$ 233,600	\$ 314,398	\$ 314,000	
Telecommunications	\$ 583,956	\$ 4,839					\$ 588,795	\$ 522,964	\$ 648,960	\$ 620,700	
Postage	\$ 162,630	\$ 150					\$ 162,781	\$ 177,391	\$ 466,731	\$ 274,260	
Insurance	\$ 22,417						\$ 22,417	\$ 38,298	\$ 38,298	\$ 29,000	
In-State Travel	\$ 142,901	\$ 24	\$ 8,139				\$ 151,064	\$ 129,261	\$ 136,703	\$ 120,950	
Out-of-State Travel	\$ 340		\$ 2,415				\$ 2,755	\$ 2,550	\$ 978	\$ 2,550	
Training	\$ 6,800		\$ 3,868				\$ 10,668	\$ 7,705	\$ 10,291	\$ 52,750	
Security Services	\$ 6,858						\$ 6,858	\$ 12,609	\$ 7,160	\$ 13,500	
Facility Operations	\$ 585,846						\$ 585,846	\$ 767,032	\$ 536,965	\$ 534,100	
Utilities	\$ 53,638						\$ 53,638	\$ 26,500	\$ 14,666	\$ 26,520	
Contracted Services	\$ 4,763,340	\$ 3,580,562	\$ 109,140				\$ 8,453,042	\$ 8,183,071	\$ 7,840,037	\$ 8,636,680	
Consulting and Professional Services	\$ 10,724						\$ 10,724	\$ 11,810	\$ 10,345	\$ 18,000	
Information Technology	\$ 2,416,806	\$ 141,310	\$ 56,864				\$ 2,614,781	\$ 3,322,142	\$ 2,541,922	\$ 7,621,780	
Major Equipment	\$ 1,359,712						\$ 1,359,712	\$ 1,173,214	\$ 550,918	\$ 921,862	
Other Items of Expense	\$ 43,883						\$ 43,883	\$ 46,500	\$ 44,546	\$ 45,500	
	\$ 11,320,025	\$ 3,740,976	\$ 183,310				\$ 15,244,310	\$ 15,507,795	\$ 14,937,047	\$ 20,353,346	
Special Items of Expense											
Grand Jury	\$ 0	\$ 17,761					\$ 17,761	\$ 15,000	\$ 8,679	\$ 7,000	
Jury Costs	\$ 689,706						\$ 689,706	\$ 766,000	\$ 761,144	\$ 850,000	
Judgements, Settlements and Claims									\$ 6,250		
Debt Service											
Other	\$ 976,797						\$ 976,797		\$ 4,525,125		
Capital Costs											
Internal Cost Recovery	\$ (331,236)	\$ 76,118	\$ 255,118				\$ 0	\$ 0	\$ 0	\$ 1	
Prior Year Expense Adjustment	\$ (30,768)		\$ 30,768				\$ 0	\$ 0	\$ 0	\$ 0	
	\$ 1,304,499	\$ 93,878	\$ 285,887				\$ 1,684,264	\$ 781,000	\$ 5,301,199	\$ 857,001	
Total Expenditures	\$ 51,544,671	\$ 4,448,076	\$ 1,993,446				\$ 57,986,194	\$ 58,193,418	\$ 60,621,164	\$ 63,331,347	
Excess (Deficit) of Revenues Over Expenditures	\$ 94,422	\$ 187,748	\$ (88,883)				\$ 193,288	\$ (2,825,793)	\$ (5,262,811)	\$ (8,592,460)	
Operating Transfers In (Out)	\$ (100,353)	\$ 11,470	\$ 88,883				\$ 0	\$ 0	\$ 0	\$ 0	
Fund Balance (Deficit)											
Beginning Balance (Deficit)	\$ 3,351,744	\$ 2,432,534	\$ 0				\$ 5,784,278	\$ 5,784,278	\$ 11,047,089	\$ 11,047,089	
Ending Balance (Deficit)	\$ 3,345,814	\$ 2,631,752	\$ 0				\$ 5,977,566	\$ 2,958,485	\$ 5,784,278	\$ 2,454,629	

Superior Court of California, County of Contra Costa
 Trial Court Operations Fund
 Statement of Program Expenditures
 (Unaudited)

	For the month ended June									
	Fiscal Year 2014/15							2013/14		
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Capital Costs	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
PROGRAM EXPENDITURES:										
Judges & Courtroom Support	\$ 12,293,667	\$ 905,540				\$ 15,919	\$ 13,215,126	\$ 15,221,986	\$ 12,774,086	\$ 14,794,300
Traffic & Other Infractions	\$ 1,597,702	\$ 177,359					\$ 1,775,061	\$ 2,057,646	\$ 1,846,693	\$ 1,773,456
Other Criminal Cases	\$ 2,897,059	\$ 131,773				\$ 0	\$ 3,028,832	\$ 3,181,675	\$ 3,093,527	\$ 2,942,955
Civil	\$ 4,103,624	\$ 78,007	\$ 232			\$ (8,419)	\$ 4,173,445	\$ 4,672,298	\$ 3,988,464	\$ 3,733,168
Family & Children Services	\$ 5,052,683	\$ 78,941			\$ 241,080	\$ (7,500)	\$ 5,365,203	\$ 5,747,566	\$ 5,094,944	\$ 5,244,877
Probate, Guardianship & Mental Health Services	\$ 1,404,898	\$ 6,377					\$ 1,411,275	\$ 1,245,022	\$ 1,399,580	\$ 1,206,784
Juvenile Dependency Services		\$ 3,205,791					\$ 3,205,791	\$ 3,132,151	\$ 3,226,258	\$ 3,144,151
Juvenile Delinquency Services									\$ 32,229	\$ 91,060
Other Court Operations	\$ 3,299,893	\$ 264,964			\$ 14,039		\$ 3,578,896	\$ 4,092,076	\$ 3,457,979	\$ 7,260,886
Court Interpreters	\$ 1,658,129	\$ 272,460					\$ 1,930,590	\$ 1,665,869	\$ 1,841,995	\$ 1,477,921
Jury Services	\$ 553,548	\$ 75,300	\$ 692,948				\$ 1,321,796	\$ 1,367,385	\$ 1,589,328	\$ 1,597,026
Security		\$ 1,045,137					\$ 1,045,137	\$ 1,011,909	\$ 539,806	\$ 1,004,562
Trial Court Operations Program	\$ 32,861,204	\$ 6,241,649	\$ 693,180		\$ 255,118	\$ 0	\$ 40,051,151	\$ 43,395,583	\$ 38,884,888	\$ 44,271,146
Enhanced Collections	\$ 340,239	\$ 3,382,787			\$ 64,153		\$ 3,787,180	\$ 3,463,672	\$ 3,109,098	\$ 4,006,641
Other Non-Court Operations		\$ 160,638	\$ 14,287			\$ 0	\$ 174,925	\$ 140,588	\$ 146,786	\$ 120,000
Non-Court Operations Program	\$ 340,239	\$ 3,543,425	\$ 14,287		\$ 64,153	\$ 0	\$ 3,962,104	\$ 3,604,260	\$ 3,255,885	\$ 4,126,641
Executive Office	\$ 1,055,181	\$ 2,881			\$ (38,964)		\$ 1,019,098	\$ 1,447,005	\$ 931,793	\$ 1,110,752
Fiscal Services	\$ 2,040,595	\$ 341,877	\$ 976,797		\$ (79,990)		\$ 3,279,279	\$ 1,448,441	\$ 6,909,896	\$ 1,310,801
Human Resources	\$ 3,124,647	\$ 76,128			\$ (28,650)		\$ 3,172,125	\$ 1,035,949	\$ 3,665,314	\$ 895,081
Business & Facilities Services	\$ 494,006	\$ 1,313,949			\$ (99,319)		\$ 1,708,636	\$ 1,822,379	\$ 2,182,671	\$ 2,003,273
Information Technology	\$ 1,141,750	\$ 3,724,400			\$ (72,350)		\$ 4,793,800	\$ 5,439,801	\$ 4,790,718	\$ 9,613,653
Court Administration Program	\$ 7,856,178	\$ 5,459,235	\$ 976,797		\$ (319,271)		\$ 13,972,938	\$ 11,193,575	\$ 18,480,392	\$ 14,933,560
Expenditures Not Distributed or Posted to a Program										
Prior Year Adjustments Not Posted to a Program										
Total	\$ 41,057,620	\$ 15,244,310	\$ 1,684,264		\$ 0	\$ 0	\$ 57,986,194	\$ 58,193,418	\$ 60,621,164	\$ 63,331,347

PURPOSE AND SCOPE

The purpose of this review was to determine the extent to which the Superior Court of California, County of Contra Costa (Court) has:

- Designed and implemented an internal control structure that can be relied upon to ensure the reliability and integrity of information; compliance with policies, procedures, laws and regulations; the safeguarding of assets; and the economical and efficient use of resources.
- Complied with the *Trial Court Financial Policies and Procedures Manual*, *Judicial Branch Contracting Manual*, and the Court's own documented policies and procedures.
- Complied with various statutes and Rules of Court.

The scope of audit work included reviews of the Court's major functional areas, including: cash collections, contracts and procurement, accounts payable, payroll, financial accounting and reporting, information technology, domestic violence, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2014–2015.

The Judicial Council in December 2009 adopted California Rules of Court Rule 10.500 with an effective date of January 1, 2010, that provides for public access to non-deliberative or non-adjudicative court records. Final audit reports are among the judicial administrative records that are subject to public access unless an exemption from disclosure is applicable. The exemptions under rule 10.500 (f) include records whose disclosure would compromise the security of a judicial branch entity or the safety of judicial branch personnel. As a result, any information considered confidential or sensitive in nature that would compromise the security of the Court or the safety of judicial branch personnel was omitted from this audit report.

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on April 9, 2015.

The entrance meeting was held with the Court on April 22, 2015.

Audit fieldwork commenced on June 1, 2015.

Fieldwork was completed in October 2015.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary review of the audit results was held on March 14, 2016, with the following:

- Hon. Steven K. Austin, Presiding Judge
- Hon. Jill Fannin, Assistant Presiding Judge
- Mr. Stephen H. Nash, Court Executive Officer
- Ms. Heather Pettit, Chief Information Officer

- Ms. Fae Li, Sr. Financial Services Manager

AS received the Court's final management responses to the AS recommendations on March 3, 2016. AS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the completed audit report for its review and comment on March 14, 2016.

This audit assignment was completed by the following audit staff under the supervision of John Judnick, Principal Manager:

Gregory Kelley, Auditor (auditor in charge)
Illya Kulish, Auditor
Lorraine De Leon, Auditor
Steven Lewis, Auditor

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Background

Trial courts are subject to rules and policies established by the Judicial Council to promote efficiency and uniformity within a system of trial court management. Within the boundaries established by the Judicial Council, each trial court has the authority and is responsible for managing its own operations. All employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity and professionalism. All employees shall also operate within the specific levels of authority that may be established by the trial court for their positions.

California Rules of Court (CRC) and the *Trial Court Financial Policy and Procedures Manual* (FIN Manual) established under Government Code section (GC) 77001 and adopted under CRC 10.804, respectively, specify guidelines and requirements concerning court governance.

The table below presents general ledger account balances from the Superior Court of California, County of Contra Costa (Court), that are considered associated with court administrative decisions. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Revenue				
** 833000-PROGRAM 45.25 - REIMBURSEM	\$ (348,455)	\$ (349,600)	\$ (1,145)	0%
Expenditures				
* 906300 - SALARIES - JUDICIAL OFFI	\$ 752,093	\$ 790,728	\$ (38,636)	-5%
* 920500 - DUES AND MEMBERSHIPS	\$ 10,848	\$ 8,384	\$ 2,464	29%
* 933100 - TRAINING	\$ 10,668	\$ 10,291	\$ 376	4%

We assessed the Court's compliance related to trial court management, including duties of the presiding judge (PJ), duties of the court executive officer (CEO), and management of human resources, with CRC and FIN Manual requirements through a series of questionnaires and tests. Primary tests included an evaluation of:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch* (operating guidelines). Requirements include restrictions on the payment of professional association dues for individuals making over \$100,000 a year.
- Compliance with CRC relating to cases taken under submission.
- Approval requirements regarding training.

Additionally, we obtained an understanding of the Court's organizational structure and reviewed the cash handling and fiscal responsibilities of Court personnel to ensure that duties are sufficiently segregated.

There were no issues associated with this section to report to management.

2. Fiscal Management and Budgets

Background

Trial courts must employ sound business, financial, and accounting practices to conduct its fiscal operations. To operate within the limitations of the funding approved and appropriated in the State Budget Act, courts should establish budgetary controls to monitor its budget on an ongoing basis to assure that actual expenditures do not exceed budgeted amounts. As personnel services costs account for more than half of many trial courts budgets, courts must establish a position management system that includes, at a minimum, a current and updated position roster, a process for abolishing vacant positions, and a process and procedures for requesting, evaluating, and approving new and reclassified positions.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Liabilities – Payroll				
374001 PAYROLL CLEARING ACCOUNT - LIABILITY	\$ -	\$ (1,831)	\$ (1,831)	-100%
374101 RETIREMENT CONTRIBUTIONS	\$ (1,249,124)	\$ (837,377)	\$ 411,747	49%
374102 RETIREMENT BENEFITS - JUD	\$ (1,046)	\$ -	\$ 1,046	n/a
374201 VOLUNTARY DEDUCTIONS EE	\$ 38	\$ 365	\$ (326)	-89%
374304 STATE DISABILITY INSURANC	\$ (19)	\$ (6,966)	\$ (6,947)	-100%
374305 SOCIAL SECURITY & MEDICAR	\$ (5,944)	\$ (5,941)	\$ 3	0%
374401 STATE INCOME TAX WITHHOLD	\$ (0)	\$ (0)	\$ -	n/a
374701 HEALTH BENEFITS PAYABLE E	\$ (55,564)	\$ (55,564)	\$ -	0%
374702 BENEFITS PAYABLE-MEDICAL	\$ 133,433	\$ 7,693	\$ 125,740	1634%
374703 BENEFITS PAYABLE-DENTAL E	\$ 10,959	\$ 336	\$ 10,623	3161%
374704 BENEFITS PAYABLE-VISION E	\$ (623)	\$ 14	\$ 609	4445%
374705 BENEFITS PAYABLE-LIFE EE	\$ 53	\$ 236	\$ (183)	-78%
374706 BENEFITS PAYABLE-FLEX SPE	\$ (8,111)	\$ (6,218)	\$ 1,893	30%
374707 BENEFITS PAYABLE-LTD EE A	\$ 70	\$ -	\$ 70	n/a
375001 ACCRUED PAYROLL	\$ (938,985)	\$ (701,662)	\$ 237,323	34%
Expenditures – Payroll				
* 900300 - SALARIES - PERMANENT	\$ 21,854,400	\$ 20,103,490	\$ 1,750,911	9%
* 903300 - TEMP HELP	\$ 238,519	\$ 2,053,778	\$ (1,815,260)	-88%
* 908300 - OVERTIME	\$ 226,799	\$ 227,342	\$ (543)	0%
** SALARIES TOTAL	\$ 23,071,811	\$ 23,175,338	\$ (103,528)	0%
* 910300 - TAX	\$ 1,633,362	\$ 1,634,145	\$ (782)	0%
* 910400 - HEALTH INSURANCE	\$ 5,261,874	\$ 5,478,609	\$ (216,735)	-4%
* 910600 - RETIREMENT	\$ 10,110,191	\$ 9,278,911	\$ 831,280	9%
* 912400 - DEFFERED COMPENSATION	\$ 93,469	\$ 72,678	\$ 20,790	29%
* 912500 - WORKERS' COMPENSATION	\$ 590,565	\$ 433,594	\$ 156,971	36%
* 912700 - OTHER INSURANCE	\$ 164,889	\$ 155,387	\$ 9,502	6%
* 913800 - OTHER BENEFITS	\$ 131,460	\$ 154,256	\$ (22,797)	-15%
** STAFF BENEFITS TOTAL	\$ 17,985,810	\$ 17,207,580	\$ 778,230	5%
*** PERSONAL SERVICES TOTAL	\$ 41,057,620	\$ 40,382,918	\$ 674,702	2%

We assessed the Court's budgetary controls by obtaining an understanding of how the Court's annual budget is approved and monitored, reviewing its approved budget, and comparing budgeted and actual amounts. In regards to personnel services costs, we compared budgeted and actual expenditures, and performed a trend analysis of prior year personnel services expenditures to identify and determine the causes of significant variances.

We also evaluated the Court's payroll controls through interviews with Court employees and review of payroll reports and reconciliation documents. We validated payroll expenditures for a sample of employees to supporting documentation, including timesheets, payroll registers, withholding documents, and benefits administration files to determine whether timesheets were appropriately approved and payroll was correctly calculated. Furthermore, we reviewed the Court's Personnel Manual and bargaining agreements at a high level to determine whether differential pay, leave accruals, and various benefits were issued in accordance with these agreements.

There were no significant issues associated with this section to report to management and only two minor issues as reported in Appendix A of this report.

3. Fund Accounting

Background

Trial courts must account for their receipt and use of public funds using the fund accounting and reporting standards published by the Government Accounting Standards Board. To assist courts in meeting this objective, the FIN Manual provides guidelines for courts to follow. FIN 3.01, 3.0, requires trial courts to establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the courts' financial operations. FIN 3.01, 6.1.1 defines a "fund" as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. A set of governmental, fiduciary, and proprietary funds have been set up in the Phoenix Financial System to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Fund Balances				
535001 RESERVE FOR ENCUMBRANCES	\$ (2,828,576)	\$ (3,007,685)	\$ (179,109)	-6%
552001 FUND BALANCE - RESTRICTED	\$ (2,432,534)	\$ (1,444,311)	\$ 988,223	68%
552002 FUND BALANCE - COMMITTED	\$ (3,007,685)	\$ (3,500,000)	\$ (492,315)	-14%
553001 FUND BALANCE - ASSIGNED	\$ (344,059)	\$ (6,102,777)	\$ (5,758,718)	-94%
615001 ENCUMBRANCES	\$ 2,828,576	\$ 3,007,685	\$ (179,109)	-6%
*** Fund Balances	\$ (5,784,278)	\$ (11,047,089)	\$ (5,262,811)	-48%

To determine whether the Court is properly accounting for its financial resources and expenditures in separate funds, we reviewed the trial balance of the Court's general fund and grant funds and certain detailed transactions, if necessary.

We also reviewed the Court's fiscal year-end fund balance reserves to determine whether they conform to the Judicial Council approved policy and are supported by the Court's financial statements.

There were no significant issues associated with this section to report to management.

4. Accounting Principles and Practices

Background

Trial courts must accurately account for use of public funds, and demonstrate their accountability by producing financial reports that are understandable, reliable, relevant, timely, consistent, and comparable. To assist courts in meeting these objectives, the FIN Manual provides uniform accounting guidelines for trial courts to follow when recording revenues and expenditures associated with court operations. Trial courts use these accounting guidelines and are required to prepare various financial reports and submit them to the JCC, as well as preparing and disseminating internal reports for monitoring purposes.

Since migrating onto the Phoenix Financial System, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services Division (TCAS). Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger. Since much of the accounting procedures have been centralized with TCAS, we kept our review of the Court's individual financial statements at a high level.

The Court receives various federal and state grants passed through to it from the JCC. Restrictions on the use of these funds and other requirements are documented in the grant agreements. The grants received by the Court are reimbursement type agreements that require it to document its costs to receive payment. The Court must separately account for financing sources and expenditures for each grant. As a part of the annual single audit of the State of California performed by the California State Auditor, the JCC requests courts to list and report the federal grant awards they received.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed during this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Assets				
130001 A/R-ACCRUED REVENUE	\$ 636,172	\$ 342,377	\$ 293,795	86%
131202 A/R-DUE FROM OTHER GOVERNMENTS (CUSTOMER)	\$ -	\$ 21,573	\$ (21,573)	-100%
131204 A/R-DUE FROM JUDICIAL COUNCIL (CUSTOMER)	\$ -	\$ 356,085	\$ (356,085)	-100%
131601 A/R - DUE FROM EMPLOYEE	\$ 6,683	\$ 5,201	\$ 1,482	28%
131602 A/R - DUE FROM EMPLOYEE F	\$ 17,284	\$ -	\$ 17,284	n/a
134010 A/R - TRUST RECEIVABLES	\$ 8,941	\$ 165	\$ 8,776	5335%
140007 DISTRIBUTION-DUE FROM OPERATIONS	\$ -	\$ 20	\$ (20)	-100%
140011 OPERATIONS-DUE FROM TRUST	\$ 38	\$ 1,736	\$ (1,698)	-98%
140012 OPERATIONS-DUE FROM DISTR	\$ 12,372	\$ 5,362	\$ 7,010	131%
140014 GENERAL-DUE FROM SPECIAL	\$ 2,269,135	\$ 1,240,974	\$ 1,028,162	83%
150001 A/R - DUE FROM OTHER GOVE	\$ 383,619	\$ 198,399	\$ 185,220	93%
151000 A/R-DUE FROM COURTS	\$ 850,197	\$ -	\$ 850,197	n/a
152000 A/R-DUE FROM STATE	\$ 2,778,778	\$ 1,715,147	\$ 1,063,631	62%
*** Accounts Receivable	\$ 6,963,219	\$ 3,887,038	\$ 3,076,182	79%

Revenues

** 812100-TCTF - PGM 10 OPERATIONS	\$ (42,692,806)	\$ (42,113,255)	\$ 579,552	1%
** 816000-OTHER STATE RECEIPTS	\$ (1,396,191)	\$ (1,396,191)	\$ -	0%
** 821000-LOCAL FEES REVENUE	\$ (1,255,229)	\$ (1,081,616)	\$ 173,613	16%
** 821200-ENHANCED COLLECTIONS - REV	\$ (2,461,752)	\$ (2,244,630)	\$ 217,122	10%
** 823000-OTHER - REVENUE	\$ (1,164,255)	\$ (205,500)	\$ 958,755	467%
** 825000-INTEREST INCOME	\$ (30,567)	\$ (43,656)	\$ (13,089)	-30%
*** TRIAL COURTS REVENUE SOURCES	\$ (49,000,801)	\$ (47,084,847)	\$ 1,915,953	4%
** 831000-GENERAL FUND - MOU/REIMBUR	\$ (10,724)	\$ (10,330)	\$ 394	4%
** 832000-PROGRAM 45.10 - MOU/REIMBU	\$ (4,273,254)	\$ (4,401,504)	\$ (128,251)	-3%
** 834000-PROGRAM 45.45 - REIMBURSEM	\$ (1,908,590)	\$ (1,536,092)	\$ 372,498	24%
** 837000-IMPROVEMENT FUND - REIMBUR	\$ (148,904)	\$ -	\$ 148,904	n/a
** 838000-AOC GRANTS - REIMBURSEMENT	\$ (1,714,102)	\$ (1,563,341)	\$ 150,762	10%
** 839000-NON-AOC GRANTS - REIMBURSE	\$ (163,416)	\$ -	\$ 163,416	n/a
** 840000-COUNTY PROGRAM - RESTRICTE	\$ (368,420)	\$ (318,166)	\$ 50,253	16%
** 860000-REIMBURSEMENTS - OTHER	\$ (215,771)	\$ (249,894)	\$ (34,123)	-14%
*** TRIAL COURTS REIMBURSEMENTS	\$ (9,151,636)	\$ (8,428,928)	\$ 722,708	9%
*** PRIOR YEAR REVENUE	\$ (27,045)	\$ 155,422	\$ (128,377)	-83%
**** REVENUE TOTAL	\$ (58,179,482)	\$ (55,358,354)	\$ 2,821,128	5%

Liabilities

341001 REVENUE COLLECTED IN ADVA	\$ (3,282,126)	\$ -	\$ 3,282,126	n/a
342001 REIMBURSEMENTS COLLECTED	\$ (50,061)	\$ (16,132)	\$ 33,929	210%

Expenditures

971101 OTHER POSTEMPLOYMENT BENE	\$ 976,797	\$ 4,525,125	\$ (3,548,328)	-78%
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We compared year-end general ledger account balances between the prior two fiscal year trial balances and reviewed accounts with material balances that experienced significant variances from year-to-year. We also assessed the Court's procedures for processing and accounting trust deposits, disbursements, and refunds to determine whether it is adequate controls over trust funds. Additionally, we reviewed various FY 2014–2015 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant guidance.

The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.

4.1 The Court Needs to Improve Its Financial Accounting and Reporting Practices

Background

Internal and external users of court financial information depend on reliable court financial data and reports to obtain the information they need to evaluate each court's finances. Accordingly, the FIN Manual, Policy No. FIN 5.01, establishes uniform guidelines and accounting principles for courts to follow when gathering, summarizing, and reporting accounting information associated with the fiscal operations of each court. This procedure requires that courts comply with the basic principles of accounting and reporting that apply to government units. It also requires that courts execute and account for financial transactions in conformity with generally accepted accounting principles and legal requirements.

Issues

To determine whether the Court properly recorded, classified, and reported its financial transactions, we reviewed its general ledger (GL) account balances and its accounting treatment on an overall basis and then selected on a judgmental basis certain financial transactions to review during the audit. Our review determined that the Court generally does properly account for and report its financial transactions but our review noted situations where it did not. Specifically, we noted the following:

1. Our review of the liability account titled “Reimbursements Collected in Advance” revealed that the Court did not correctly record money received from the Recidivism Reduction Fund Court Grant Program in the amount of \$50,061. Review of the contract revealed that the money should have been recorded as revenue, not a liability, because the contract clearly indicates that all required deliverables in compliance with Exhibit C, paragraph 10.1 (Program Stat-Up Costs) had been completed, reported/submitted as contractually required, and approved by the Judicial Council representative before the court received the contractually agreed to start-up costs of \$50,061.
2. Our review of selected transactions in the “Miscellaneous Reimbursement” account revealed classification issues for the following transactions:
 - a. The Court classified reimbursement of the County portion of Family Law Facilitator Costs in the amount of \$70,190.40 for FY 14-15 as “Miscellaneous Reimbursement” incorrectly. Since the payments received by the court are based on an Interagency Agreement these payments are not miscellaneous in nature. The agreement clearly indicates that the Court is providing services and so the Court should have recorded funds received in connection of Family Law Facilitator Costs in the “Other County Services” account.
 - b. The Court classified reimbursements of operating expenses for Homeless court sessions in the amount of \$19,551 as “Miscellaneous Reimbursement” incorrectly. Because the payments received by the Court are based on an Interagency Agreement these payments are not miscellaneous in nature. The Court should have recorded funds received in the “Other County Services account”.
3. Annually the Court receives a reimbursement from the Franchise Tax Board (FTB) as part of the court ordered debt reimbursement program. In December of 2014 the FTB issued a reimbursement check to the Court for \$373,907 for debt collected during FY 12/13. The Court recorded this reimbursement incorrectly by recording it in the “Miscellaneous Revenue” account. The Court must redistribute on a pro-rata basis any reimbursement from the Franchise Tax Board’s Court-Ordered Debt Collections Program (FTB-COD) based on the applicable reimbursement period pursuant to Penal Code § 1463.001 guidelines. The Court’s portion of the distributed funds must be treated as an abatement to the costs of the enhanced collections programs that collect the Court-Ordered Debt.

4. Our review of the Court's fund accounting practices revealed that it does not always follow recommended or appropriate fund assignment according to the Phoenix Chart of Accounts. For example, the Court records all reimbursements received from its returned check fees collected from both installment plans that are current and delinquent in the enhanced collections fund 120007. Our review of the Court's trial balance for FY 14/15 showed that the Court had recorded \$467.65 in general ledger account 812152 (TCTF-Program 45.10-Returned Check) in fund 120007. In addition, the Court records all installment plan fees collected on both current installment plans and delinquent installment plans in fund 120007. For FY 14/15 the Court's trial balance showed the Court had recorded \$703,001 of fees collected in general ledger account 821181 (PC 1205d Installment Fee) to fund 120007. In both of the cases just mentioned, while some of the fees collected is generated from delinquent accounts and is accurately recorded in fund 120007 enhanced collections, some is generated from forthwith payments and recording that money in the enhanced collections fund 120007 is not the correct treatment to record it. Reimbursements from both returned check fees and installment plan fees generated from forthwith payments must be differentiated from delinquent accounts and recorded in the Court's general fund.
5. Our review of the Court's GL account balances identified one source of revenue whose use is restricted by statute, but the Court does not account for it as restricted. For example, in fiscal year (FY) 2014-2015, the Court received revenues that should be used "to defray costs of municipal and superior courts incurred in administering Sections 16028, 16030, and 16031 of the Vehicle Code." (PC 1463.22(a)). Although the Court accounts for these restricted revenue and reimbursement sources using separate revenue GL accounts, it did not assign certain unique accounting system codes that separately track their respective expenditures as designated and restricted; as a result, this revenue could inadvertently be applied inappropriately. To mitigate this risk, transactions should be recorded as a restricted source of revenue in the Court's GL.
6. Our review of information the Court provided for the FY 2014-2015 State Comprehensive Annual Financial Report (CAFR) found that the Court did not report some required information. Specifically, the Court did not include the lease of a storage unit in its FY 2014-2015 lease expenditures in the amount of \$7,299.

Recommendations

To ensure it properly classifies, records, and reports its financial transactions, the Court should consider the following:

1. Follow the required FIN Manual policies and procedures regarding trial court revenue recognition by ensuring that revenue is recorded in the appropriate fiscal year. This must be done as the Court complied with all contractually required steps to earn the \$50,061 start-up costs prior to the end of the fiscal year.
2. Follow the required FIN Manual policy and procedures regarding use of the chart of accounts to ensure that transactions are being recorded in the appropriate general ledger

funds and accounts. The chart of account – account description column can be accessed at the SAP Shared Workplace.

3. Any reimbursement received from the FTB-COD Program should be deposited in the distribution bank account and redistributed on a pro-rata basis based on Penal Code section 1463.001(e) which specifies that any amounts remitted to the county from FTB collections shall be allocated pursuant to PC 1463.001. The methodology of redistribution is similar to the proration of costs as specified in the collections guidelines. The reimbursement amount due to each client is based on the percentage of revenues collected for each, on a pro-rata share, based on the applicable reimbursement period. The court should be treating the court's portion of distributed funds as an abatement to the costs of enhanced collections programs that collect the court-ordered debt, and not as miscellaneous revenue.
4. Record all reimbursements for non-restricted expenditures generated from collection of forthwith payments for the returned check fee and installment plan fee in the general fund to appropriately match expenditures and reimbursements for those costs.
5. Record restricted revenues in the special revenue funds and/or assign certain unique accounting system codes to track the expenditures associated with restricted revenues.
6. Train court staff responsible for completing the year-end CAFR report to ensure that all relevant information is included and accurately reported in its year-end CAFR report.

**Superior Court Response By: Fae Li, Senior Financial Services Manager
Date: February 29, 2016**

1. The Court believes it complied with FIN Manual requirements for revenue recognition by recording receipt of the initial funding of \$50,061 for the Recidivism Reduction Grant as a liability. In accordance with the grant agreement, the Court received this funding after meeting the deliverable for year 1 that began on April 1, 2014. The deliverable was submission of the Cost Report by April 30, 2014 to identify how the initial funding was to be used. The Court also received approval from the Judicial Council Program Manager to spend the initial funding by December 30, 2015. Since the Court did not record any grant expenditures at the time it received the initial funding, this funding was provided as a prepayment as opposed to a reimbursement. For Reimbursable Agreements such as grants, FIN 5.01, 6.3.2 requires courts to recognize reimbursements in the fiscal year when earned, not necessarily when received as in the instance of a prepayment. Prepayments must be recorded as reimbursements collected in advance when received and recognized in the fiscal year when the related expenditures are incurred. The Court spent the initial funding by November 2015 and has recorded the money as grant reimbursement.

Date of Corrective Action: Completed

Responsible Person(s): Fae Li, Senior Financial Services Manager

Audit Services Comment: To provide clarity and perspective, we are commenting on the response received above.

While the Court may disagree, the Court did comply with all contractually required steps to earn the \$50,061 start-costs prior to the end of the fiscal year and is required to recognize the amount as revenue in fiscal year 2014-2015. The Court noted in its response that it received verbal approval to effectively “amend” the contract with respect to the \$50,061 start-up costs but this is not an acceptable means of amending a contract. Never-the-less, the contractual terms were complied with and the Court’s indication of the extension does not alter that fact. The Courts discussion of prepayments does not apply because the Court is not prepaying anything.

2. The Court agrees and is recording County reimbursements in fiscal year 2015 – 2016 for DCSS Family Law Facilitator, Homeless Court, and similar County reimbursement programs to the Other County Services account.

Date of Corrective Action: Completed

Responsible Person(s): Fae Li, Senior Financial Services Manager

3. The Court agrees and will follow recommendation #3 with future FTB reimbursement checks. Although the Court recorded the December 2014 FTB reimbursement check as revenue, this revenue was offset against the Court’s cost of collections for February through May 2015 and only the net cost was recovered from delinquent collections.

Date of Corrective Action: Upon receipt of next FTB reimbursement check

Responsible Person(s): Fae Li, Senior Financial Services Manager

4. The Court and County have an agreement for the Court to collect delinquent and installment accounts, which provides for the County to reimburse the Court for costs of collecting installment accounts in excess of certain administrative fees collected by the Court on these accounts. As a result, the Court uses fund 120007 in order to separately record and track delinquent and installment collections revenue and expenditures. Beginning in the next fiscal year, the Court will use fund 120007 only for delinquent collections and will use another fund that is appropriate to record and track installment revenue and expenditures.

Date of Corrective Action: July 1, 2016

Responsible Person(s): Fae Li, Senior Financial Services Manager

Audit Services Comment: To provide clarity and perspective, we are commenting on the response received above.

While the Court may have an agreement with the County to receive reimbursement for costs relating to the collection of installment accounts, non-delinquent reimbursements must be recorded in the general fund as they are related to non-restricted expenses.

5. The Court agrees and is recording fiscal year 2015 – 2016 revenue to the PC 1463.22a Insurance Conviction account and Special Revenue Fund-Other fund. A unique WBS element has been assigned to track PC 1463.22a revenue and related expenditures.

Date of Corrective Action: Completed

Responsible Person(s): Fae Li, Senior Financial Services Manager

6. The Court agrees and will report current and future payments for all operating leases in the next CAFR report. Since this information is provided as a note only and does not affect any financial statements in the CAFR, no adjustments to the fiscal year 2014 – 2015 operating lease information will need to be made.

Date of Corrective Action: Completed

Responsible Person(s): Fae Li, Senior Financial Services Manager

5. Cash Collections

Background

Trial courts must collect and process revenue in a manner that protects the integrity of the court and its employees and promotes public confidence. Thus, trial courts should institute procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments. The FIN Manual, FIN 10.02, provides uniform guidelines for trial courts to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders. Additionally, FIN 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Cash				
100000 POOLED CASH	\$ 2,160,130	\$ 6,511,903	\$ (4,351,773)	-67%
100011 OPS DEPOSIT	\$ 12,516	\$ 1,883,105	\$ (1,870,589)	-99%
100025 DISB CHECK-OPERATIONS	\$ (2,192,543)	\$ (1,584,003)	\$ 608,540	38%
100027 DISB OUTGOING EFT	\$ (44,856)	\$ -	\$ 44,856	n/a
100132 DIST CREDIT CARD DEPOSIT	\$ 197,215	\$ 24,816	\$ 172,399	695%
100137 DIST OUTGOING EFT	\$ -	\$ (450,067)	\$ (450,067)	-100%
100165 TRUST DISBURSEMENT CHECK	\$ (584,172)	\$ (409,721)	\$ 174,451	43%
114000 CASH-REVOLVING	\$ 50,000	\$ 50,000	\$ -	0%
119001 CASH ON HAND - CHANGE FUN	\$ 8,393	\$ 9,476	\$ (1,083)	-11%
120050 SHORT TERM INVESTMENTS-LA	\$ 7,106,785	\$ 3,113,463	\$ 3,993,322	128%
120051 SHORT TERM INVESTMENTS-CA	\$ 15,926,861	\$ 10,106,991	\$ 5,819,870	58%
*** Cash and Cash Equivalents	\$ 22,640,330	\$ 19,255,963	\$ 3,384,368	18%
Shortages				
823004 CASHIER OVERAGES	\$ (5,220)	\$ (7,939)	\$ (2,719)	-34%
952599 CASHIER SHORTAGES	\$ 1,266	\$ 2,070	\$ (804)	-39%

We visited all court locations with cash handling responsibilities. At each of these locations, we assessed various cash handling controls and practices through observations and interviews with Court operations managers and staff. Specific controls and practices reviewed include, but are not limited to, the following:

- Beginning-of-day opening.
- End-of-day closeout, balancing, and reconciliation.
- Bank deposit preparation.
- Segregation of cash handling duties.
- Access to safe, keys, and other court assets.
- Physical and logical security of cashiering areas and information systems.

We also reviewed selected monetary and non-monetary system transactions, and validated these transactions to supporting receipts, case files, and other documentation. In addition, we assessed

controls over manual receipts to determine whether adequate physical controls existed, numerical reconciliation was periodically performed, and other requisite controls were being followed.

Further, we reviewed the Court's comprehensive collections program for compliance with applicable statutory requirements to ensure that delinquent accounts are monitored and timely referred to its collections agency, and that collections are timely posted and reconciled.

The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.

5.1 The Court Needs to Strengthen Its Cash Handling Controls and Procedures

Background

To protect the integrity of the court and its employees and promote public confidence, the FIN Manual, FIN 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This policy requires courts to institute procedures and internal controls that assure the safe, secure collection, and accurate accounting of all payments.

Segregation of Duties

FIN Manual, Policy No. FIN 1.03, 6.3.3 (6), discusses appropriate segregation of duties that will help safeguard trial court assets. Specifically, work must be assigned to court employees in such a fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. Duties that must not be assigned to only one individual include:

- Receiving cash and also establishing or modifying case files without appropriate supervisor review and approval, other than updating cash balance for payments received
- Receiving money and preparing cash settlement reports.
- Receiving money and preparing bank reconciliations.
- Receiving payments by mail and also establishing or modifying case files without appropriate supervisor review and approval.

Manual Receipts

FIN 10.02, 6.3.9, states that in case the automated accounting system fails, the supervisor or designated employee will issue books of pre-numbered receipts and the cashier will issue customers a handwritten receipt. The supervisor issuing the receipt books will monitor and maintain an accounting of the receipt books, including receipt books issued and to whom, date issued, person returning the receipt book(s), the receipts used within each book, and the date the receipt books are returned. Handwritten receipt transactions must be processed as soon as possible after the automated system is restored.

Payments Received Through The Mail

For payments received through the mail, FIN 10.02, 6.4, provides courts with the following processing guidance:

- Checks and money orders received through the mail should be processed and entered into the court's cashiering system on the day they are received. Any exceptions are to be brought to the attention of a supervisor and processed as soon as practicable.
- A two-person team should be used to maintain accountability for payments received through the mail. Team members opening mail must not also enter the payments in the court's cashiering system. To avoid record keeping of payment exceptions outside of the court's cashiering system, all payments that cannot be immediately applied should be entered in the court's cashiering system as "suspense items", accounted for as a liability and deposited to a trust bank account until the payment can be properly applied.
- Checks and money orders received through the mail should be listed on a Payment Receipt Log. The log should include a case number, person making the payment, check amount and number, date received, and person handling the check for each payment received. An adding machine tape of payments received should be attached to the log showing that the total amount received matches the total amount entered on the log. Afterwards, the person logging the mail payments signs the log. The log and payments are then delivered to a designated cashier for entry in the accounting system.
- After the checks and money orders have been entered into the accounting system, an accounting system report will be reconciled against the Payment Receipt Log to ensure that all payments were entered. The Payment Receipt Log will be included in the daily closeout documentation.

On a daily basis, trial court staff responsible for processing payments received through the mail must review all payments that are held over from a previous day's work to determine if any of the payments can be processed. A supervisor or manager must identify and log any payment that has been held for more than five calendar days without being processed. The log must specify the reason why the payment cannot be processed and must also specifically identify any cash payment being held in suspense for more than five calendar days. Further, a supervisor or manager must provide a report on at least a monthly basis to the Fiscal Officer listing by age any payment that has not been processed for more than 15 days. Similarly, a report must be provided to the Court Executive Officer or designee that lists by age any payment that has not been processed for 30 days.

Safe Procedures

A trial court should promote appropriate physical security of court assets and sensitive or confidential court documents by requiring all staff to follow the established safe procedures that the Court currently has in place. FIN 1.03, section 6.3, identifies controlled access to assets as one of the key components to an effective system of internal controls. Furthermore, FIN 10.02, section 6.1.1, provides additional guidance on procedures the Court must follow when using safes.

Change Fund

Also, FIN 10.02, 6.3.1, states, in part, that courts may establish a change fund in each location that collects payments to provide cashiers currency and coin necessary to make change in the day-to-day cash collection operations of the court. A trial court employee other than the change fund custodian should count the change fund if amount is between \$200.01 to \$500.00 at least quarterly and report the count to the Fiscal Officer.

Alternative Procedures

Finally, courts may develop an alternative procedure in place of following a mandatory FIN Manual procedure, but must submit the proposed alternative procedure for approval in accordance with the process provided in FIN 1.01, 6.4 (4). The paragraph further states that unapproved alternative procedures are not valid for audit purposes.

Issues

Our review of the Court's cash handling practices and associated documents found internal control deficiencies and non-compliance with FIN Manual requirements. Specifically, the Court could strengthen its procedures in the following areas:

Change Funds

1. **The Court has not performed a thorough evaluation of all established change funds resulting in accounting discrepancies and unnecessarily high change fund sizes.** At the time of review, Court finance provided a master change fund log by location; this log was then used to reconcile each location's cash on hand. Our review found that the Martinez court records division had a change fund total of \$460.01 with a Loomis daily change out amount of \$160.00. While the master log indicated this location as having a change fund total of \$300.00 with a Loomis change out amount of \$160.00. Furthermore, the fund amount at two locations is excessive when compared to the amount that each location collects. For example, the Martinez criminal division average daily collection is \$2,232 with nearly this entire amount being check payments. The day this area was observed they collected only \$4.50 cash. In addition, the Martinez records division has an average daily collection amount of \$441; on the day observed, this area collected only \$109 cash.
2. **External counts, or counts conducted by an employee other than the change fund custodian, of change funds do not comply with the recommended schedule stated in FIN 10.02, 6.3.1(7).** Finance performs external counts through its annual surprise cash audit, however, change funds exceeding \$200 are counted more frequently (e.g. \$200.01 - \$500 is quarterly and over \$500 is monthly).

Manual Receipts

1. **During system downtime when each manual receipt book is issued to each clerk, the Court's current log does not record the beginning receipt sequence when checked out and ending receipt sequence when returned.** For example, the issuance log being used does not account for individual receipt sequences used when each book is in possession of each clerk, as required by FIN 10.02, 6.3.9,(1). Furthermore, there is also no evidence of supervisory review was consistently taking

place, such as attaching the CMS receipt or noting the CMS receipt number in the receipt book or log with supervisor initials to ensure and document that manual receipts were entered into the CMS. **Repeat Issue**

2. **Court manual receipt books issued by the fiscal department are not being controlled by properly monitoring and accounting for each book issued.** For example, one receipt book that contained 30 unused receipts titled (MTZCIV – 00091) in the Martinez civil division, was not listed on the master issuance log and the court had no record that this book was in the possession of the Martinez civil department. **Repeat Issue**
3. **Court staff is not always completing all sections when filling out a manual receipts.** For example, at the Richmond civil division after reviewing the used manual receipts it was noted that the date was missing on eight out of 17 manual receipts issued, case number was missing on one out of 17 receipts, payer name missing on two out of 17, and amount received missing on one out of 17 receipts. In addition, at the Pittsburg traffic division three out of 5 issued manual receipts didn't have payer name filled out or was filled out incorrectly. **Repeat Issue**

Mail payment processing and escalation

1. **The Court is at risk of fraud because it does not create a control account list for mail that is processed immediately when opened.** While the Court does create a list called the “trouble mail” log for mail payments that cannot be processed immediately, not all locations at the Court follow the recommended FIN Manual procedures which, in part, were created to assist the Courts in mitigating the specific risk of lapping payments by creating a control list of mail payments in which the supervisor can use to reconcile this list to the CMS to ensure all payments have been entered appropriately. For example, at the Martinez civil and family law divisions clerks that receive customer remittance also process mail payments that are not logged. Furthermore, at all locations, logged trouble mail is divided out to each division's clerks to be processed and those clerks are responsible for receiving customer remittance at cashiers' windows. While it is good that the trouble mail logs were being used as a tool to manage aged mail, the logs were not being used as a control account list to reconcile these payments to the CMS to ensure each payment was entered appropriately. To give credit to the Court, the procedures that it currently has in place evidence that the Court has made great effort to established some good control procedures for mail payments, but these procedures should be further developed and followed consistently at all locations to be affective.
2. **At the time of our review the Court had not implemented the mandatory FIN Manual procedure for monitoring of unprocessed mail payments.** Although department supervisors and leads informally monitor mail payments and may report significant backlogs to management, the FIN Manual requires each department to log payments unprocessed for more than 5 days, report monthly unprocessed payments more than 15 days to the Fiscal Director, and escalate to the CEO unprocessed payments more than 30 days. However, the Court has indicated that payments beyond

30 days were rare; the Walnut Creek traffic division did have several payments that were 30 days old at the time of our review. **Repeat Issue**

3. **For payments which cannot be immediately applied, the Walnut Creek location does not enter the payments into suspense and deposit the check or money order as recommended by FIN 10.02, 6.4, 2.** Specifically, at the time of our review the Walnut Creek location had \$16,063 of unprocessed “trouble mail” payments dating back as far as 30 days for which payments were not yet entered into the cashiering system and the payment instruments were still in the Court’s possession and not deposited.

Segregation of Duties

1. **The Court did not always implement business processes with adequate segregation of duties leading several locations to have primary staff duties that were incompatible.** Specifically, at Richmond civil division the day observed, the clerk IV assisted by receiving customer remittance and also was responsible for preparing the deposit. The Richmond traffic division’s clerk IV processed mail and drop box payments, received customer remittance, entered payments into the CMS, and also performs closeout for her division staff. Further, at Martinez criminal and court records the lead clerk verified the division end of day closeout and also prepared the deposit. While Martinez criminal and Martinez court records did have a secondary review of the deposit the incompatible duty could be better mitigated if the duty of verifying division end of day closeout of each cashier was performed by a different staff person that does not also prepare the deposit.
2. **In general all court locations are not consistently segregating the duty of processing mail and drop box payments from processing customer’s remittance at the front windows.** Although, it may be difficult for the Court with current staffing limitations to appropriately segregate this duty, the Court can mitigate this risk of “lapping fraud” by following the recommended mail processing procedures and logging all mail payments then reconciling this log to the CMS.

Safe Controls

1. **Items held in safe are not being adequately documented and safe procedures not being followed.** Specifically, the Court’s inventory records of contents held in the safe did not reconcile. For example, at the Martinez Court records division it was noted that the inventory list documented that there should be four pouches containing \$22, but the review found that the safe actually contains 3 pouches containing \$22, and one empty pouch. Additionally, at the Walnut Creek location the safe inventory records did not include keys to electronic file stamps, a lockbox containing the manager’s office key, and a driver’s license that were physically present in the safe. Furthermore, the Court has documented written safe procedures in place but these procedures are not consistently being followed. Specifically, during the review at each court location it was noted that the Court’s procedure number 49 that requires an “acknowledgement form” be completed to document an item that is being presented and held in the safe was not being completed. This form is important and serves as an

affidavit certifying that the Court manager is accepting the item to be officially held by the Court.

Recommendations

To ensure the safe and secure collection and accurate accounting of all payments, the Court should enhance its procedures over cash handling operations as follows:

Change Funds

1. Court finance should conduct a complete review of all cash on hand at each court location and division to ensure that an accurate record is maintained.
2. Court should be performing external counts of its change funds so it complies with FIN manual recommended procedures. For example, it is suggested the external counts of each change fund exceeding \$200 is counted at least quarterly (e.g. \$200.01 - \$500 is quarterly and over \$500 is monthly).

Manual Receipts

1. Require the lead or supervisor who controls the manual receipt book in each department to maintain a receipt issuance log in accordance with FIN 10.02, 6.3.9 to monitor the use of the manual receipt book; and to timely review the receipts used to ensure that receipts have been entered into the CMS. To evidence this review, the supervisor or lead may consider attaching the CMS receipt to each manual receipt, or noting the CMS receipt number and date on each manual receipt or log.
2. The Court finance should control, monitor, and track the issuance of manual receipt books by performing a full inventory of manual receipt books at all locations and in all courtrooms that are holding manual receipt books. Use this inventory to maintain a complete up to date receipt book issuance log that details the number of manual receipt books that have been issued to all locations throughout the Court. Although not required, a good practice would be for finance to include a high level manual receipt reconciliation each quarter while performing the change fund counts.
3. The Court should enforce written procedures for the use of manual receipts and provide training to cashiers to ensure they are clear that all manual receipts should be filled out completely and accurately.

Mail Payment Processing and Escalation

1. To mitigate the risk of lapping payments the Court should establish a process whereby mail is logged on a mail payments receipt log to establish a record of the payments received in the mail. This receipts log is signed with adding machine tape attached and can be used to then reconcile each mail payment to ensure that it has been entered into CMS appropriately.
2. Implement the procedure for monitoring and reporting of unprocessed payments provided in FIN 10.02, 6.4.(4c) in each department that takes in mail payments, to

ensure unprocessed payments are properly tracked and significant backlogs are appropriately escalated and addressed.

3. To reduce the risk of record keeping receipt exceptions of large volumes of unprocessed mail payments outside the Court's case management cashiering system, all payments received in the mail that cannot be applied to case immediately should be entered in the Court's cashiering system and applied to a suspense account.

Segregation of Duties

1. Establish cash handling procedures where payment processing, mail payments, settlement, and deposit preparation are properly segregated. Specifically, staff that accept customer remittance and/or process any payments into the CMS should not have conflicting duties of performing end of day closeout and deposit. In addition, as stated under the mail payment recommendation, to avoid the risk of lapping fraud; mail payments should not be processed by court staff that also work the front counter and receive customer remittance. If the Court cannot segregate these conflicting duties then it should mitigate the risk by using a mail payment control log that can be reconciled to the CMS.

Safe Controls

1. Perform a court wide safe inventory and reconciliation of all contents currently being held in safes at all locations resolving all discrepancies. After reconciling, an up to date safe inventory list should be created, signed, and dated. The Court should maintain all safe inventory lists and perform periodic reconciliations of inventory lists to safe contents to ensure accuracy. Furthermore, the Court should enforce its own safe procedures that it has in place. Specifically, but not limited to, ensure that all locations are following court safe procedure and completing and attaching the acknowledgement form. Per the Court's policy this procedure states, "Upon receipt of the documentation/items ordered surrendered, the courtroom clerk or counter clerk shall place all items in an unsealed envelope whenever possible, complete and affix the form entitled *Acknowledgment of Receipt/Release of Documents/Items in Safe* and attach this form to the envelope.

The Court may also prepare and submit alternative procedure requests to the Judicial Council Finance Director for approval if it does not implement certain recommendations relating to mandatory FIN Manual requirements. The requests should identify the FIN Manual procedures the Court cannot implement, the reasons why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

Superior Court Response By: Fae Li, Senior Financial Services Manager
Date: October 19, 2015

Change Funds

1. Partially Agree. The Financial Services Division counted all locations' change and starting cash funds in September 2015 and updated its records.

The Martinez Criminal Division reduced its change fund amount but the Martinez Court Records Division has a need for the existing change fund level. Although the auditors looked at average collection volume and observed one day of actual cash volume, the division has experienced higher cash volume days where change is needed. The majority of payments are for copy fees that require change to be given. The division also expanded its service hours after the cash audit so payment volume has increased.

2. Agree. The Financial Services Division has expanded its existing surprise cash counts to include change fund counts and review of other cash handling procedures. The first cash handling compliance review was completed in September 2015 and will take place quarterly. The Court does not have any change funds over \$500.

Manual Receipts

1. Partially Agree. The Court has enhanced its manual receipt issuance log to document the beginning receipt sequence when checked out and the ending receipt sequence when returned.

The Court's local manual receipt procedure already requires the bottom portion of the manual receipt to be completed with the date entered into the CMS, name of CMS, division, CMS receipt number, and cashier name. As the FIN Manual does not require supervisory review, the Court has determined that its local procedure sufficiently evidences that the receipt has been entered into the CMS. In September 2015, the Financial Services Division has expanded its existing surprise cash counts to include review of manual receipts and other cash handling procedures to verify that manual receipts are entered into the CMS and the CMS entry is recorded on the receipt.

2. Although the Court acknowledges overlooking logging book MTZCIV – 00091, we disagree with the auditors' conclusion that manual receipt books are not being controlled because 1 of 40 books issued was not on the master log. The book was issued to the location administrator who placed the book in the location safe, logged in the location safe log, and provided a copy of the location's safe log to the Financial Services Division. The Court has added the book to the master log. Furthermore, the Financial Services Division reviewed all manual receipt books in September 2015 and confirmed that all books are logged and secured in safes, and that all 30 unused receipts are intact in book MTZCIV – 00091.
3. Agree. The Court provided a refresher training to clerks on how to complete manual receipts. In September 2015, the Financial Services Division expanded its existing surprise cash counts to include review of manual receipts and other cash handling procedures.

Mail payment processing and escalation

1. Partially agree. The auditors noted that the Martinez civil clerks processed mail payments that were not logged. The Court has explained to the auditors that the unit

had identified mail payments received within a two-week period that were not logged on the days received and subsequently logged them in one log. This anomaly has been corrected and the unit continues to log mail payments on the day received. The Court will implement mail procedures at the Martinez family law unit by October 31, 2015 to either have a two-person team open and process mail payments and log unprocessed mail payments, or log all mail payments on the day received.

The Court's resources are insufficient to implement all discretionary mail payment procedures. For instance, the Court did implement the discretionary two-person team procedure to open and process mail payments, but only log mail payments that could not be processed that day. Mail payments opened and processed by the two-person team are not co-mingled with counter payments and therefore would not need to be logged. To address the lapping risk for mail payments that are logged and processed by clerks who also process counter payments, the Court now requires each clerk to attach a copy of their mail payment log with their closeout and balancing documentation. The verifier may then verify that the mail payments logged as processed that day by the clerk are on the clerk's teller report.

2. Partially agree. The Court already has a procedure to monitor and report mail payment backlogs. Each location or unit manager submits a weekly workload report to the Deputy Executive Officer that identifies, among other things, the number of mail payments that remain unprocessed for at least 5, 15, and 30 days. The Deputy Executive Officer reviews these workload reports with the Court Executive Officer during their weekly meetings. Although the Court's procedure differs in some ways to the FIN Manual procedure, the Court believes that it complies with the intent of the FIN Manual procedure. The Court will submit a request for alternative procedure by October 31, 2015.
3. While the Court understands the additional safeguards of entering payments into suspense, it currently does not have the staffing resources to implement this discretionary procedure. The Court has adopted other controls, including logging and securing unprocessed mail payments to safeguard the payments until they may be processed. With these mitigating controls, the Court accepts the business risk associated with this issue. The Walnut Creek Central Traffic Unit receives the highest volume of payments compared to other locations, processing on average over \$27,000 in cash and checks daily (excluding credit card payments). Due to high volumes, the unit at times experiences processing backlogs. The unit began attaching an adding machine tape to each day's log so it can gauge the amount of unprocessed mail payments remaining each day. Court has also actively focused its resources on reducing the backlog identified in the audit and has currently reduced unprocessed mail payments to under \$2,000 daily.

Segregation of Duties

1. The Court disagrees with the auditor's assessment that payment processing, closeout and balancing, and deposit preparation duties are not segregated.

The Richmond civil clerk IV is a back-up cashier and did cashier and prepare the deposit on the day observed. However, a different individual verified her closeout and balancing before she prepared the deposit for the unit, and yet another individual counted her deposit before it was sealed and picked up by the armored car service. The Richmond traffic clerk IV is a back-up verifier to the lead and did cashier and verify closeout and balancing on the day observed. However, she only verified other cashiers' closeout and balancing while another individual verified her closeout and balancing.

The Court does not believe there is an issue with having the Martinez criminal and court records lead verify closeout and balancing and prepare the deposit. The FIN Manual does not require closeout and balancing verification and bank deposit preparation to be performed by different individuals. Additionally, as the auditors pointed out, the deposit prepared by the lead is counted by another individual before the deposit bag is sealed and picked up by the armored car service. Furthermore, the Financial Services Division verifies the daily closeout and deposit documents for all locations to amounts received by the bank.

Audit Services Comment: To provide clarity and perspective, we are commenting on the response received above.

While the Court may disagree, issue was noted as to what was observed the day each of these areas were reviewed. When court staff were interviewed all staff advised that the workflows observed were part of their normal routine and was detailed as such on the completed segregation of duties matrix.

2. Partially agree. To address the lapping risk for logged mail payments that are processed by clerks who also process counter payments, the Court now requires each clerk to attach a copy of their mail payment log with their closeout and balancing documentation. Mail payments opened and processed by the two-person team on the day received are not co-mingled with counter payments and therefore would not need to be logged.

Safe Controls

3. The Court agrees with the discrepancies identified and has corrected them. It should be noted that the Court already complies with mandatory FIN Manual requirements for securing valuable and sensitive items in the safe and limiting access to the safe. The documentation of safe contents on logs and acknowledgement forms are not FIN Manual requirements but internal procedures created by the Court.

The Financial Services Division already performs an annual safe inventory at all locations. The discrepancies noted by the auditors at Martinez court records and Walnut Creek occurred after the most recent safe inventory performed in January 2015, and the respective locations have updated their logs and submitted updated logs to Financial Services. Specifically, the Martinez court records' safe log has been

updated to reflect the actual starting cash bags and amounts stored in the safe. Concerning the keys and driver's license noted by the auditors as missing from Walnut Creek's safe inventory record, the Court has already explained to the auditors that these items were added to the safe during the location manager's two week absence prior to the audit. The manager has updated the location's safe inventory record with these added items. All court locations are also now completing the acknowledgement form. Lastly, the Court has initiated a review of historical items stored in the safe, such as passports and deeds, to determine proper disposal, which will reduce the resources spent recording and tracking safe contents.

Date of Corrective Action:

Mostly corrected, with two remaining items to be corrected by October 31, 2015.

Responsible Person(s):

Kate Bieker, Deputy Executive Officer and Fae Li, Senior Financial Services Manager

6. Information Systems

Background

Courts make wide use of information technology (IT) to support their court operations. For example, courts use IT services to operate and maintain automated case management systems, accounting systems, and local area networks. Because these information systems are integral to daily court operations, courts must maintain and protect these systems from interruptions and must have plans for system recovery should it experience an unexpected system mishap. Additionally, because courts maintain sensitive and confidential information in these systems, courts must also take steps to control and prevent unauthorized access to these systems and the information contained in them.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Expenditures				
* 943200 - IT MAINTENANCE	\$ 412,923	\$ 421,416	\$ (8,493)	-2%
* 943300 - IT COMMERCIAL CONTRACT	\$ 191,259	\$ 201,533	\$ (10,275)	-5%
* 943400 - IT INTER-JURISDICTIONAL	\$ 1,782,934	\$ 1,610,116	\$ 172,818	11%
* 943500 - IT REPAIRS/SUPPLIES/LICE	\$ 227,665	\$ 308,857	\$ (81,192)	-26%
** INFORMATION TECHNOLOGY (IT) TOTAL	\$ 2,614,781	\$ 2,541,922	\$ 72,859	3%
946601 MAJOR EQUIPMENT - IT	\$ 534,065	\$ 169,765	\$ 364,300	215%

We reviewed various IS controls through interviews with Court management, observation of IS storage facilities and equipment, and review of documents. Some of the primary reviews and tests conducted include:

- Systems backup and data storage procedures.
- Continuity and recovery procedures in case of natural disasters and other disruptions to Court operations.
- Logical access controls, such as controls over user accounts and passwords.
- Physical security controls, such as controls over access to computer rooms and the physical conditions of the computer rooms.
- Controls over Court staff access to Department of Motor Vehicles (DMV) records.
- Automated calculation and distribution of fees, fines, penalties, and assessments for a sample of criminal and traffic convictions.

The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.

6.1 Information System Controls Require Further Strengthening to Ensure Strong Controls Are in Place For Security Threats

Background

Information technology (IT) is the main driver of business processes and operational efficiency within the trial court. Therefore, IT management and subsequent technology decisions should be synchronized with the trial court's overall technology plan and more importantly, with the judicial branch's strategic technology initiatives. To achieve this core business requirement, strong IT controls must be implemented and instilled in the trial court's business environment. Though IT control policies and procedures have yet to be developed and included in the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), best practices exist to confront the growing need for IT controls for:

- Increasing dependence on information technology
- Controlling new technology investments
- Changing focus on business processes

The goal of logical and physical security controls is to protect and safeguard the information and hardware assets of an organization. Logical controls pertain to the use of authentication, authorization, and accountability mechanisms to ensure appropriate individuals are only allowed access to information necessary to fulfill their tasks and responsibilities. Similarly, physical security controls ensure that computer rooms and equipment are accessed by authorized personnel and that the computing environment is adequately maintained for optimal performance.

The Judicial Council has developed and provided courts with the *Guide to IS Control Framework* (see link: <http://serranus.courtinfo.ca.gov/jc/documents/jctc-Information-Systems-Controls-Framework-Enclosure.pdf>) to assist Court's in maintaining IT systems are compliant with appropriate system security controls and protect the information the systems contain. This guide will assist the Court in developing information system security controls to ensure the Court has adequate controls in place so that it is prepared for the constantly changing threats from a wide range of internal and external sources, including computer assisted fraud, espionage, sabotage, cyber-attacks, hacking, and vandalism. Using this guide the Court can be better prepared since most of the systems used at court's have most probably not been designed and updated to meet the challenges of today's ever changing system security risks.

Issues

1. At the time of our review the Court did not have written comprehensive policies and procedures in place for its MS Network, CUBS collection system, and its criminal cashiering TEK machine SAMS4. The Court did provide standard operating procedures that are specific to network changes and server management, but these are considered components of a network policies and procedures and not the complete document. Furthermore, the Court stated that that they keep their policies and procedures fluid and use Microsoft's current recommendations. In addition, although the Court has written policies in place for its case management systems LJIS/AMORS and ICMS, these

policies are very high level and fail to adequately cover at a minimum activities such as password and user management. **Repeat Issue**

2. At the time of our review the Court had sixty-five users with active VPN tokens that are used for remote access to the Court's IT systems. The County DoIT issues VPN tokens to the Court at a cost of \$125 per token and each token has a four year shelf life. Although, the Court has made improvements since the last audit to strengthen its controls for remote access, further improvements should be put into place to control and monitor remote access using VPN tokens. For example, when the Court's VPN user list was reviewed by Audit Services the following was noted:
 - The VPN user list that the Court provided to Audit Services is generated from data provided by the County. The VPN user list showed that eleven tokens that had been assigned to employees had not been used as their last login showed 1/1/1986. This was discussed with the Court and the Court advised that this was incorrect as some employees showing this date were hired after 1986. The Court advised that the data the County provides to the Court is not in a readable format and when converted often results in inaccurate data. As a result, without an accurate report reflecting activity of VPN tokens that have been issued to court staff, the Court cannot use this report to appropriately monitor the tokens. **Repeat Issue**
 - The VPN user list that the Court provided has twelve user ID's designated for its vendors. The Court was asked to provide copies of the signed non-disclosure confidentiality agreements for all vendors. The Court did not have signed disclosures in place for two of the vendor groups (ATI and ISD). In addition, the Legal Aid contractor's VPN agreement should be signed by each contractor, not their manager. **Repeat Issue**

Recommendations

1. The Court should further develop and maintain comprehensive policies and procedures for its network, collection system, cashier systems, and case management systems. These policies and procedures should be developed utilizing the Guide to IS Controls Framework that has been provided to the Courts by the JCC and best practices. Understanding the unique challenges and limitations that the Court is dealing with, this can be accomplished by identifying on a chapter by chapter basis what Controls the Court can implement. If the Court cannot implement the Control the Court should detail why and document the reasoning. If the Court believes implementing the Control is cost prohibitive then include this analysis in documentation. Having comprehensive written policies and procedures in place utilizing the IS Controls Framework ensures that they are available for other authorized Court staff providing guidance in the absence of Court CIO. Furthermore, having these policies and procedures documented assist the Court in ensuring compliance in the event the Court is ever audited by The California State Auditors.

Audit Services has reviewed the "Court System Security Policy" that has been submitted recently. This is considered acceptable as an interim policy and referenced as such. The

ultimate goal is to have courts complete review and analysis of the Guide to IS Controls Framework issued by the JCC. Understanding that this is a more comprehensive and resource heavy task, the interim policy is the first step. The understanding that I have is that the Court will take the framework and determine by policy and procedure chapter whether it can comply and if not what it needs to implement the policy and procedures. This would take the form of resources, staff, funding, etc. There could be items that the Court might believe unsuited for the Court at the current time based on the systems, hardware, etc.

2. The Court should improve its logical security controls over its remote access use of VPN tokens by activities such as the following:
 - Perform a complete review of all VPN users to ensure the need. Any users that have not used their assigned token in the last year should have the token terminated and returned until the need arises.
 - Ensure the County has disabled all security agreements for tokens terminated by the Court.
 - Develop a manual court issued VPN user list and routinely review the Court's assigned VPN user list to ensure that all assigned users listed are active court employees or appropriate vendors for the Court.
 - Ensure each employee working for all vendors that have access to the Court's systems have signed a non-disclosure confidentiality agreement. This agreement must be signed by each individual and not just by their manager or representative.

Superior Court Response

1. The Court agrees that with the adoption of the new JB Security Control Framework, the Court will be evaluating its current security protocols to define the appropriate security levels for its business and systems. The Court also acknowledges it is beginning to transition from old antiquated systems, with limited security parameters to more modern technology systems, which will better protect the Court.

The Court acknowledges at the time of the audit that a CUBS policy did not exist, and since then has created an administration policy for CUBS. A copy of this policy was provided to the audit team. As referred to earlier, the Court uses the system's built in security protocols and parameters. Due to the age of the system and proprietary nature, the system cannot be made to conform to other security protocols.

The Court does not have a policy on the TEC machines as they are not interfaced or connected to any system. If the JC believes a policy needs to be created for the TEC machine, then the Court will comply. However, the machines do not impose a security or financial risk to the Court. They are used to supplement the manual cashiering process. The Court utilizes the user manual provided by the vendor for training staff. Additionally, with the new CMS deployment, the machines will be unneeded in a year.

Date of Corrective Action: June 30, 2017

Responsible Person(s): Heather Pettit, Chief Information Officer

2. The Court agrees that it needs an accurate reporting mechanism for auditing purposes. After discussions with the County, the 1986 date was a “default” date if the token had not be used previously, otherwise a more reasonable current date would display. Ultimately the Court is moving away from VPN technology and during its quarterly audit is asking users if they want to continue to have VPN access or if Office 365 is adequate. Eventually the Court will be moving away from County VPN access when it replaces its CMS solutions.

With respect to VPN tokens issued to vendors, the Court provided vendor access agreements for ATI and ISD/JTI to the JC audit team in November 2015. With regards to Legal Aid, the Court has received signed agreements from all the vendor's VPN users and provided those to the audit team in April 2016.

Date of Corrective Action: April 12, 2016

Responsible Person(s): Heather Pettit, Chief Information Officer

7. Banking and Treasury

Background

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. The FIN Manual, FIN 13.01, establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the JCC Treasury. The Court deposits in JCC-established accounts allocations to the trial court for court operations; trust deposits for civil cases; and filing fees, most other civil fees, civil assessments, and court-ordered sanctions under AB 145.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Assets				
100000 POOLED CASH	\$ 2,160,130	\$ 6,511,903	\$ (4,351,773)	-67%
100011 OPS DEPOSIT	\$ 12,516	\$ 1,883,105	\$ (1,870,589)	-99%
100025 DISB CHECK-OPERATIONS	\$ (2,192,543)	\$ (1,584,003)	\$ (608,540)	-38%
100027 DISB OUTGOING EFT	\$ (44,856)	\$ -	\$ (44,856)	n/a
100132 DIST CREDIT CARD DEPOSIT	\$ 197,215	\$ 24,816	\$ 172,399	695%
100137 DIST OUTGOING EFT	\$ -	\$ (450,067)	\$ 450,067	100%
100165 TRUST DISBURSEMENT CHECK	\$ (584,172)	\$ (409,721)	\$ (174,451)	-43%
114000 CASH-REVOLVING	\$ 50,000	\$ 50,000	\$ -	0%
119001 CASH ON HAND - CHANGE FUN	\$ 8,393	\$ 9,476	\$ (1,083)	-11%
120050 SHORT TERM INVESTMENTS-LA	\$ 7,106,785	\$ 3,113,463	\$ 3,993,322	128%
120051 SHORT TERM INVESTMENTS-CA	\$ 15,926,861	\$ 10,106,991	\$ 5,819,870	58%
*** Cash and Cash Equivalents	\$ 22,640,330	\$ 19,255,963	\$ 3,384,368	18%
Liabilities				
351003 LIABILITIES FOR DEPOSITS	\$ (141,326)	\$ (109,570)	\$ 31,756	29%
353003 CIVIL TRUST-OTHER(RPRTR	\$ (2,385,267)	\$ (2,337,937)	\$ 47,329	2%
353004 JURY FEES- NON-INTEREST B	\$ (4,350)	\$ (10,350)	\$ (6,000)	-58%
353005 TRAFFIC	\$ (1,022)	\$ -	\$ 1,022	n/a
353006 CRIMINAL - GENERAL	\$ (696,666)	\$ (790,257)	\$ (93,591)	-12%
353007 CRIMINAL TRUST - VICTIM R	\$ (26,328)	\$ (42,793)	\$ (16,465)	-38%
353018 CIVIL TRUST - FAMILY COUR	\$ (3,325)	\$ (3,325)	\$ -	0%
353019 CIVIL TRUST - PROBATE	\$ (10,883)	\$ (10,866)	\$ 17	0%
353021 CIVIL TRUST - INTERPLEADE	\$ (970,314)	\$ (317,066)	\$ 653,248	206%
353022 CIVIL TRUST - COURT REPOR	\$ (12,107)	\$ (16,668)	\$ (4,562)	-27%
353024 CIVIL TRUST - SMALL CLAIM	\$ (48,329)	\$ (204,256)	\$ (155,927)	-76%
353025 CIVIL TRUST - EVICTION DE	\$ (27,723)	\$ (6,746)	\$ 20,977	311%
353031 OVERPAYMENT OF FEES	\$ (4,842)	\$ (1,104)	\$ 3,738	338%
353040 CIVIL UNRECONCILED TRUST	\$ (33,219)	\$ (438,114)	\$ (404,895)	-92%
353070 DUE TO OTHER GOVERNMENT A	\$ (9,375,783)	\$ (8,793,110)	\$ 582,673	7%
353080 LIABILITIES FOR DEPOSITS	\$ (469,447)	\$ (451,409)	\$ 18,038	4%
353999 TRUST INTEREST PAYABLE	\$ (45,475)	\$ (82,124)	\$ (36,649)	-45%
373001 UNCLEARED COLLECTIONS	\$ 198	\$ 34,051	\$ (33,853)	-99%

Revenues

** 825000-INTEREST INCOME	\$ (30,567)	\$ (43,656)	\$ (13,089)	-30%
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Expenditures

920301 MERCHANT FEES	\$ (1,248)	\$ 673	\$ (1,920.60)	-285%
920302 BANK FEES	\$ 68,006	\$ 73,167	\$ (5,161.08)	-7%
920306 PARKING FEES	\$ 12,019	\$ 6,348	\$ 5,670.78	89%
* 920300 - FEES/PERMITS	\$ 78,777	\$ 80,188	\$ (1,410.90)	-2%

As with other Phoenix courts, the Court relies on Trial Court Trust and Treasury Services for many banking services, such as performing monthly reconciliations of bank balances to the general ledger, overseeing the investment of trial court funds, and providing periodic reports to trial courts and other stakeholders. Therefore, we only performed a high level review of the Court's banking and treasury procedures, including the following:

- Controls over check issuance and the safeguarding of check stocks for bank accounts under the Court's control (e.g. Revolving Account, local bank accounts).
- Processes for reconciling general ledger trust balances to supporting documentation; including daily deposit, CMS, and case file records.
- Whether JCC approval was obtained prior to opening and closing bank accounts.

The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.

7.1 Court Needs to Improve Its Reconciliation and Escheatment Processes

Background

Trial courts receive and hold trust funds in a fiduciary capacity on behalf of others and are responsible for properly managing, monitoring, and safeguarding these funds. Specifically, the FIN Manual, Procedure No. 13.01, requires courts to implement procedures and controls to manage and safeguard these funds. For example, section 6.6, requires trial courts to reconcile all bank accounts for which court employees are authorized signers, such as local revolving and jury bank accounts, at least monthly, and more frequently if required, to maintain adequate control over trial court funds. A complete reconciliation would involve reconciling the bank account, the financial system, and the detailed subsidiary record system for trust account activity, usually the case management system. The monthly bank reconciliation must be signed and dated by both the person who prepared it and the person who reviewed it.

Additionally, according to Government Code (GC) section 68084.1, any money, excluding restitution to victims, that has been deposited with the court or that a court is holding in trust and remains unclaimed for three years shall become property of the court if, after published notice pursuant to GC 68084.1, the money is not claimed or no verified complaint is filed and served.

FIN Manual, Policy No. FIN 15.03, provides courts with guidance for escheating these unclaimed monies. Specifically, FIN 15.03, 6.3.4, outlines certain record retention requirements. For example, the retained records must include the following, as applicable:

- Records confirming that any associated case was closed or the money otherwise became eligible for distribution and the date on which the distribution occurred.
- A signed memorandum from the court executive officer (CEO) certifying that the court received no claims to the money during the three years after the associated case was closed or the money otherwise became eligible for distribution.
- Material (e.g., letters, envelopes with post office stamps confirming “return to sender,” telephone notes, etc.) reflecting the court’s efforts to contact the lawful owner before escheating the money.
- For each day on which the court published notice of the proposed escheat, copies of the first page and the page bearing the notice from the newspaper of general circulation in which the notice was published or a Proof of Publication issued by the newspaper with a copy of the notice as published and attesting to the dates it was published.

Issues

Our review of the Court’s banking practices identified the following deficiencies:

1. The Court did not always make a thorough good faith effort to contact the owners of funds being held in trust by utilizing good judgement, the addresses listed on file, the internet, and any other appropriate methodology. For example:
 - a. In one case the Court sent a notification to a foreclosed address of Court’s intent to escheat money in the amount of \$34,383. Clearly, the foreclosed address is not a good choice as the owners would not be at this address. The case file had two other addresses listed, but there was no documentation evidencing that the Court attempted to contact the owner at these other locations.
 - b. In another case, it was noted that the Court sent the notification to escheat money to a non-existing address as a result of the address not being entered correctly in the case file and CMS. A thorough effort of review would have caught this error and a simple web search of the address enabled the correct street address to be found.
2. Although, the Court has made significant progress in the research, reconciliation, and disposition/escheatment of most of the prior balances of the Civil Unreconciled Trust account that totaled \$438,114, the remaining amount of \$33,219 (\$33,119.05 of the total was recorded in the general ledger in 2006) still needs to be researched and disposed of in some manner including escheatment, as appropriate. **Repeat Issue**
3. The Court doesn’t perform a complete reconciliation of its local revolving bank account, for example:
 - a. Currently, the Court reconciles the bank account to an internally generated sub-ledger record known as “Check Register”, but the Court doesn’t reconcile the bank statement to the amount in Phoenix Financials (general ledger).
 - b. A proper reconciliation of the revolving account was not performed as the Court did not reconcile the revolving account to the bank statement and sub-ledger. Audit Services identified the fact that both the Court’s bank statement and sub-ledger agreed with one another but had a difference to the general ledger of \$556

that had been carried over from previous fiscal years. This difference had not been researched to determine a disposition.

- c. The reconciliation between the sub-ledger, which is the Court's check register, and the bank statement is not signed and dated by the person who prepared the reconciliation, as required.

Recommendations

To ensure it properly controls prescribed procedures to manage and safeguard public funds, the Court should consider the following:

1. As a result of the items noted in the Court's escheatment efforts, the Court should perform a detailed review of all its recent escheatment efforts ensuring FY 14/15 is done in order to ensure that a thorough and legal effort was conducted to return the funds to the rightful owners. If the Court identifies funds that have been escheated without proper documentation exhibiting that an appropriate effort was made to contact the rightful owners, the Court should re-perform its work making a good faith effort to return the funds to the rightful owners. Furthermore, again in the spirit of a good faith effort, the Court should send letters notifying parties of possible escheatment to all addresses on file using good judgement to ensure that the address is the last best address that the court has on file.
2. To ensure that the Court properly accounts for and safeguards trust funds under the Court's fiduciary responsibility, the Court should continue its trust account research in order to reconcile the remaining \$33,219 that remains in the Civil Unreconciled Trust general ledger account and any other old trust monies. Only after the Court has exhausted all required efforts to identify the appropriate owners of money should the Court initiate escheatment.
3. The Court must ensure that staff perform a complete reconciliation (bank statement to check register to general ledger) of its local revolving bank account. This reconciliation must be performed as required by policy. The Court must also research and appropriately dispose of any difference found on a timely basis and document that disposition.

Superior Court Response By: Fae Li, Senior Financial Services Manager

Date: February 29, 2016

1. The Court agrees and will review its fiscal year 2014 – 2015 escheatment files to identify any additional errors and take appropriate steps to correct these errors, if any.

Concerning the escheatment of excess funds from the foreclosure sale, the two other addresses noted included a secondary residential address and a business address belonging to the former owner who is deceased. The Court's legal research attorney provided the foreclosed property address and the secondary residential address, noting that both addresses are likely not good as they were last known in 2003 and mail sent to

these addresses was returned. Nevertheless, the Court sent a notice to the secondary residential address in March 2016 and the notice was returned as undeliverable.

Concerning the business address that was misspelled, the notation made by the post office on the returned mail indicated that the address was located and delivery was attempted, but the addressee was not known at the address. The Court also confirmed with the post office that this was the case. Since the notice reached the correct address despite the misspelling, the Court will not send out another notice.

Date of Corrective Action: May 30, 2016

Responsible Person(s): Fae Li, Senior Financial Services Manager

2. The Court agrees and will continue to research the remaining \$33,219 in unreconciled trust. These funds were originally deposited with the County Treasury, subsequently transferred into the Court's local bank account, and finally to the current trust account. These are very old deposits that predate our current civil case management system for which the Court has not been able to locate case file records to identify potential owners. We will determine what additional efforts, if any, should be taken. Once all efforts at locating case records have been exhausted, the Court will proceed with escheatment.

Date of Corrective Action: June 30, 2016

Responsible Person(s): Fae Li, Senior Financial Services Manager

3. The Court agrees and has revised its revolving account reconciliation form to include a three-way reconciliation between the bank statement balance, check register, and general ledger balance. Since the general ledger balance will always show \$50,000, the difference will be the balance of checks issued that are waiting for replenishment. The form has also been updated to include signature and date lines for the preparer and approver. Lastly, the Court has requested a replenishment to bring the check register balance back to \$50,000 to resolve the \$566 prior year adjustment carryover.

Date of Corrective Action: Corrected

Responsible Person(s): Fae Li, Senior Financial Services Manager

8. Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff services and perimeter security services. The sheriff specifies the level of security services it agrees to provide. The Court entered into an MOU with the County Sheriff for court security services, including in an MOU.

Additionally, each court must prepare and implement a comprehensive court security plan that addresses the sheriff's plan for providing public safety and law enforcement services to the court in accordance with the Superior Court Law Enforcement Act of 2002. The JCC Emergency Response and Security (ERS) unit provides courts with guidance in developing a sound court security plan, including a court security plan template and a court security best practices document. ERS also has a template for courts to use in developing an Emergency Plan.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Expenditures				
934512 ALARM SERVICE	\$ 6,858	\$ 7,160	\$ (302)	-4%
941101 SHERIFF - REIMBURSEMENTS	\$ 10,724.00	\$ 10,345.00	\$ 379.00	4%
945204 WEAPON SCREENING X-RAY MACHINE	\$ -	\$ 235,428.62	\$ (235,428.62)	-100%
945205 MAJOR EQUIPMENT-VEHICLE	\$ -	\$ 25,601.24	\$ (25,601.24)	-100%
945207 SECURITY SURVEILLANCE - M	\$ 825,647.05	\$ 120,122.86	\$ 705,524.19	587%

We reviewed the Court's security controls through interviews with Court management and county sheriff service providers, observation of security conditions, and review of documents.

There were no significant issues associated with this section to report to management. Minor issues are contained in Appendix A to this report but may be redacted as discussed on page xviii of this report.

9. Procurement

Background

The Judicial Branch Contracting Manual (JBCM) provides uniform guidelines for trial courts to use in procuring necessary goods and services and to document their procurement practices.

Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and to document approval of the procurement by an authorized individual. The requestor identifies the correct account codes(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the court manager or supervisor authorized to approve the procurement. This court manager or supervisor is responsible for verifying that the correct account codes(s) are specified and assuring that funding is available before approving the request for procurement. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to prepare and enter into purchase orders, service agreements, or contracts to document the terms and conditions of the procurement.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Expenditures				
* 920200 - LABORATORY EXPENSE	\$ 640	\$ 3,105	\$ (2,465)	-79%
* 920300 - FEES/PERMITS	\$ 78,777	\$ 80,188	\$ (1,411)	-2%
* 920600 - OFFICE EXPENSE	\$ 163,652	\$ 465,851	\$ (302,199)	-65%
* 921500 - ADVERTISING	\$ 875	\$ 75	\$ 800	1067%
* 921700 - MEETINGS, CONFERENCES, E	\$ 954	\$ 534	\$ 420	79%
* 922300 - LIBRARY PURCHASES AND SU	\$ 176,166	\$ 197,697	\$ (21,531)	-11%
* 922600 - MINOR EQUIPMENT - UNDER	\$ 188,637	\$ 594,855	\$ (406,218)	-68%
* 922700 - EQUIPMENT RENTAL/LEASE	\$ 59,596	\$ 110,191	\$ (50,595)	-46%
* 922800 - EQUIPMENT MAINTENANCE	\$ 184,232	\$ 193,560	\$ (9,327)	-5%
* 922900 - EQUIPMENT REPAIRS	\$ -	\$ 1,683	\$ (1,683)	-100%
* 923900 - GENERAL EXPENSE - SERVIC	\$ 118,742	\$ 118,006	\$ 736	1%
* 924500 - PRINTING	\$ 194,226	\$ 314,398	\$ (120,172)	-38%
* 925100 - TELECOMMUNICATIONS	\$ 588,795	\$ 648,960	\$ (60,165)	-9%
* 926200 - STAMPS, STAMPED ENVELOPE	\$ 148,195	\$ 454,323	\$ (306,128)	-67%
* 926300 - POSTAGE METER	\$ 14,585	\$ 12,408	\$ 2,178	18%
* 928800 - INSURANCE	\$ 22,417	\$ 38,298	\$ (15,881)	-41%
* 929200 - TRAVEL - IN STATE	\$ 150,819	\$ 136,573	\$ 14,245	10%
* 929300 - OTHER TRAVEL EXPENSE	\$ 245	\$ 130	\$ 115	88%
* 931100 - TRAVEL OUT OF STATE	\$ 2,755	\$ 978	\$ 1,777	182%
** SECURITY TOTAL	\$ 6,858	\$ 7,160	\$ (302)	-4%
* 935200 - RENT/LEASE	\$ 293,826	\$ 310,445	\$ (16,619)	-5%
* 935300 - JANITORIAL	\$ 126,337	\$ 117,999	\$ 8,338	7%
* 935400 - MAINTENANCE AND SUPPLIES	\$ 15,033	\$ 15,551	\$ (518)	-3%
* 935600 - ALTERATION	\$ -	\$ 5,351	\$ (5,351)	-100%
* 935700 - OTHER FACILITY COSTS - G	\$ 90,883	\$ 12,806	\$ 78,077	610%
* 935800 - OTHER FACILITY COSTS - S	\$ 59,767	\$ 74,814	\$ (15,046)	-20%
* 936100 - UTILITIES	\$ 53,638	\$ 14,666	\$ 38,972	266%
* 952300 - VEHICLE OPERATIONS	\$ 42,616	\$ 42,475	\$ 141	0%
* 965100 - JUROR COSTS	\$ 689,706	\$ 761,144	\$ (71,438)	-9%
* 971000 - OTHER-SPECIAL ITEMS OF E	\$ 976,797	\$ 4,525,125	\$ (3,548,328)	-78%
* 972001 - JUDGMENTS, SETTLEMENTS AND	\$ -	\$ 6,250	\$ (6,250)	-100%
* 972200 - GRAND JURY COSTS	\$ 17,761	\$ 8,679	\$ 9,081	105%

We reviewed the Court's procurement practices to determine whether approval, purchasing, receipt, and payment roles are segregated. We also performed substantive testing on selected purchases to determine whether the Court obtained approvals from authorized individuals, followed open and competitive procurement practices, and complied with other JBCM procurement requirements.

The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.

9.1 Certain Procurement Controls and Processes Need Improvement

Background

On March 24, 2011, Senate Bill 78 was enacted, creating Part 2.5 of the Public Contract Code (PCC) designated the California Judicial Branch Contract Law (JBCL). With certain exceptions, the JBCL requires that superior courts, as well as other judicial branch entities (JBEs), comply

with provisions of the PCC that are applicable to state agencies and departments related to the procurement of goods and services. PCC Section 19206 of the JBCL requires the Judicial Council to adopt and publish a Judicial Branch Contracting Manual (JBCM) incorporating procurement and contracting policies and procedures that JBEs must follow. The JBCM supersedes the FIN Manual policies and procedures for procurement (FIN 6.01) and contracts (FIN 7.01 through 7.03). In interpreting the requirements of the JBCM and applying those requirements in the context of their own local operations and specific procurements, JBEs should seek to achieve the objectives of PCC Section 100, including ensuring full compliance with competitive bidding statutes; providing all qualified bidders with a fair opportunity to enter the bidding process; and eliminating favoritism, fraud, and corruption in the awarding of public contracts.

Chapter 5 of the JBCM identifies circumstances where judicial branch entities may procure goods and services without going through a competitive process, and the processes required in conducting these procurements. Examples of non-competitive procurement categories include but are not limited to purchases under \$5,000, emergency purchases, and sole source procurements. Judicial branch entities may not split a single transaction into a series of transactions for the purpose of evading competitive solicitation requirements. A non-competitive emergency purchase may be performed when the immediate acquisition is necessary for the protection of the public health, welfare, or safety; and must be approved in writing by the approving authority or a designated delegate. A sole source procurement may be performed only if either the goods and/or services to be purchased are the only goods and/or services that meet the entity's needs, or a grant application submittal deadline does not permit the time needed for a competitive procurement of services. Additionally, repeat sole source authorizations may be granted where there is no viable competition, or competitive bidding cannot be completed using reasonable efforts before the time such goods and/or services are required. Both sole source requests and repeat sole source authorizations must be approved by the sole source approver.

Issues

To determine whether the Court follows the procurement policies and procedures in the JBCM, we interviewed Court management and staff regarding its procurement practices. We selected 20 expenditure transactions for FY 14/15 to review. Our review indicates that the Court did not always follow the required judicial branch procurement policies and procedures. Specifically, we noted the following:

1. In eleven of twenty-one applicable procurement files reviewed, the file did not contain a purchase requisition. In one of ten procurements reviewed where a purchase requisition did contain an approval signature, the IT Director approving the purchase did not have the authority to approve the requisition as the amount (\$47,740) was over her positions approval limit. Additionally, it was noted that the Court does have a "Purchase Order Request Form" but it appears that it is not being used consistently throughout the Court.
2. In seven of ten applicable procurement files reviewed, there was no evidence that the vendor signed a Darfur certification as required by the JBCM.

3. The Court did not properly notify the California State Auditor (state auditor) pursuant to PCC § 19204(a) for one contract that exceeded \$1 million.
4. The Court did not engage in competitive procurement practices for four of twelve purchases that were required to be procured competitively. Although individual orders were less than \$5,000, the total amount of the contract exceeded \$5,000 and therefore required a competitive procurement.
5. In eight of ten purchase card transactions reviewed, a purchase requisition was not prepared. In one of two purchase card transactions reviewed where a purchase requisition was prepared, the purchase requisition did not contain an approval signature.

Recommendations

We recommend that the Court do the following to ensure that it has adequate procurement processes and controls, and comply with JCBM requirements:

1. Require all areas of the Court to consistently complete a purchase request using the Court's purchase order request template form already has in place. Some departments are properly using the form.
2. Require vendors providing non-IT goods or services to the Court to complete the Darfur certificate in compliance with the JBCM.
3. Monitor all procurements and contracts, including extensions, to identify those estimated to exceed \$1 million that are required to be reported to the state auditor pursuant to PCC 19204(a). If the criteria is met, the Court must report the transaction.
4. Engage in competitive procurement practices in accordance with JBCM requirements for purchases exceeding \$5,000 that do not qualify for non-competitive procurement. Specifically, the Court must solicit bids or quotes from various vendors by issuing a request for quote, invitation to bid, or request for proposal depending on the type of goods or services and the total dollar amount of the purchase. The Court may also make purchases through existing leveraged procurement agreements.

The Court must also ensure purchases exceeding \$5,000 from a sole source vendor be supported by a sole source request form which is approved by the PJ or written delegate prior to the purchase. Specifically, the sole source request form must document a reasonable justification for not engaging in competitive procurement practices that meet the sole source criteria in the JBCM.

5. Require Court staff with purchase cards to complete, with appropriate authorization, a purchase card requisition form prior to the purchase.

Superior Court Response

1. Consistent with recommendation #1, the Court now requires all individuals to submit a purchase request to initiate a procurement. Depending on the type, complexity and value of the procurement, the request may be documented on a Request for Purchase Order form or a different request form. The Court had not adopted its current purchase request forms when the solicitations were first circulated for the 11 procurements noted in the audit issue. In fact, 5 of these procurements were initiated on or before March 2011. The more recent procurements reviewed by the audit team are supported by approved purchase requests.

Concerning the purchase of copiers for \$47,740, this purchase was approved by the former IT Director and predates the Court's current Purchase Approval Matrix approved by the Executive Committee in January 2015. Our current CIO, as well as other individuals authorized to approve purchases, follow the Purchase Approval Matrix.

Date of Corrective Action: Corrected
Responsible Person(s): Fae Li, Senior Financial Services Manager

2. The Court agrees and now requires vendors providing non-IT goods or services to the Court to complete a Darfur certification.

Date of Corrective Action: March 31, 2016
Responsible Person(s): Mimi L. Zimmelman, Director of Business Planning, Information and Programs

3. Consistent with recommendation #3, the Court has a process to monitor and identify contracts exceeding \$1 million that are required to be reported to the California State Auditor. The process was not in place at the time the Legal Aid contract for fiscal year 2014 – 2015 services was executed. The Court did notify CSA of the fiscal year 2015 – 2016 contract and provided a copy of the notification to the audit team.

Date of Corrective Action: Corrected
Responsible Person(s): Mimi L. Zimmelman, Director of Business Planning, Information and Programs

4. Consistent with recommendation #4, the Court engages in competitive procurement practices when necessary. The four procurements noted were all initiated on or before March 2011, and since then the Court has developed competitive procurement practices compliant with the JBCM. Furthermore, the Court provided the Request for Proposal associated with two of the four procurements to the audit team. Unfortunately, due to the age of the original procurement documents and significant staff turnover, the Court no longer has the original documents for the remaining two procurements. The Court has also issued solicitations for three of the four procurements in 2015. As for the remaining procurement for electronic stamp machines, the Court will decide the appropriate procurement method if it determines that the machines need to be replaced.

Date of Corrective Action: Corrected

Responsible Person(s): Mimi L. Zimmelman, Director of Business Planning, Information and Programs

5. The Court agrees and currently requires purchase request forms or e-mails to be submitted and approved by authorized individuals for purchases made on a Court credit card.

Date of Corrective Action: Corrected

Responsible Person(s): Fae Li, Senior Financial Services Manager

10. Contracts

Background

The Judicial Branch Contracting Manual establishes uniform guidelines for trial courts to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. Trial courts must issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply appropriate contract principles and procedures that protect the best interests of the court.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Expenditures				
* 938200 - CONSULTING SERVICES - TE	\$ 72,751	\$ 100,876	\$ (28,125)	-28%
* 938300 - GENERAL CONSULTANT AND P	\$ 931,599	\$ 677,683	\$ 253,916	37%
* 938500 - COURT INTERPRETER SERVIC	\$ 267,280	\$ 299,569	\$ (32,289)	-11%
* 938700 - COURT TRANSCRIPTS	\$ 712,280	\$ 839,428	\$ (127,148)	-15%
* 938800 - COURT APPOINTED COUNSEL	\$ 3,114,235	\$ 3,130,560	\$ (16,325)	-1%
* 938900 - INVESTIGATIVE SERVICES	\$ 4,771	\$ 5,094	\$ (323)	-6%
* 939000 - COURT ORDERED PROFESSION	\$ 95,336	\$ 101,131	\$ (5,794)	-6%
* 939100 - MEDIATORS/ARBITRATORS	\$ 14,500	\$ 15,250	\$ (750)	-5%
* 939200 - COLLECTION SERVICES	\$ 3,206,646	\$ 2,640,584	\$ 566,062	21%
* 939400 - LEGAL	\$ 33,644	\$ 29,863	\$ 3,782	13%
** CONTRACTED SERVICES TOTAL	\$ 8,453,042	\$ 7,840,037	\$ 613,005	8%
Expenditures – County Provided Services				
* 941100 - SHERIFF	\$ 10,724	\$ 10,345	\$ 379	4%

We evaluated the Court's contract monitoring practices through interviews with various Court personnel and review of selected contract files. We also reviewed selected contracts to determine whether they contain adequate terms and conditions to protect the Court's interest.

Further, we reviewed any memorandum of understanding entered into with the County to determine whether they are current, comprehensive of all services currently received or provided, and contain all required terms and conditions. We also reviewed selected County invoices to determine whether the services billed were allowable and sufficiently documented and supported, and whether the Court appropriately accounted for the costs and had a process to determine if cost were reasonable.

The following issues are associated with this section and considered significant enough to bring to management's attention.

10.1 Court Needs to Improve Its Contract Monitoring and Administration Procedures so That It Is Compliant With JBCM Guidelines

Background

Judicial branch entities including superior courts are required to comply with provisions of the Public Contract Code that are applicable to state agencies and departments related to the procurement of goods and services. In accordance with Public Contract Code section 19206, the Judicial Council adopted and published the *Judicial Branch Contracting Manual* (JBCM) to incorporate procurement and contracting policies and procedures that judicial branch entities must follow. The JBCM became effective on October 1, 2011 and superseded FIN Manual policies and procedures for procurement (FIN 6.01) and contracts (FIN 7.01 through 7.03).

Chapter 8 of the JCBM provides information on preparing, approving, and executing contracts. Appendix A of this chapter identifies mandatory and recommended contractor certification clauses for inclusion in a contract as required by the Judicial Branch Contracting Law or other law, rule, or policy; and Appendix B identifies mandatory and recommended contract provisions also to be included in contracts. To assist judicial branch entities, the Judicial Council developed and made available contract templates and sample contract terms and conditions that were written to be compliant with the Judicial Branch Contracting Law and the JBCM as they existed on the date the templates and samples were prepared.

Chapter 11 of the JBCM describes the requirements and recommended practices associated with contract administration. For example, the Contract Administrator must ensure that all required Vendor Certificates of Insurance, licenses, permits, and performance or payment bonds are current, and vendor performance must be monitored to ensure the value of the goods or services it receives is in compliance with the contract price.

The following is a partial list of mandatory contractor certification clauses and provisions from appendices A and B of Chapter 8 of the JBCM:

Examples of Mandatory Clauses and Provisions Required by the Judicial Branch Contracting Manual for Vendor Contracts	
Contractor Certification Clauses	Contracts Affected
Nondiscrimination	Required for all contracts except certain credit card purchases per Government Code section 12990.
Compliance with National Labor Relations Board orders	Required for all contracts per Public Contract Code section 10296.
Expatriate corporations	Required for all contracts except certain credit card purchases or if requirement is waived per Public Contract Code section 10286.1.
Qualification to do business in California	Required for vendors that are corporations, limited liability companies, and limited partnerships.
Free of sweatshop, forced, convict, indentured, and child labor	Required for various goods purchases or laundering services other than for public works per Public Contract Code section 6108.
Nondiscrimination in providing benefits for domestic partners	Required for contracts worth \$100,000 or more per Public Contract Code section 10295.3.

Compliance with child and family support enforcement	Required for contracts worth \$100,000 or more per Public Contract Code section 7110.
Compliance with Iran Contracting Act	Required for contracts worth \$1,000,000 or more per Public Contract Code section 2202.
Provisions	Contracts Affected
Bureau of State Audits audit rights	For contracts above \$10,000
Budget contingency	For contracts without a termination for convenience provision.
Loss leader	For goods contracts.
Antitrust claim	For competitively bid contracts.
Union activities	For contracts above \$50,000
Priority hiring	For purchase of services over \$200,000 except consulting and public works.
Recycled products/ post-consumer material	For purchases of goods specified in Public Contract Code section 12207.
Disabled Veteran Business Enterprise (DVBE) participation certification	For vendors who have made commitments to achieve DVBE participation.

Issues

To determine whether the Court's contracts contain all legally required provisions and certifications, as stated in the JBCM, we selected five contracts for review. Our review revealed that the Court's contracts did not always contain mandatory provisions and certifications. Specifically:

1. One contract reviewed for the provision of labor did not include a schedule listing the hourly, daily, weekly, or monthly cost of each person or job classification.
2. One contract reviewed for furnishing equipment, materials, or supplies did not include a certification clause that the contractor complies with the Sweatfree Code of Conduct.
3. Two contract files contained certificates of insurance that did not list all insurance coverage required by the contracts.
4. One contract file reviewed did not include a copy of the required current vendor license.
5. In three contract files reviewed the files did not contain evidence of the Court monitoring vendor's performance.

Recommendations

We recommend that the Court do the following to improve its contract management and monitoring procedures.

1. Continue to use contract templates developed by the Judicial Council to prepare contracts with vendors, but ensure that they include all pertinent appendices, clauses, and provisions contained in the template that are relevant to the contract being prepared. Additionally, the Court should review existing contracts, especially contracts that were initially executed prior to the JBCM, to identify non-compliant contracts for potential revision or amendment.

2. Establish a monitoring process for tracking certificates of insurance to ensure that current and complete certificates of insurance are obtained from vendors and placed/documentated in contract files.
3. Establish a monitoring process for tracking vendor licenses to ensure that current licenses are obtained from vendors and placed/documentated in contract files.
4. Establish a monitoring process for vendor's performance. For example, require written monthly or quarterly reviews of the vendor's performance in meeting goals and include the review in contract files.

**Superior Court Response By: Mimi L. Zimmelman, Director of Business Planning,
Information and Programs Date: February 29, 2016**

1. Consistent with recommendation #1, the Court will continue to use contract templates developed by the Judicial Council in consultation with Judicial Council risk management and/or legal services staff, as needed, when preparing contracts with vendors. The Court has also reviewed and amended all open contracts executed prior to the JBCM to include JBCM compliant terms and conditions.

Concerning the contract for juvenile dependency legal representation, the Court did not include costs of each person or job classification in the contract because it is a flat fee contract with equal installments paid on the 1st of every month. Additionally, the Court ensures that the vendor is providing adequate service levels by reviewing monthly case reports and periodically surveying the Juvenile Bench.

Concerning the contract for security system installation and maintenance, the Court misinterpreted that the Sweatfree Code of Conduct did not apply to that contract. Since that contract has been completed, the Court will ensure that future contracts for furnishing equipment, materials, or supplies will include the Sweatfree clause, as well as all other required appendices and provisions.

Date of Corrective Action: Corrected

Responsible Person(s): Mimi L. Zimmelman, Director of Business Planning, Information and Programs

2. The Court agrees with the recommendation and has set up an internal system of reminders regarding the required contents of a compliant Certificate of Insurance (COI), and a process for notifying the vendor if there are any deficiencies in their COI. The Court has also instituted a schedule for biannual reviews of all COI's for open contracts.

Concerning one of the COI's that was missing information on worker's compensation insurance, the Court has secured an updated COI from the vendor that demonstrates this insurance was in place during the contract period.

As for the contract for legal research services, although the contract required minimum automobile liability coverage of \$1,000,000 per occurrence, the Court believes the contracted attorney should not be required to prove that he maintains car insurance as he is not required to drive in performance of his duties. The Court will amend all similar contracts to remove the requirement to provide evidence of automobile insurance.

Date of Corrective Action: March 31, 2016

Responsible Person(s): Mimi L. Zimmelman, Director of Business Planning, Information and Programs

3. Consistent with recommendation #3, the Court has a process to verify required vendor licensure when entering into contract with the vendor, and has established an annual regulatory compliance review that includes verifying vendor licensure.

Concerning the juvenile dependency legal representation contract, the Court did not obtain copies of licenses for attorneys employed or contracted by the vendor as the vendor has full responsibility for ensuring the legal services are performed by currently licensed attorneys, consistent with the law. The contract requires the vendor to assign competent employees, subcontractors, and agents with the necessary skills, training, and background to provide the required services.

Date of Corrective Action: Corrected

Responsible Person(s): Mimi L. Zimmelman, Director of Business Planning, Information and Programs

4. Although the three contract files did not have written evidence of monitoring vendor performance in the contract file, the court does monitor the performance of these vendors.

With regard to the juvenile dependency legal representation contract, the Court obtains detailed monthly reports of all services rendered. Because the report includes client names, it is of utmost importance that this information remain confidential. To preserve their confidentiality, the reports are maintained by the Court Project Manager for this contract. In addition, vendor attorneys practice daily in juvenile courtrooms, and their performance is monitored by the judge. The judge may remove an attorney if the attorney's performance is substandard. The Court also has a complaint process by which clients represented by vendor attorneys can notify the Court if they have concerns about their representation. Information about the complaint process is on the court's website.

Similarly, contract legal research attorneys prepare and submit various legal analyses and documents for review by the Lead Research Attorney, as well as for judicial review and decision. As a result, their work product is evaluated with each submission. Contract legal research attorneys are also required to submit weekly timesheets to the Director of Court Programs and Services for review. The Court has established a written evaluation form for the Lead Legal Research attorney to complete that will be maintained in the contract file.

Lastly, the temporary staffing agency with whom we contracted sent satisfaction surveys to the Court each time we engaged their temporary employees. We used this vehicle to let

the vendor know of any concerns we may have had about an individual's performance. The contract ended in December 2015, so no additional monitoring will be conducted.

Date of Corrective Action: Corrected

Responsible Person(s): Mimi L. Zimmelman, Director of Business Planning, Information and Programs

11. Accounts Payable

Background

The FIN Manual provides various policies on payment processing and provides uniform guidelines for processing vendor invoices, in-court service provider claims, and court-appointed counsel. All invoices and claims received from trial court vendors, suppliers, consultants and other contractors are routed to the trial court accounts payable department for processing. The accounts payable staff must process the invoices in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices must be matched to the proper supporting documentation and must be approved for payment by authorized court personnel acting within the scope of their authority.

In addition, superior court judges and employees may be required to travel in the course of performing their official duties, and may occasionally conduct official court business during a meal period. Courts may reimburse its judges and employees for their reasonable and necessary travel expenses incurred while traveling on court business only within maximum reimbursement limits. Courts may also pay vendors' invoices or reimburse its judges and employees for the actual cost of business meals only when related rules and limits are met.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Liabilities				
*** Accounts Payable	\$ (3,922,724)	\$ (2,154,029)	\$ 1,768,696	82%
*** Current Liabilities	\$ (19,703,259)	\$ (15,204,694)	\$ 4,498,566	30%
Reimbursements - Other				
861010 CIVIL JURY REIMBURSEMENT	\$ (43,133.38)	\$ (48,430.62)	\$ (5,297)	-11%
861011 MISCELLANEOUS REIMBURSEME	\$ (97,901.62)	\$ (135,527.72)	\$ (37,626)	-28%
861014 CONVENIENCE FEE REIMBURSE	\$ (74,736.00)	\$ (65,936.00)	\$ 8,800	13%
** 860000-REIMBURSEMENTS - OTHER	\$ (215,771.00)	\$ (249,894.34)	\$ (34,123)	-14%

Expenditures

* 920200 - LABORATORY EXPENSE	\$ 640	\$ 3,105	\$ (2,465)	-79%
* 920300 - FEES/PERMITS	\$ 78,777	\$ 80,188	\$ (1,411)	-2%
* 920600 - OFFICE EXPENSE	\$ 163,652	\$ 465,851	\$ (302,199)	-65%
* 921500 - ADVERTISING	\$ 875	\$ 75	\$ 800	1067%
* 921700 - MEETINGS, CONFERENCES, E	\$ 954	\$ 534	\$ 420	79%
* 922300 - LIBRARY PURCHASES AND SU	\$ 176,166	\$ 197,697	\$ (21,531)	-11%
* 922600 - MINOR EQUIPMENT - UNDER	\$ 188,637	\$ 594,855	\$ (406,218)	-68%
* 922700 - EQUIPMENT RENTAL/LEASE	\$ 59,596	\$ 110,191	\$ (50,595)	-46%
* 922800 - EQUIPMENT MAINTENANCE	\$ 184,232	\$ 193,560	\$ (9,327)	-5%
* 922900 - EQUIPMENT REPAIRS	\$ -	\$ 1,683	\$ (1,683)	-100%
* 923900 - GENERAL EXPENSE - SERVIC	\$ 118,742	\$ 118,006	\$ 736	1%
* 924500 - PRINTING	\$ 194,226	\$ 314,398	\$ (120,172)	-38%
* 925100 - TELECOMMUNICATIONS	\$ 588,795	\$ 648,960	\$ (60,165)	-9%
* 926200 - STAMPS, STAMPED ENVELOPE	\$ 148,195	\$ 454,323	\$ (306,128)	-67%
* 926300 - POSTAGE METER	\$ 14,585	\$ 12,408	\$ 2,178	18%
* 928800 - INSURANCE	\$ 22,417	\$ 38,298	\$ (15,881)	-41%
* 929200 - TRAVEL - IN STATE	\$ 150,819	\$ 136,573	\$ 14,245	10%
* 929300 - OTHER TRAVEL EXPENSE	\$ 245	\$ 130	\$ 115	88%
* 931100 - TRAVEL OUT OF STATE	\$ 2,755	\$ 978	\$ 1,777	182%
** SECURITY TOTAL	\$ 6,858	\$ 7,160	\$ (302)	-4%
* 935200 - RENT/LEASE	\$ 293,826	\$ 310,445	\$ (16,619)	-5%
* 935300 - JANITORIAL	\$ 126,337	\$ 117,999	\$ 8,338	7%
* 935400 - MAINTENANCE AND SUPPLIES	\$ 15,033	\$ 15,551	\$ (518)	-3%
* 935600 - ALTERATION	\$ -	\$ 5,351	\$ (5,351)	-100%
* 935700 - OTHER FACILITY COSTS - G	\$ 90,883	\$ 12,806	\$ 78,077	610%
* 935800 - OTHER FACILITY COSTS - S	\$ 59,767	\$ 74,814	\$ (15,046)	-20%
* 936100 - UTILITIES	\$ 53,638	\$ 14,666	\$ 38,972	266%
* 952300 - VEHICLE OPERATIONS	\$ 42,616	\$ 42,475	\$ 141	0%
* 965100 - JUROR COSTS	\$ 689,706	\$ 761,144	\$ (71,438)	-9%
* 971000 - OTHER-SPECIAL ITEMS OF E	\$ 976,797	\$ 4,525,125	\$ (3,548,328)	-78%
* 972001 - JUDGMENTS, SETTLEMENTS AND	\$ -	\$ 6,250	\$ (6,250)	-100%
* 972200 - GRAND JURY COSTS	\$ 17,761	\$ 8,679	\$ 9,081	105%

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with fiscal staff involved in accounts payable. We also reviewed selected invoices and claims processed in FY 2014–2015 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

We also assessed compliance with additional requirements provided in statute or policy for some of these invoices and claims, such as court transcripts, contract interpreter claims, and jury per diems and mileage reimbursements. Furthermore, we reviewed a sample of travel expense claims and business meal expenses to assess compliance with *JCC Travel Reimbursement Guidelines* and *Business-Related Meals Reimbursement Guidelines* provided in the FIN Manual.

The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.

11.1 The Court Needs to Strengthen Its Controls Over Accounts Payable

Background

As stewards of public funds, courts have an obligation to demonstrate responsible and economical use of public funds. As such, the FIN Manual provides trial courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements.

FIN 8.01 and FIN 8.02 provide uniform guidelines for courts to use when processing vendor invoices and individual claims (also referred to as invoices) for payment. These guidelines include procedures for establishing and maintaining a payment authorization matrix listing court employees who are permitted to approve invoices for payment along with dollar limits and scope of authority of each authorized court employee. The guidelines also include preparing invoices for processing, matching invoices to purchase documents and proof of receipt, reviewing invoices for accuracy, approving invoices for payment, and reconciling approved invoices to the payment transactions recorded in the accounting records.

Accounts Payable staff must apply other mandated procedures that are set by California State Legislature to the processing of invoices for individuals that serve the Court as jurors. For example, CCP 215(c) states: *All jurors in the superior court, in civil and criminal cases, shall be reimbursed for mileage at the rate of thirty-four cents (\$0.34) per mile for each mile actually traveled in attending court as a juror after the first day, in going only.*

Issues

To determine whether the Court adheres to the applicable judicial branch invoice processing policies and procedures, we interviewed appropriate Court staff regarding invoice processing practices. We also reviewed 36 invoices and claims paid between July 2014 and June 2015. Our review indicates that the Court did not always follow the required judicial branch invoice processing guidelines, State Legislature mandates, and Rule of Court. Specifically, we noted the following:

1. Two jury mileage claims tested revealed that the Court is not paying juror mileage per the mandated procedures that are set by the California State Legislature. Specifically, Civil Code of Procedure, CCP 215(c) requires that courts reimburse jurors for each mile **actually** traveled to the court to serve as a juror after the first day. In one claim reviewed the Court underpaid the juror mileage by \$24.31, and in another the Court overpaid the juror mileage by \$6.81. This error in mileage calculation is due to the jury software system that the Court and many other court's in the State use to maintain and manage all juror participants.

The Court advised that the software calculates the mileage using the zip code of the juror's home address to identify the nearest post office address in the same zip code, and then uses that post office address for the calculation. The system does not use the jurors' actual home address. This method causes variances in mileage calculation and, as a

result, jurors are not being reimbursed for each mile actually traveled as required by CCP 215(c).

2. The Court did not consistently perform the required three-point match—matching the vendor invoice to the terms of the procurement agreement and to proof of receipt and acceptance of the goods or services—before processing the vendor invoices for payment. Specifically, our review noted that the Court paid five vendor invoices/claims where the payment did not agree with the purchase orders, contracts, or procurement terms reviewed.

Recommendations

We recommend that the Court do the following to ensure compliance with FIN Manual guidelines, mandates by CCP 215(c), and Rule of Court 10.810:

1. The Court must follow CCP 215(c) and pay jurors for each mileage they actually traveled when a juror is meeting their civil obligation by serving as a juror. The Court should investigate options to achieve this by working with the jury software vendor to see if any configuration can be done so the mileage can be paid using the jurors' home address and not the nearest post office address in the same zip code.
2. To ensure the Court can demonstrate its responsible and economical use of public funds when processing invoices for payment, it should provide training and instruction to fiscal and accounts payable staff to ensure they understand the importance of performing the required three-point match prior to processing invoices for payment. The Court must then ensure that the three-point match process is complied with.

Superior Court Response

1. The Court has consulted with its jury software vendor to determine if the software may be reprogrammed to calculate mileage based on an address rather than a zip code, and is working with the vendor on possible options.

Date of Corrective Action: May 31, 2016

Responsible Person(s): Kate Bieker, Deputy Executive Officer

2. Consistent with recommendation #3, the accounts payable clerk performs a three-point match by applying the invoice to the appropriate purchase order and verifying that the invoice was approved by the authorized invoice approver. The invoice approver who is oftentimes the project manager assigned to the vendor contract is responsible for verifying that goods and/or services invoiced were received and/or provided in accordance to the terms of the agreement. The Court provided training in May 2015 to project managers on approving invoices.

One invoice noted was for a service that the Court continues to receive despite the contract having already expired. The Court has corrected this situation by issuing a solicitation for this service in February 2015. This documentation was provided to the audit team.

For the second invoice noted, the Court discovered that the vendor overcharged for services and the vendor has agreed to issue a credit memo for the amount overcharged. The Court corrected this issue prospectively in July 2015 by requiring the vendor to provide more detailed invoices to facilitate verification of rates charged to contract rates. This documentation has been provided to the audit team.

For a third invoice, although the rate was not identified in the contract, the Court pre-approved the hourly billing rate prior to initiation of services. E-mail documentation of the approved rate was provided to the audit team.

For a fourth invoice, the blanket purchase order does not identify detailed rates but references the master services agreement that the Court purchased the services through and which specifies the rates charged to the Court.

The fifth invoice was not sufficiently detailed. The Court will require the vendor to provide more detailed invoices to facilitate verification of rates charged to contract rates.

Date of Corrective Action: March 31, 2016

Responsible Person(s): Fae Li, Senior Financial Services Manager

11.2 Court Needs to Improve Its Procedures for Reviewing and Approving CASA Travel Expenses

Background

Government Code section 69505(a) requires trial court judges and employees to follow the procedures recommended by the Administrative Director and approved by the Judicial Council (JCC) for reimbursement of business-related travel. The Judicial Council's Travel Rate Guidelines provide specific information regarding allowable travel expenses and limitations that apply to them.

Policy Number FIN 8.03, 6.6, states pro-bono consultants are individuals serving as experts in specialized areas who receive no salary. Since their expertise is needed for limited periods a written contract may not be required. Headquarters should be established, listed on each (TEC), and kept on file by appropriate approval level for mileage and other calculations. Pro-bono consultants are eligible for reimbursement of actual travel expenses supported by a receipt up to the maximum rates identified in the published JCC travel guidelines.

The Court's relationship and use of services from Court Appointed Special Advocates or (CASA) volunteers is on a pro-bono basis as CASA volunteers are experts in their field and do not receive a salary from the Court. The Court does have a written service level agreement with

CASA to further state in writing what is expected of both parties. For example, one of the areas addressed in the agreement is compensation for services. This section details what is expected of both parties for any payment provisions. Specifically, the agreement discusses the payment of mileage to be reimbursed to CASA volunteers that is incurred as a result of travel while on CASA volunteer assignments. The agreement states that “each invoice must include travel demand forms approved by the Judicial Council of California”. The Judicial Council of California approved travel demand forms are the TEC forms in FIN 8.03.

Issue

To determine whether the Court followed the travel expense guidelines required in the FIN Manual, inquiries were made of appropriate Court staff regarding its current travel expense reimbursement practices. In addition, selected travel expense transactions between July 2014 and June 2015 were reviewed. During this period the Court had roughly \$151,000 in total travel expenditures. Of this total, \$105,773 or 70% of all travel claims paid in FY 14/15 were paid to CASA volunteers.

Upon reviewing a sample of CASA claims, it was concluded that the Court is paying CASA mileage claims that are not being submitted on the appropriate travel demand form as per their contract agreement with CASA. Additionally, the Court is paying the CASA travel claims without validating that the mileage claimed is appropriate for the trip/trips taken. The agreement states that CASA volunteers must invoice the Court and include a travel demand form approved by the JCC. The approved JCC travel demand form is the standard TEC form. For example, in one sample reviewed it appeared, but cannot be actually validated, that the mileage claimed and paid to the CASA volunteer was 169.6 miles over what was shown on Google maps based on the destination locations documented on the TEC. If correct this resulted in the claim being overpaid by \$97.71. In another example reviewed, mileage claimed and paid to CASA volunteer was 60.9 miles over what was shown on Google maps based on the destination locations documented on the TEC. The claim would therefore have been overpaid \$35.

Recommendation

To ensure its travel expenses comply with the Judicial Branch travel expense reimbursement policy and procedures, and the CASA service level agreement, the Court must require all CASA volunteers to submit their claims for mileage reimbursement on a form that is approved by the JCC. The approved JCC standard TEC can be used or a hybrid form developed with the assistance of the JCC CFCC division and approved by the JCC.

The objective in requiring all CASA volunteers claiming mileage on the JCC TEC is to provide complete detail supporting the mileage being claimed so the Court can verify that the mileage is appropriate. This can be achieved by CASA volunteers fully documenting the addresses (to/from) under section #3 (location) on the TEC form. In addition, both the home address and headquarters address should be completed and a P.O. Box cannot be used for the home address. Furthermore, it is a suggested good practice that all TEC claims requesting mileage reimbursement be accompanied by a printout from a maps software like Google Maps as backup supporting the mileage. Adopting this process helps accounts payable staff to easily and efficiently review and verify that mileage is appropriate.

**Superior Court Response By: Fae Li, Senior Financial Services Manager
February 29, 2016**

Date:

The Court agrees and will require CASA volunteers to submit monthly Travel Expense Claims in place of the Travel Demand currently being used. We believe the auditor's calculation of excess mileage and amounts overpaid is overstated if based directly between the "start" and "end" cities provided on the claim. CASA volunteers may be reimbursed for roundtrip travel related to their volunteer services, including travel between multiple stops at multiple locations in a single day. The Court will require volunteers to document their home addresses, the addresses of each location traveled, and the associated mileage traveled between locations.

Date of Corrective Action: May 31, 2016

Responsible Person(s): Fae Li, Senior Financial Services Manager

12. Fixed Assets Management

Background

The FIN Manual provides uniform guidelines for trial court to use when acquiring, capitalizing, monitoring, and disposing of assets. Specifically, trial courts must establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report all court assets. The primary objectives of the system are to:

- Ensure that court assets are properly identified and recorded,
- Ensure that court assets are effectively utilized, and
- Safeguard court assets against loss or misuse.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Expenditures				
922601 MINOR OFFICE EQUIPMENT/MA	\$ 60,269.67	\$ 7,454.70	\$ 52,815	708%
922603 OFFICE FURNITURE - MINOR	\$ 10,805.15	\$ 36,331.67	\$ (25,527)	-70%
922606 NON-OFFICE FURNITURE	\$ 574.86	\$ -	\$ 575	n/a
922607 CARTS, PALLETS, HAND TRUC	\$ 1,816.35	\$ -	\$ 1,816	n/a
922610 COMPUTER ACCESSORIES	\$ 51,486.21	\$ 50,354.42	\$ 1,132	2%
922611 COMPUTER	\$ 46,489.43	\$ 495,981.18	\$ (449,492)	-91%
922612 PRINTERS	\$ 17,195.45	\$ 4,442.24	\$ 12,753	287%
922616 CELL PHONES/PAGERS	\$ -	\$ 290.91	\$ (291)	-100%
* 922600 - MINOR EQUIPMENT - UNDER	\$ 188,637.12	\$ 594,855.12	\$ (406,218)	-68%
945204 WEAPON SCREENING X-RAY MACHINE	\$ -	\$ 235,428.62	\$ (235,429)	-100%
945205 MAJOR EQUIPMENT-VEHICLE	\$ -	\$ 25,601.24	\$ (25,601)	-100%
945207 SECURITY SURVEILLANCE - M	\$ 825,647.05	\$ 120,122.86	\$ 705,524	587%
946601 MAJOR EQUIPMENT - IT	\$ 534,064.54	\$ 169,764.94	\$ 364,300	215%
* 945200 - MAJOR EQUIPMENT	\$ 1,359,711.59	\$ 550,917.66	\$ 808,794	147%

There were no issues associated with this section to report to management.

13. Audits

Background

There are many legal requirements and restrictions surrounding the use of public resources that can lead to audits of trial court operations and finances. The court shall, as part of its standard management practice, conduct its operations and account for its resources in a manner that will withstand audit scrutiny. During an audit, the court shall fully cooperate with the auditors to demonstrate accountability, efficient use of public resources, and compliance with all requirements. Substantiated audit findings shall be investigated and corrected in a timely fashion.

We reviewed prior audits conducted of the Court to obtain an understanding of the issues identified and to assess during the course of this audit whether the Court appropriately corrected or resolved these issues. Specifically, Audit Services initiated an audit of the Court in August 2008 that included a review of various fiscal and operational processes. Issues from the August 2008 audit that the Court did not appropriately correct or resolve and that resulted in repeat issues may be identified in various sections of this report as “repeat” issues.

The State Controller’s Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Contra Costa County for the period July 1, 2008 to June 30, 2014, report issued December 2015. AS found two issues during its audit of the Court’s Revenue Distribution. Issues not yet corrected or repeat issues are identified in the Information Systems section of this report.

There were no significant issues associated with this section to report to management.

14. Records Retention

Background

The FIN Manual establishes uniform guidelines for the trial court to retain financial and accounting records. According to the FIN Manual, it is the policy of the trial court to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, the trial court shall employ sound business practices that best serve the interests of the court. The trial court shall apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records.

The table below presents account balances from the Court’s general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year		Increase/ (Decrease)	Percent Change
	14-15	13-14		
Expenditures				

We assessed the Court’s compliance with the record retention requirements provided in statute and proceduralized in the FIN Manual through a self-assessment questionnaire. Furthermore, we observed and evaluated the Court’s retention of various operational and fiscal records throughout the audit.

There were no issues associated with this section to report to management.

15. Domestic Violence

Background

In June 2003, the Joint Legislative Audit Committee (JLAC) requested AS to conduct an audit of the court-ordered fines and fees in specified domestic violence cases in California. JLAC had approved an audit on the funding for domestic violence shelters based on a request from a member of the Assembly. As a part of the March 2004 report, AS agreed to test the assessment of fees and fines in domestic violence cases on an on-going basis.

Review and testing in this area was not performed during this audit. In the future testing will be performed on a statewide basis.

16. Exhibits

Background

Exhibits are oftentimes presented in both criminal and civil cases. Trial courts are responsible for properly handling, safeguarding, and transferring these exhibits. Trial court and security personnel with these responsibilities should exercise different levels of caution depending on the types of exhibits presented. Compared to paperwork and other documents, extra precautions should be taken when handling weapons and ammunition, drugs and narcotics, money and other valuable items, hazardous or toxic materials, and biological materials.

A best practice for trial courts is to establish written Exhibit Room Manuals (manual). These manuals normally define the term “exhibit” as evidence such as papers, documents, or other items produced during a trial or hearing and offered in proof of facts in a criminal or civil case. While some exhibits have little value or do not present a safety hazard, such as documents and photographs, other exhibits are valuable or hazardous and may include: contracts or deeds, weapons, drugs or drug paraphernalia, toxic substances such as PCP, ether, and phosphorus, as well as cash, jewelry, or goods such as stereo equipment. To minimize the risk of exhibits being lost, stolen, damaged, spilled, and/or disbursed into the environment, a manual should be prepared to guide and direct exhibit custodians in the proper handling of exhibits. Depending on the type and volume of exhibits, the manual at superior courts can be minimal in length or very extensive. Manuals would provide practices and procedures that direct exhibit custodians in the consistent and proper handling, storing, and safeguarding of evidence until final closure of the case.

We evaluated controls over exhibit handling and storage by interviewing court managers and staff with exhibit handling responsibilities, reviewing the Court’s exhibit handling policy and procedures, and observing the physical conditions of exhibit storage areas. We also validated selected exhibit record listings to actual exhibit items and vice-versa to determine whether all exhibit items have been accurately accounted for and to evaluate the efficacy of the Court’s exhibit tracking system

There were no issues associated with this section to report to management.

APPENDIX A

Issue Control Log

**Superior Court of California,
County of Contra Costa**

Note:

The Issue Control Log summarizes the issues identified in the audit. Any issues discussed in the body of the audit report are cross-referenced in the “Rpt No.” column. Those issues with “Log” in the “Issue Memo” column are only listed in this appendix. Additionally, issues that were not significant enough to be included in this report were discussed with Court management as ‘informational’ issues.

Those issues that are complete at the end of the audit are identified with a ‘C’ in the column labeled C. Issues that remain open at the end of the audit have an ‘I’ for incomplete in the column labeled I and have an Estimated Completion Date.

Audit Services will periodically follow-up with the court to update the status of the corrective efforts indicted by the court.

FEBRUARY 2016

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration								
			No issues to report					
2 Fiscal Management and Budgets								
		Log	The Court misclassified an employee lump sum payout to GL 900301 - Permanent Salaries when the appropriate GL would have been 900320 - Lump Sum Payouts.		C	At the time the lump sums were paid out, we only had the one "lump sum" code that is typically used for retro pay (salary increases processed after the due date), hence the mapping to Permanent Salaries. After that payroll was processed and as it became clear the Court may continue to negotiate lump sum stipends with its represented employee groups, a new pay code was created specifically for bonus/special one-time lump sum payments. This new pay code is mapped to the 900320 Lump Sum Payouts GL.	Shannon Stone, Human Resources Director	Completed
		Log	The Court's Personnel Policies should be updated to include all updates that are detailed in policy Memos. Several policy changes or updates had been put into place but had not been updated to Court policy and procedures document. For example: Career development education/training reimbursement, AEO pay allowance (Auto allowance \$200/month), 5% trainer pay differential, and professional development reimbursement.	I		The Court is in the process of updating Appendix C (Employee Benefits) to its Personnel Plan, which addresses the memoranda identified in this log item.	Shannon Stone, Human Resources Director	June 30, 2016
3 Fund Accounting			No issues to report					
4 Accounting Principles and Practices								
	4.1	2	The Court Needs to Improve Its Financial Accounting and Reporting Practices Our review of the liability account titled "Reimbursements Collected in Advance" revealed that the Court did not correctly record money received from the Recidivism Reduction Fund Court Grant Program in the amount of \$50,061. Review of the contract revealed that the money should have been recorded as revenue, not a liability, because the contract clearly indicates that all required deliverables in compliance with Exhibit C paragraph 10.1 (Program Stat-Up Costs) had been completed, reported/submitted as contractually required, and approved by the Judicial Council representative before the court received the contractually agreed to start-up costs of \$50,061.		C	The Court believes it complied with FIN Manual requirements for revenue recognition by recording receipt of the initial funding of \$50,061 for the Recidivism Reduction Grant as a liability. In accordance with the grant agreement, the Court received this funding after meeting the deliverable for year 1 that began on April 1, 2014. The deliverable was submission of the Cost Report by April 30, 2014 to identify how the initial funding was to be used. The Court also received approval from the Judicial Council Program Manager to spend the initial funding by December 30, 2015. Since the Court did not record any grant expenditures at the time it received the initial funding, this funding was provided as a prepayment as opposed to a reimbursement. For Reimbursable Agreements such as grants, FIN 5.01, 6.3.2 requires courts to recognize reimbursements in the fiscal year when earned, not necessarily when received as in the instance of a prepayment. Prepayments must be recorded as reimbursements collected in advance when received and recognized in the fiscal year when the related expenditures are incurred. The Court spent the initial funding by November 2015 and has recorded the money as grant reimbursement.	Fae Li, Senior Financial Services Manager	Completed
						Audit Services Comment: To provide clarity and perspective, we are commenting on the response received above. While the Court may disagree, the Court did comply with all contractually required steps to earn the \$50,061 start-costs prior to the end of the fiscal year and is required to recognize the amount as revenue in fiscal year 2014-2015. The Court noted in its response that it received verbal approval to effectively "amend" the contract with respect to the \$50,061 start-up costs but this is not an acceptable means of amending a contract. Never-the-less, the contractual terms were complied with and the Court's indication of the extension does not alter that fact. The Courts discussion of prepayments does not apply because the Court nor the JCC is prepaying anything.		
			Our review of selected transactions in the "Miscellaneous Reimbursement" account revealed classification issues for the following transactions: a. The Court classified reimbursement of the County portion of Family Law Facilitator Costs in the amount of \$70,190.40 for FY 14-15 as "Miscellaneous Reimbursement" incorrectly. Since the payments received by the court are based on an Interagency Agreement these payments are not miscellaneous in nature. The agreement clearly indicates that the Court is providing services and so the Court should have recorded funds received in connection of Family Law Facilitator Costs in the "Other County Services" account. b. The Court classified reimbursements of operating expenses for Homeless court sessions in the amount of \$19,551 as "Miscellaneous Reimbursement" incorrectly. Because the payments received by the Court are based on an Interagency Agreement these payments are not miscellaneous in nature. The Court should have recorded funds received in the "Other County Services account".		C	The Court agrees and is recording County reimbursements in fiscal year 2015 – 2016 for DCSS Family Law Facilitator, Homeless Court, and similar County reimbursement programs to the Other County Services account.	Fae Li, Senior Financial Services Manager	Completed
			Annually the Court receives a reimbursement from the Franchise Tax Board (FTB) as part of the court ordered debt reimbursement program. In December of 2014 the FTB issued a reimbursement check to the Court for \$373,907 for debt collected during FY 12/13. The Court recorded this reimbursement incorrectly by recording it in the "Miscellaneous Revenue" account. The Court must redistribute on a pro-rata basis any reimbursement from the Franchise Tax Board's Court-Ordered Debt Collections Program (FTB-COD) based on the applicable reimbursement period pursuant to Penal Code § 1463.001 guidelines. The Court's portion of the distributed funds must be treated as an abatement to the costs of the enhanced collections programs that collect the Court-Ordered Debt.		C	The Court agrees and will follow recommendation #3 with future FTB reimbursement checks. Although the Court recorded the December 2014 FTB reimbursement check as revenue, this revenue was offset against the Court's cost of collections for February through May 2015 and only the net cost was recovered from delinquent collections.	Fae Li, Senior Financial Services Manager	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Our review of the Court's fund accounting practices revealed that it does not always follow recommended or appropriate fund assignment according to the Phoenix Chart of Accounts. For example, the Court records all reimbursements received from its returned check fees collected from both installment plans that are current and delinquent in the enhanced collections fund 120007. Our review of the Court's trial balance for FY 14/15 showed that the Court had recorded \$467.65 in general ledger account 812152 (TCTF-Program 45.10-Returned Check) in fund 120007. In addition, the Court records all installment plan fees collected on both current installment plans and delinquent installment plans in fund 120007. For FY 14/15 the Court's trial balance showed the Court had recorded \$703,001 of fees collected in general ledger account 821181 (PC 1205d Installment Fee) to fund 120007. In both of the cases just mentioned, while some of the fees collected is generated from delinquent accounts and is accurately recorded in fund 120007 enhanced collections, some is generated from forthwith payments and recording that money in the enhanced collections fund 120007 is not the correct treatment to record it. Reimbursements from both returned check fees and installment plan fees generated from forthwith payments must be differentiated from delinquent accounts and recorded in the Court's general fund.	I	C	The Court and County have an agreement for the Court to collect delinquent and installment accounts, which provides for the County to reimburse the Court for costs of collecting installment accounts in excess of certain administrative fees collected by the Court on these accounts. As a result, the Court uses fund 120007 in order to separately record and track delinquent and installment collections revenue and expenditures. Beginning in the next fiscal year, the Court will use fund 120007 only for delinquent collections and will use another fund that is appropriate to record and track installment revenue and expenditures. Audit Services Comment: To provide clarity and perspective, we are commenting on the response received above. While the Court may have an agreement with the County to receive reimbursement for costs relating to the collection of installment accounts, non-delinquent reimbursements must be recorded in the general fund as they are related to non-restricted expenses.	Fae Li, Senior Financial Services Manager	July 1, 2016
			Local revenue account 821121 – Local Fee 1 – “Financial Responsibility” - used to record portion of payments “for each conviction of a violation of Section 16028 of the Vehicle Code [and] shall be deposited by the county treasurer in a special account and allocated to defray costs of municipal and superior courts incurred in administering Sections 16028, 16030, and 16031 of the Vehicle Code.” (PC 1463.22 (a)). The language of statute means that this is legally restricted fund and should be either recorded in the fund 120021 - Special Revenue Fund-Other and/or assigned special WBS code to track the use of money. The Court recorded all transaction amounting to \$33,833.91 in General Fund (120001) and did not track them with WBS; as a result, not complying with the statute.		C	The Court agrees and is recording fiscal year 2015 – 2016 revenue to the PC 1463.22a Insurance Conviction account and Special Revenue Fund-Other fund. A unique WBS element has been assigned to track PC 1463.22a revenue and related expenditures.	Fae Li, Senior Financial Services Manager	Completed
			The court has not recorded any lease payments of storage places under GL 935203 it uses to store files and other items belonging to the court. The total amount for the storage fees in FY 13-14 amounted to \$7,299. Because the court entered into a lease directly it should have been recorded on California Comprehensive Annual Financial Reports (CAFR), per CAFR instructions.		C	The Court agrees and will report current and future payments for all operating leases in the next CAFR report. Since this information is provided as a note only and does not affect any financial statements in the CAFR, no adjustments to the fiscal year 2014 – 2015 operating lease information will need to be made.	Fae Li, Senior Financial Services Manager	Completed
		Log	Park and post roles are not sufficiently segregated and the court doesn't have appropriate mitigating controls to ensure that individuals cannot park and post same transactions. For example, role “Z:R3_GL_UPLOAD_POST_CCA” named “JE Upload Post” allows one employee to both, Park and Post, transactions into SAP. JE Upload Post SAP role allows court staff to upload multiple entries into SAP, which is usually used to post multiple adjusting entries at year end. However, this role can be used to Park and Post any General Ledger transaction. SAP screenshot shows that a transaction can be Parked and Posted by the same individual. According to Fae Li, Senior Financial Manager, to mitigate the risks the court established a verbal policy known to Financial office staff to never both park and post transactions into SAP.		C	The Court recently updated SAP user roles and now only the Financial Services Manager has the JE Upload Post role due to operational necessity. He has been reminded in writing that the transactions he uploads must be posted by another user. As this is a standard SAP role not limited to this Court, we believe that the dual park and post capabilities of the JE Upload Post role is a Statewide issue and should be addressed at the State level.	Fae Li, Senior Financial Services Manager	Completed
		Log	The court has not performed a cost study to substantiate the cost that would show the amount of moneys need to be levied to “compensate the people for the cost of returning defendants to custody pursuant to §1305” (PC1306(b)). Currently the court assesses \$100.00 per bond when the defendant's appearance is a result of arrest on the bench warrant issued upon bail forfeiture and \$75.00 per bond when the defendant's appearance is not a result of bench warrant arrest.		C	Court operations managers were instructed in February 2016 to suspend assessment of the Bail Reinstatement Fee until a cost study may be performed to determine the appropriate amount.	Fae Li, Senior Financial Services Manager	Completed
		Log	Court failed to accrue revenues related to 3 grants in FY 2013-14: Collaborative Justice Courts - \$6,168. Although the Court did accrue revenues totaling \$14,001 for month of Dec 2013 – March 14 for Collaborative Justice Courts Grant, the court didn't accrue an estimated \$6,168 for months of April, May, June 2014 for this grant. Adult Drug – Reentry: approximately \$48,957.61. Accruals are often times based off of estimates and are not precise. Court should do its best to estimate and accrue all revenues using past billings or even consulting with vendor to get information on billings if vendor has not yet invoiced Court. For FY 13/14 the Court failed to estimate and accrue any revenue for the Adult Drug Re-entry Grant. Without having the invoices from the vendor and using past billings to get an average monthly cost it appeared the estimated amount not accrued was \$48,957. When compared to accrual amounts after vendor did invoice Court actual amount would have been \$28,503. Proper accounting practices would be for Court to at least accrue some amount rather than none at all. Model Self-Help Centers: \$15,644. Court failed to set up an estimate of accrued revenue for FY 13/14 for the Model Self-Help Centers. An estimate of \$8,019 for May 2014 and \$7625 for June 2014 would total \$15,644 in revenue not accrued. Since all of the grant money are given as reimbursement for eligible expenditures, the court should have known (or at least the court should have been able to estimate) the amount of qualified expenditures that would be eligible to be reimbursed.		C	Although the Court did not accrue certain grant reimbursements in fiscal year 2013 - 2014, we did accrue reimbursements earned but not yet received for the three grants noted in fiscal year 2014 - 2015 and will continue to properly accrue reimbursements going forward.	Fae Li, Senior Financial Services Manager	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	2 liability accounts: 373001 – Uncleared Collection & 374201 – Voluntary Deductions have debit balances of \$197.91 & \$38.37 respectively. These accounts should have a credit balances per JCC Chart of Accounts.	I		The balance for 373001 has been resolved and there are currently no open items. Account 374201 is a miscellaneous deduction account used primarily when we are processing refunds or overpayments for employees and cannot use the original pay code for the deduction. Given the amount and age of the transactions in the account, it is a low priority reconciliation task that we are aware of and tracking. We also communicate the status of the balance to Judicial Council staff.	Shannon Stone, Human Resources Manager	June 30, 2016
5 Cash Collections								
	5.1	I	The Court Needs to Strengthen Its Cash Handling Controls and Procedures					
			The Court has not performed a thorough evaluation of all established change funds resulting in accounting discrepancies and unnecessarily high change fund sizes. At the time of review, Court finance provided a master change fund log by location; this log was then used to reconcile each location's cash on hand. Our review found that the Martinez court records division had a change fund total of \$460.01 with a Loomis daily change out amount of \$160.00. While the master log indicated this location as having a change fund total of \$300.00 with a Loomis change out amount of \$160.00. Furthermore, the fund amount at two locations is excessive when compared to the amount that each location collects. For example, the Martinez criminal division average daily collection is \$2,232 with nearly this entire amount being check payments. The day this area was observed they collected only \$4.50 cash. In addition, the Martinez records division has an average daily collection amount of \$441; on the day observed, this area collected only \$109 cash.		C	Partially Agree. The Financial Services Division counted all locations' change and starting cash funds in September 2015 and updated its records. The Martinez Criminal Division reduced its change fund amount but the Martinez Court Records Division has a need for the existing change fund level. Although the auditors looked at average collection volume and observed one day of actual cash volume, the division has experienced higher cash volume days where change is needed. The majority of payments are for copy fees that require change to be given. The division also expanded its service hours after the cash audit so payment volume has increased.	Fae Li, Senior Financial Services Manager	Completed
			External counts, or counts conducted by an employee other than the change fund custodian, of change funds do not comply with the recommended schedule stated in FIN 10.02, 6.3.1(7). Finance performs external counts through its annual surprise cash audit, however, change funds exceeding \$200 are counted more frequently (e.g. \$200.01 - \$500 is quarterly and over \$500 is monthly).		C	Agree. The Financial Services Division has expanded its existing surprise cash counts to include change fund counts and review of other cash handling procedures. The first cash handling compliance review was completed in September 2015 and will take place quarterly. The Court does not have any change funds over \$500.	Fae Li, Senior Financial Services Manager	Completed
			During system downtime when each manual receipt book is issued to each clerk, the Court's current log does not record the beginning receipt sequence when checked out and ending receipt sequence when returned. For example, the issuance log being used does not account for individual receipt sequences used when each book is in possession of each clerk, as required by FIN 10.02, 6.3.9.(1). Furthermore, there is also no evidence of supervisory review was consistently taking place, such as attaching the CMS receipt or noting the CMS receipt number in the receipt book or log with supervisor initials to ensure and document that manual receipts were entered into the CMS. Repeat Issue		C	Partially Agree. The Court has enhanced its manual receipt issuance log to document the beginning receipt sequence when checked out and the ending receipt sequence when returned. The Court's local manual receipt procedure already requires the bottom portion of the manual receipt to be completed with the date entered into the CMS, name of CMS, division, CMS receipt number, and cashier name. As the FIN Manual does not require supervisory review, the Court has determined that its local procedure sufficiently evidences that the receipt has been entered into the CMS. In September 2015, the Financial Services Division has expanded its existing surprise cash counts to include review of manual receipts and other cash handling procedures to verify that manual receipts are entered into the CMS and the CMS entry is recorded on the receipt.	Kate Bieker, Deputy Executive Officer	Completed
			Court manual receipt books issued by the fiscal department are not being controlled by properly monitoring and accounting for each book issued. For example, one receipt book that contained 30 unused receipts titled (MTZCIV – 00091) in the Martinez civil division; was not listed on the master issuance log and the court had no record that this book was in the possession of the Martinez civil department. Repeat Issue		C	Although the Court acknowledges overlooking logging book MTZCIV – 00091, we disagree with the auditors' conclusion that manual receipt books are not being controlled because 1 of 40 books issued was not on the master log. The book was issued to the location administrator who placed the book in the location safe, logged in the location safe log, and provided a copy of the location's safe log to the Financial Services Division. The Court has added the book to the master log. Furthermore, the Financial Services Division reviewed all manual receipt books in September 2015 and confirmed that all books are logged and secured in safes, and that all 30 unused receipts are intact in book MTZCIV – 00091.	Fae Li, Senior Financial Services Manager	Completed
			Court staff is not always completing all sections when filling out a manual receipts. For example, at the Richmond civil division after reviewing the used manual receipts it was noted that the date was missing on eight out of 17 manual receipts issued, case number was missing on one out of 17 receipts, payer name missing on two out of 17, and amount received missing on one out of 17 receipts. In addition, at the Pittsburg traffic division three out of 5 issued manual receipts didn't have payer name filled out or was filled out incorrectly. Repeat Issue		C	Agree. The Court provided a refresher training to clerks on how to complete manual receipts. In September 2015, the Financial Services Division expanded its existing surprise cash counts to include review of manual receipts and other cash handling procedures.	Kate Bieker, Deputy Executive Officer	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court is at risk of fraud because it does not create a control account list for mail that is processed immediately when opened. While the Court does create a list called the "trouble mail" log for mail payments that cannot be processed immediately, not all locations at the Court follow the recommended FIN Manual procedures which, in part, were created to assist the Courts in mitigating the specific risk of lapping payments by creating a control list of mail payments in which the supervisor can use to reconcile this list to the CMS to ensure all payments have been entered appropriately. For example, at the Martinez civil and family law divisions clerks that receive customer remittance also process mail payments that are not logged. Furthermore, at all locations, logged trouble mail is divided out to each division's clerks to be processed and those clerks are responsible for receiving customer remittance at cashiers' windows. While it is good that the trouble mail logs were being used as a tool to manage aged mail, the logs were not being used as a control account list to reconcile these payments to the CMS to ensure each payment was entered appropriately. To give credit to the Court, the procedures that it currently has in place evidence that the Court has made great effort to established some good control procedures for mail payments, but these procedures should be further developed and followed consistently at all locations to be affective.	C	Partially agree. The auditors noted that the Martinez civil clerks processed mail payments that were not logged. The Court has explained to the auditors that the unit had identified mail payments received within a two-week period that were not logged on the days received and subsequently logged them in one log. This anomaly has been corrected and the unit continues to log mail payments on the day received. The Court will implement mail procedures at the Martinez family law unit by October 31, 2015 to either have a two-person team open and process mail payments and log unprocessed mail payments, or log all mail payments on the day received. The Court's resources are insufficient to implement all discretionary mail payment procedures. For instance, the Court did implement the discretionary two-person team procedure to open and process mail payments, but only log mail payments that could not be processed that day. Mail payments opened and processed by the two-person team are not co-mingled with counter payments and therefore would not need to be logged. To address the lapping risk for mail payments that are logged and processed by clerks who also process counter payments, the Court now requires each clerk to attach a copy of their mail payment log with their closeout and balancing documentation. The verifier may then verify that the mail payments logged as processed that day by the clerk are on the clerk's teller report.	Kate Bieker, Deputy Executive Officer	Completed
			At the time of our review the Court had not implemented the mandatory FIN Manual procedure for monitoring of unprocessed mail payments. Although department supervisors and leads informally monitor mail payments and may report significant backlogs to management, the FIN Manual requires each department to log payments unprocessed for more than 5 days, report monthly unprocessed payments more than 15 days to the Fiscal Director, and escalate to the CEO unprocessed payments more than 30 days. However, the Court has indicated that payments beyond 30 days were rare; the Walnut Creek traffic division did have several payments that were 30 days old at the time of our review. Repeat Issue	C	Partially agree. The Court already has a procedure to monitor and report mail payment backlogs. Each location or unit manager submits a weekly workload report to the Deputy Executive Officer that identifies, among other things, the number of mail payments that remain unprocessed for at least 5, 15, and 30 days. The Deputy Executive Officer reviews these workload reports with the Court Executive Officer during their weekly meetings. Although the Court's procedure differs in some ways to the FIN Manual procedure, the Court believes that it complies with the intent of the FIN Manual procedure. The Court will submit a request for alternative procedure by October 31, 2015.	Fae Li, Senior Financial Services Manager	Completed
			For payments which cannot be immediately applied, the Walnut Creek location does not enter the payments into suspense and deposit the check or money order as recommended by FIN 10.02, 6.4, 2. Specifically, at the time of our review the Walnut Creek location had \$16,063 of unprocessed "trouble mail" payments dating back as far as 30 days for which payments were not yet entered into the cashiering system and the payment instruments were still in the Court's possession and not deposited.	C	While the Court understands the additional safeguards of entering payments into suspense, it currently does not have the staffing resources to implement this discretionary procedure. The Court has adopted other controls, including logging and securing unprocessed mail payments to safeguard the payments until they may be processed. With these mitigating controls, the Court accepts the business risk associated with this issue. The Walnut Creek Central Traffic Unit receives the highest volume of payments compared to other locations, processing on average over \$27,000 in cash and checks daily (excluding credit card payments). Due to high volumes, the unit at times experiences processing backlogs. The unit began attaching an adding machine tape to each day's log so it can gauge the amount of unprocessed mail payments remaining each day. Court has also actively focused its resources on reducing the backlog identified in the audit and has currently reduced unprocessed mail payments to under \$2,000 daily.	Fae Li, Senior Financial Services Manager	Completed
			The Court did not always implement business processes with adequate segregation of duties leading several locations to have primary staff duties that were incompatible. Specifically, at Richmond civil division the day observed, the clerk IV assisted by receiving customer remittance and also was responsible for preparing the deposit. The Richmond traffic division's clerk IV processed mail and drop box payments, received customer remittance, entered payments into the CMS, and also performs closeout for her division staff. Further, at Martinez criminal and court records the lead clerk verified the division end of day closeout and also prepared the deposit. While Martinez criminal and Martinez court records did have a secondary review of the deposit the incompatible duty could be better mitigated if the duty of verifying division end of day closeout of each cashier was performed by a different staff person that does not also prepare the deposit.	I	The Court disagrees with the auditor's assessment that payment processing, closeout and balancing, and deposit preparation duties are not segregated. The Richmond civil clerk IV is a back-up cashier and did cashier and prepare the deposit on the day observed. However, a different individual verified her closeout and balancing before she prepared the deposit for the unit, and yet another individual counted her deposit before it was sealed and picked up by the armored car service. The Richmond traffic clerk IV is a back-up verifier to the lead and did cashier and verify closeout and balancing on the day observed. However, she only verified other cashiers' closeout and balancing while another individual verified her closeout and balancing. The Court does not believe there is an issue with having the Martinez criminal and court records lead verify closeout and balancing and prepare the deposit. The FIN Manual does not require closeout and balancing verification and bank deposit preparation to be performed by different individuals. Additionally, as the auditors pointed out, the deposit prepared by the lead is counted by another individual before the deposit bag is sealed and picked up by the armored car service. Furthermore, the Financial Services Division verifies the daily closeout and deposit documents for all locations to amounts received by the bank. Audit Services Comment: To provide clarity and perspective, we are commenting on the response received above. While the Court may disagree, the issue was noted as what was observed the day each of these areas were reviewed. When court staff were interviewed all staff advised that the workflows observed were part of their normal routine and was detailed as such on the completed segregation of duties matrix.	Kate Bieker, Deputy Executive Officer	

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			In general all court locations are not consistently segregating the duty of processing mail and drop box payments from processing customer's remittance at the front windows. Although, it may be difficult for the Court with current staffing limitations to appropriately segregate this duty, the Court can mitigate this risk of "lapping fraud" by following the recommended mail processing procedures and logging all mail payments then reconciling this log to the CMS.		C	Partially agree. To address the lapping risk for logged mail payments that are processed by clerks who also process counter payments, the Court now requires each clerk to attach a copy of their mail payment log with their closeout and balancing documentation. Mail payments opened and processed by the two-person team on the day received are not co-mingled with counter payments and therefore would not need to be logged.	Kate Bieker, Deputy Executive Officer	Completed
			Items held in safe are not being adequately documented and safe procedures not being followed. Specifically, the Court's inventory records of contents held in the safe did not reconcile. For example, at the Martinez Court records division it was noted that the inventory list documented that there should be four pouches containing \$22, but the review found that the safe actually contains 3 pouches containing \$22, and one empty pouch. Additionally, at the Walnut Creek location the safe inventory records did not include keys to electron file stamps, a lockbox containing the manager's office key, and a driver's license that were physically present in the safe. Furthermore, the Court has documented written safe procedures in place but these procedures are not consistently being followed. Specifically, during the review at each court location it was noted that the Court's procedure number 49 that requires an "acknowledgement form" be completed to document an item that is being presented and held in the safe was not being completed. This form is important and serves as an affidavit certifying that the Court manager is accepting the item to be officially held by the Court.		C	The Court agrees with the discrepancies identified and has corrected them. It should be noted that the Court already complies with mandatory FIN Manual requirements for securing valuable and sensitive items in the safe and limiting access to the safe. The documentation of safe contents on logs and acknowledgement forms are not FIN Manual requirements but internal procedures created by the Court.	Kate Bieker, Deputy Executive Officer	Completed
						The Financial Services Division already performs an annual safe inventory at all locations. The discrepancies noted by the auditors at Martinez court records and Walnut Creek occurred after the most recent safe inventory performed in January 2015, and the respective locations have updated their logs and submitted updated logs to Financial Services. Specifically, the Martinez court records' safe log has been updated to reflect the actual starting cash bags and amounts stored in the safe. Concerning the keys and driver's license noted by the auditors as missing from Walnut Creek's safe inventory record, the Court has already explained to the auditors that these items were added to the safe during the location manager's two week absence prior to the audit. The manager has updated the location's safe inventory record with these added items. All court locations are also now completing the acknowledgement form. Lastly, the Court has initiated a review of historical items stored in the safe, such as passports and deeds, to determine proper disposal, which will reduce the resources spent recording and tracking safe contents.		
		Log	At the Court Records division an employee with access to the safe combination left the court on 6/5/15, but per the safe combination change log provided by Court fiscal this area last safe combination change was completed on 3/11/15. Per FIN 10.02, 6.1.1, 3e, the safe combination should be changed when employee leaves the Court.		C	The combination to the Court Records safe was changed in July 2015.	Fae Li, Senior Financial Services Manager	Completed
		Log	At both the Walnut Creek and Pittsburg traffic locations the Court's cashiers do not document the balance at closeout by completing and signing the daily report, attaching a calculator tape for checks, and then submitting the balance report to the supervisor, as required by FIN 10.02, 6.3.10. Instead, the clerks' closeout of the CMS, turn their signed CMS report and money collected to their supervisor, and then the money collected is verified against the CMS total. At the time these two areas were observed, there was no documentation to evidence that the actual cashier balance occurred, only the supervisor verification against the CMS totals		C	Walnut Creek and Pittsburg traffic cashiers balance their collections to their teller report totals at the end of the day before submitting their closeout documentation for supervisory review. Rather than signing the teller reports after the supervisory review, cashiers are now required to sign their reports after balancing. Cashiers also run adding machine tapes of cash and checks collected. These tapes were previously not retained, but are now required to be attached to the teller reports.	Kate Bieker, Deputy Executive Officer	Completed
		Log	The Richmond location has \$410 of cash on hand to which employees do not need access. Specifically, the safes contain a \$200 old traffic department change fund; \$100 old criminal department change fund; and two \$55 criminal cashier bags. Per court staff, these monies have not been used in over a year. Therefore, Court staff does not need access to these funds to perform their duties. (FIN 1.03, 6.3.3, 7)		C	Shortly before the cash handling review, the Court moved and consolidated its Civil, Criminal, and Traffic units to one clerk's office area, but did not have a chance to also consolidate its change funds. The Court has since deposited excess change funds back into the Operations account, and Richmond now only has one \$400 change fund. The two \$55 starting cash funds have also been deposited to the Operations account.	Kate Bieker, Deputy Executive Officer	Completed
		Log	The court records division change fund log is being signed when counted and verified but the amount is not filled in on the log that would document how much was present at the time fund was verified.		C	The Court Records division has included the dollar amount to the log to be verified and signed.	Kate Bieker, Deputy Executive Officer	Completed
		Log	Not all locations are consistently retaining all voided receipt documentation including re-rung receipts and retaining these voided receipt documentation and including it with the end of day documentation that gets sent to central accounting. Specifically, from the void samples reviewed none of the traffic divisions were retaining voided receipts. The retaining of all voided receipts not only is a court wide policy but also is a FIN manual policy that is stated as a directive "will" and not just a best practice recommendation. (FIN 10.02, 6.3.8.1).		C	The AMORS traffic case management system does not print out a receipt when a transaction is voided. However, voids are listed on individual teller reports, which are verified by leads/managers to ensure all voids are supported by approved void forms. Financial Services also runs a daily void report the following day to verify all voids are supported by approved void forms.	Kate Bieker, Deputy Executive Officer; Fae Li, Senior Financial Services Manager	Completed
		Log	Not all locations are completing all sections of the void documentation form.		C	The Void Procedure was updated in May 2015 to clarify the process for completing the void approval form and sent to division and branch managers.	Kate Bieker, Deputy Executive Officer	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	While all locations maintain a troubled mail log the Supervisor or Manager are not signing the log to evidence their daily review of unprocessed mail payments as required by FIN 10.02, 6.4, (4a). Furthermore, while the log contains a disposition column it does not contain the required comment column to document the reason for the delay. This is required by FIN 10.02, 6.4, (4b)		C	The Court will require the Supervisor or Manager to sign the mail log to evidence their daily review of the unprocessed mail payments. The Court will furthermore include the comment for the delay in processing in the disposition column as required.	Kate Bieker, Deputy Executive Officer	Completed
		Log	At the Martinez Civil division a mail log dated (5/1/2015 - 5/14/2015) listed mail payments that were not logged on the date they were received by the Court which defeats the purpose of the mail payment log as a control tool. Specifically, a log dated 5/1/2015 - 5/14/2015 listed mail payments that were not logged on the date they were received through the mail by the court. Furthermore, for a specific payment recorded to a log dated June 3, 2015, the Court stated that the payment was received through the mail on May 28, 2015. The dates assigned to mail payment receipts logs do not always correspond to when the location received the payment through the mail.		C	During this time period, it was discovered there were mail payments not initially noted on a Mail Payment Receipt Log. In an effort to log these payments, staff were instructed to enter the payments received over multiple days on one log. This incident was an anomaly that has been corrected. Concerning the June 3rd payment, there was a delay in logging. The normal practice is to log mail payments on the day mail is received and opened.	Kate Bieker, Deputy Executive Officer	Completed
		Log	While the mail payment receipts logs in use at the Martinez Civil department include a signature block for "Verified By," processing clerks do not ensure that all payments listed on the log are physically present and then sign log establishing evidence of responsibility. The "Verified By" signature block was found blank on nine of nine processed mail receipt logs reviewed.		C	Court now requires processing clerks to sign the "Verified By" signature block to ensure payments listed on the log are physically present and establishes evidence of responsibility.	Kate Bieker, Deputy Executive Officer	Completed
		Log	At the Criminal division in Martinez the two person team that opens mail is not rotated regularly as recommended by FIN Manual for optimal controls.		C	The Court has implemented the recommended two-person team procedure to the extent possible. Due to limited staffing in Martinez Criminal, there are not enough staff to rotate the two person team regularly as recommended, and the Court accepts the business risk associated with the issue. When assignments are rotated, the mail team will also be rotated. The Court mitigates the risk of not rotating the two-person team regularly with other controls, including having mail opened in an open area, and logging mail payments that cannot be processed on the same day received.	Kate Bieker, Deputy Executive Officer	Completed
6 Information Systems								
	6.1	3	Information System Controls Require Further Strengthening to Ensure Strong Controls Are in Place For Security Threats					
			The Court currently does not have any written policies and procedures in place for its MS Network, CUBS collection system, and its criminal cashing TEK machine SAMS4. The Court did provide SOP's specifically to network changes and server management but these are not what is considered policies and procedures for their MS Network. The Court stated, "We do not have network policies and procedures, we like to keep it fluid". Furthermore, the Court went on and stated, "We utilize the MS standard security practices". Repeat issue	I		The Court acknowledges at the time of the audit that a CUBS policy did not exist, and since then has created an administration policy for CUBS. A copy of this policy was provided to the audit team. As referred to earlier, the Court uses the system's built in security protocols and parameters. Due to the age of the system and proprietary nature, the system cannot be made to conform to other security protocols. The Court does not have a policy on the TEC machines as they are not interfaced or connected to any system. If the JC believes a policy needs to be created for the TEC machine, then the Court will comply. However, the machines do not impose a security or financial risk to the Court. They are used to supplement the manual cashing process. The Court utilizes the user manual provided by the vendor for training staff. Additionally, with the new CMS deployment, the machines will be unneeded in a year.	Heather Pettit, Chief Information Officer	June 30, 2017
			Although the Court has written policies in place for its case management systems, LJIS/AMORS and ICMS, these policies are very high level and fail to adequately cover activities such as password and user management. Repeat issue Audit Services has reviewed the "Court System Security Policy" that has been submitted recently. This is considered acceptable as an interim policy and referenced as such. The ultimate goal is to have courts complete review and analysis of the Guide to IS Controls Framework issued by the JCC. Understanding that this is a more comprehensive and resource heavy task, the interim policy is the first step. Audit Services understanding is that the Court will take the framework and determine by policy and procedure chapter whether it can comply and if not what it needs to implement the policy and procedures. This would take the form of resources, staff, funding, etc. There could be items that the Court might believe unsuited for the Court at the current time based on the systems, hardware, etc.	I		The Court agrees that with the adoption of the new JB Security Control Framework, the Court will be evaluating its current security protocols to define the appropriate security levels for its business and systems. The Court also acknowledges it is beginning to transition from old antiquated systems, with limited security parameters to more modern technology systems, which will better protect the Court.	Heather Pettit, Chief Information Officer	June 30, 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The VPN user list that the Court provided to Audit Services is generated from data provided by the County. The VPN user list showed that eleven tokens that had been assigned to employees had not been used as their last login showed 1/1/1986. This was discussed with the Court and the Court advised that this was incorrect as some employees showing this date were hired after 1986. The Court advised that the data the County provides to the Court is not in a readable format and when converted often results in inaccurate data. As a result, without an accurate report reflecting activity of VPN tokens that have been issued to court staff, the Court cannot use this report to appropriately monitor the tokens. Repeat issue		C	The Court agrees that it needs an accurate reporting mechanism for auditing purposes. After discussions with the County, the 1986 date was a "default" date if the token had not been used previously, otherwise a more reasonable current date would display. Ultimately the Court is moving away from VPN technology and during its quarterly audit is asking users if they want to continue to have VPN access or if Office 365 is adequate. Eventually the Court will be moving away from County VPN access when it replaces its CRM solutions.	Heather Pettit, Chief Information Officer	Completed
			The VPN user list that the Court provided has twelve user ID's designated for its vendors. The Court was asked to provide copies of the signed non-disclosure confidentiality agreements for all vendors. The Court did not have signed disclosures in place for two of the vendor groups (ATI and ISD). In addition, the Legal Aid contractor's VPN agreement should be signed by each contractor, not their manager.		C	With respect to VPN tokens issued to vendors, the Court provided vendor access agreements for ATI and ISD/JTI to the JC audit team in November 2015. With regards to Legal Aid, the Court has received signed agreements from all the vendor's VPN users and provided those to the audit team in April 2016.	Heather Pettit, Chief Information Officer	Completed
		Log	Two tokens were expired yet the County had not disabled the security agreement. With continued monitoring of tokens the Court can ensure the County has disabled all expired tokens.		C	Concerning the expired tokens noted, the County does not charge for expired tokens and expired tokens do not pose a security risk.	Heather Pettit, Chief Information Officer	Completed
Revenue and Distribution		Log	For railroad bail forfeiture violations the CMS is not assessing the correct UBS of \$320. System is incorrectly distributing an additional \$8 to the BF and penalties, \$1 to additional DNA, and \$1 to Surcharge.		C	We verified that the base fine for VC 22451(b) - railroad is correctly set for \$320 in the traffic CMS so that the total fine calculated by the system would be \$489 (\$1 night court fee not assessed). The sample case noted may have been sentenced to \$499 instead of \$489, resulting in the system distributing the excess \$10 to various revenue codes.	Fae Li, Senior Financial Services Maanger	Completed
		Log	Court assessing incorrect UBS fine for child seat bail forfeiture cvc 27360 with second violation of unlicensed driver cvc12500a. The CMS assessed cvc 27360 at \$489 and cvc12500a at \$387 or a total \$876. The total UBS should be \$892. The CMS is using the top-down rather than the base-up distribution method which causes the fines and penalties amounts proportionately rather than on a per 10 basis. As a result, the system then only distributed \$98 instead of \$100 to the childseat base fine and \$74 instead of \$75 to the unlicensed base fine. These then cause the penalty assessments to be lower. Repeat Issue		C	The CMS correctly calculated total bail of \$489 for VC 27360 (\$1 night court fee not assessed). We also verified that the base fine for VC 12500(a) is correctly set for \$75 in the traffic CMS so that the total bail calculated by the system would be \$401 (\$1 night court fee not assessed). The sample case noted may have been sentenced to a lower total fine of \$876, and the top-down calculation resulted in distributing less to the base fine and penalties for both violations.	Fae Li, Senior Financial Services Maanger	Completed
7 Banking and Treasury								
	7.1	4	Court Needs to Improve Its Reconciliation and Escheatment Processes					
			The Court did not always make a thorough good faith effort to contact the owners of funds being held in trust by utilizing good judgement, the addresses listed on file, the internet, and any other appropriate methodology. For example: a. In one case the Court sent a notification to a foreclosed address of Court's intent to escheat money in the amount of \$34,383. Clearly, the foreclosed address is not a good choice as the owners would not be at this address. The case file had two other addresses listed, but there was no documentation evidencing that the Court attempted to contact the owner at these other locations. b. In another case, it was noted that the Court sent the notification to escheat money to a non-existing address as a result of the address not being entered correctly in the case file and CMS. A thorough effort of review would have caught this error and a simple web search of the address enabled the correct street address to be found.	I	C	The Court agrees and will review its fiscal year 2014 – 2015 escheatment files to identify any additional errors and take appropriate steps to correct these errors, if any. Concerning the escheatment of excess funds from the foreclosure sale, the two other addresses noted included a secondary residential address and a business address belonging to the former owner who is deceased. The Court's legal research attorney provided the foreclosed property address and the secondary residential address, noting that both addresses are likely not good as they were last known in 2003 and mail sent to these addresses was returned. Nevertheless, the Court sent a notice to the secondary residential address in March 2016 and the notice was returned as undeliverable. Concerning the business address that was misspelled, the notation made by the post office on the returned mail indicated that the address was located and delivery was attempted, but the addressee was not known at the address. The Court also confirmed with the post office that this was the case. Since the notice reached the correct address despite the misspelling, the Court will not send out another notice.	Fae Li, Senior Financial Services Maanger	May 30, 2016
			Although, the Court has made significant progress in the research, reconciliation, and disposition/escheatment of most of the prior balances of the Civil Unreconciled Trust account that totaled \$438,114, the remaining amount of \$33,219 (\$33,119.05 of the total was recorded in the general ledger in 2006) still needs to be researched and disposed of in some manner including escheatment, as appropriate. Repeat issue	I	C	The Court agrees and will continue to research the remaining \$33,219 in unreconciled trust. These funds were originally deposited with the County Treasury, subsequently transferred into the Court's local bank account, and finally to the current trust account. These are very old deposits that predate our current civil case management system for which the Court has not been able to locate case file records to identify potential owners. We will determine what additional efforts, if any, should be taken. Once all efforts at locating case records have been exhausted, the Court will proceed with escheatment.	Fae Li, Senior Financial Services Maanger	June 30, 2016

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court doesn't perform a complete reconciliation of its local revolving bank account, for example: a. Currently, the Court reconciles the bank account to an internally generated sub-ledger record known as "Check Register", but the Court doesn't reconcile the bank statement to the amount in Phoenix Financials (general ledger). b. A proper reconciliation of the revolving account was not performed as the Court did not reconcile the revolving account to the bank statement and sub-ledger. Audit Services identified the fact that both the Court's bank statement and sub-ledger agreed with one another but had a difference to the general ledger of \$556 that had been carried over from previous fiscal years. This difference had not been researched to determine a disposition. c. The reconciliation between the sub-ledger, which is the Court's check register, and the bank statement is not signed and dated by the person who prepared the reconciliation, as required.		C	The Court agrees and has revised its revolving account reconciliation form to include a three-way reconciliation between the bank statement balance, check register, and general ledger balance. Since the general ledger balance will always show \$50,000, the difference will be the balance of checks issued that are waiting for replenishment. The form has also been updated to include signature and date lines for the preparer and approver. Lastly, the Court has requested a replenishment to bring the check register balance back to \$50,000 to resolve the \$566 prior year adjustment carryover.	Fae Li, Senior Financial Services Manager	Completed
		Log	The court uses check order forms to keep track of the check stock. However FIN 13.01.6.4.6 requires that "receipt of long-term check stock to be receipted, verified and recorded under dual control on the check stock register." Moreover, "transfers of long-term check stock to working check stock must be documented by the signatures of two authorized trial court employees in the check stock register." Since the court doesn't have a check stock register for its entire supply of revolving account check stock the mandatory requirements of FIN 13.01.6.4.6 are not being followed.		C	The Court does not have a long-term check stock. All the check stock in the Payroll safe is current working check stock. The Court has updated its existing revolving account check register to list all of its check stock.	Shannon Stone, Human Resources Director	Completed
		Log	The court doesn't maintain the following minimum information in its CMS or CMS sub ledger: - 353006 – Criminal- General trust - CMS doesn't provide information about Date funds are received and Date Disbursement are made - 353025 Civil Trust – Eviction Deposit - CMS sub-ledger doesn't show if the disbursements were made - CMS sub-ledger for g/1 353003 – Civil Trust doesn't include date for the last 16 transactions recorded		C	Concerning the 353006 Criminal trust account, the CMS does record the date of receipt in the case activity, although the particular report used for reconciliation does not identify the receipt date. Concerning the 353003 Civil trust account, the original receipt date of the last 16 transactions are unknown as these are old trust deposits predating our current civil CMS that the court recently reconciled and moved over from the unreconciled trust account. The date has been updated to reflect the date funds were transferred into the Court's current bank account. Concerning disbursement dates, the trust accounts being reconciled are still on deposit with the Court and therefore would not have disbursement dates.	Fae Li, Senior Financial Services Manager	Completed
8 Court Security								
	8.1	7	Redacted; See page xvi of the report.					
9 Procurement								
	9.1	7	Certain Procurement Controls and Processes Need Improvement In eleven of twenty-one applicable procurement files reviewed, the file did not contain a purchase requisition. In one of ten procurements reviewed where a purchase requisition did contain an approval signature, the IT Director approving the purchase did not have the authority to approve the requisition as the amount (\$47,740) was over her positions approval limit. Additionally, it was noted that the Court does have a "Purchase Order Request Form" but it appears that it is not being used consistently throughout the Court.		C	Consistent with recommendation #1, the Court now requires all individuals to submit a purchase request to initiate a procurement. Depending on the type, complexity and value of the procurement, the request may be documented on a Request for Purchase Order form or a different request form. The Court had not adopted its current purchase request forms when the solicitations were first circulated for the 11 procurements noted in the audit issue. In fact, 5 of these procurements were initiated on or before March 2011. The more recent procurements reviewed by the audit team are supported by approved purchase requests. Concerning the purchase of copiers for \$47,740, this purchase was approved by the former IT Director and predates the Court's current Purchase Approval Matrix approved by the Executive Committee in January 2015. Our current CIO, as well as other individuals authorized to approve purchases, follow the Purchase Approval Matrix.	Fae Li, Senior Financial Services Manager	Completed
			In seven of ten applicable procurement files reviewed, there was no evidence that the vendor signed a Darfur certification as required by the JBCM.		C	The Court agrees and now requires all vendors providing non-IT goods or services to the Court to complete a Darfur certification.	Mimi L. Zimmelman, Director of Business Planning, Information and Programs	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court did not properly notify the California State Auditor (state auditor) pursuant to PCC § 19204(a) for one contract that exceeded \$1 million.		C	Consistent with recommendation #3, the Court has a process to monitor and identify contracts exceeding \$1 million that are required to be reported to the California State Auditor. The process was not in place at the time the Legal Aid contract for fiscal year 2014 – 2015 services was executed. The Court did notify CSA of the fiscal year 2015 – 2016 contract and provided a copy of the notification to the audit team.	Mimi L. Zimmelman, Director of Business Planning, Information and Programs	Completed
			The Court did not engage in competitive procurement practices for four of twelve purchases that were required to be procured competitively. Although individual orders were less than \$5,000, the total amount of the contract exceeded \$5,000 and therefore required a competitive procurement.		C	Consistent with recommendation #4, the Court engages in competitive procurement practices when necessary. The four procurements noted were all initiated on or before March 2011, and since then the Court has developed competitive procurement practices compliant with the JBCM. Furthermore, the Court provided the Request for Proposal associated with two of the four procurements to the audit team. Unfortunately, due to the age of the original procurement documents and significant staff turnover, the Court no longer has the original documents for the remaining two procurements. The Court has also issued solicitations for three of the four procurements in 2015. As for the remaining procurement for electronic stamp machines, the Court will decide the appropriate procurement method if it determines that the machines need to be replaced. Auditors Services Comment: All four contracts had BPO's written after 2011. A PO put into place with a vendor under a previous agreement is subject to current PO terms and conditions and JBCM mandates, therefore these four vendors are required to follow the JBCM applicable mandates.	Mimi L. Zimmelman, Director of Business Planning, Information and Programs	Completed
			In eight of ten purchase card transactions reviewed, a purchase requisition was not prepared. In one of two purchase card transactions reviewed where a purchase requisition was prepared, the purchase requisition did not contain an approval signature.		C	The Court agrees and currently requires purchase request forms or e-mails to be submitted and approved by authorized individuals for purchases made on a Court credit card.	Fae Li, Senior Financial Services Manager	Completed
		Log	In 1 of 3 applicable vendor procurement files reviewed, there was no evidence the CEO/PJ approved the sole source procurement.		C	Although the Court has been using the sole source justification form, there had been confusion as to who was the appropriate sole source approver. In April 2015, the Court started requiring all sole source justifications to be approved by either the CEO or PJ.	Fae Li, Senior Financial Services Manager	Completed
		Log	In 1 of 10 purchase card transactions reviewed, the transaction was not supported by an itemized receipt.		C	The transaction noted was a hotel reservation for a contract court interpreter approved by the CEO for extraordinary travel costs. The Court only attached the confirmation provided by the travel agency, but going forward, will also obtain a receipt from the hotel to be attached.	Fae Li, Senior Financial Services Manager	Completed
10 Contracts								
	10.1	5	Court Needs to Improve Its Contract Monitoring and Administration Procedures so That It Is Compliant With JBCM Guidelines					
			One contract reviewed for the provision of labor did not include a schedule listing the hourly, daily, weekly, or monthly cost of each person or job classification		C	Consistent with recommendation #1, the Court will continue to use contract templates developed by the Judicial Council in consultation with Judicial Council risk management and/or legal services staff, as needed, when preparing contracts with vendors. The Court has also reviewed and amended all open contracts executed prior to the JBCM to include JBCM compliant terms and conditions. Concerning the contract for juvenile dependency legal representation, the Court did not include costs of each person or job classification in the contract because it is a flat fee contract with equal installments paid on the 1st of every month. Additionally, the Court ensures that the vendor is providing adequate service levels by reviewing monthly case reports and periodically surveying the Juvenile Bench.	Mimi L. Zimmelman, Director of Business Planning, Information and Programs	Completed
			One contract reviewed for furnishing equipment, materials, or supplies did not include a certification clause that the contractor complies with the Sweatfree Code of Conduct.		C	Concerning the contract for security system installation and maintenance, the Court misinterpreted that the Sweatfree Code of Conduct did not apply to that contract. Since that contract has been completed, the Court will ensure that future contracts for furnishing equipment, materials, or supplies will include the Sweatfree clause, as well as all other required appendices and provisions.	Mimi L. Zimmelman, Director of Business Planning, Information and Programs	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Two contract files contained certificates of insurance that did not list all insurance coverage required by the contracts.		C	<p>The Court agrees with the recommendation and has set up an internal system of reminders regarding the required contents of a compliant Certificate of Insurance (COI), and a process for notifying the vendor if there are any deficiencies in their COI. The Court has also instituted a schedule for biannual reviews of all COI's for open contracts.</p> <p>Concerning one of the COI's that was missing information on worker's compensation insurance, the Court has secured an updated COI from the vendor that demonstrates this insurance was in place during the contract period.</p> <p>As for the contract for legal research services, although the contract required minimum automobile liability coverage of \$1,000,000 per occurrence, the Court believes the contracted attorney should not be required to prove that he maintains car insurance as he is not required to drive in performance of his duties. The Court will amend all similar contracts to remove the requirement to provide evidence of automobile insurance.</p>	Mimi L. Zimmelman, Director of Business Planning, Information and Programs	Completed
			One contract file reviewed did not include a copy of the required current vendor license.		C	<p>Consistent with recommendation #3, the Court has a process to verify required vendor licensure when entering into contract with the vendor, and has established an annual regulatory compliance review that includes verifying vendor licensure.</p> <p>Concerning the juvenile dependency legal representation contract, the Court did not obtain copies of licenses for attorneys employed or contracted by the vendor as the vendor has full responsibility for ensuring the legal services are performed by currently licensed attorneys, consistent with the law. The contract requires the vendor to assign competent employees, subcontractors, and agents with the necessary skills, training, and background to provide the required services.</p>	Mimi L. Zimmelman, Director of Business Planning, Information and Programs	Completed
			In three contract files reviewed the files did not contain evidence of the Court monitoring vendor's performance.		C	<p>Although the three contract files did not have written evidence of monitoring vendor performance in the contract file, the court does monitor the performance of these vendors.</p> <p>With regard to the juvenile dependency legal representation contract, the Court obtains detailed monthly reports of all services rendered. Because the report includes client names, it is of utmost importance that this information remain confidential. To preserve their confidentiality, the reports are maintained by the Court Project Manager for this contract. In addition, vendor attorneys practice daily in juvenile courtrooms, and their performance is monitored by the judge. The judge may remove an attorney if the attorney's performance is substandard. The Court also has a complaint process by which clients represented by vendor attorneys can notify the Court if they have concerns about their representation. Information about the complaint process is on the court's website.</p>	Mimi L. Zimmelman, Director of Business Planning, Information and Programs	Completed
						<p>Similarly, contract legal research attorneys prepare and submit various legal analyses and documents for review by the Lead Research Attorney, as well as for judicial review and decision. As a result, their work product is evaluated with each submission. Contract legal research attorneys are also required to submit weekly timesheets to the Director of Court Programs and Services for review. The Court has established a written evaluation form for the Lead Legal Research attorney to complete that will be maintained in the contract file.</p> <p>Lastly, the temporary staffing agency with whom we contracted sent satisfaction surveys to the Court each time we engaged their temporary employees. We used this vehicle to let the vendor know of any concerns we may have had about an individual's performance. The contract ended in December 2015, so no additional monitoring will be conducted.</p>		
11								
	11.1	8	The Court Needs to Strengthen Its Controls Over Accounts Payable					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Two jury mileage claims tested revealed that the Court is not paying juror mileage per the mandated procedures that are set by the California State Legislature. Specifically, Civil Code of Procedure, CCP 215(c) requires that courts reimburse jurors for each mile actually traveled to the court to serve as a juror after the first day. In one claim reviewed the Court underpaid the juror mileage by \$24.31, and in another the Court overpaid the juror mileage by \$6.81. This error in mileage calculation is due to the jury software system that the Court and many other court's in the State use to maintain and manage all juror participants. The Court advised that the software calculates the mileage using the zip code of the juror's home address to identify the nearest post office address in the same zip code, and then uses that post office address for the calculation. The system does not use the jurors' actual home address. This method causes variances in mileage calculation and, as a result, jurors are not being reimbursed for each mile actually traveled as required by CCP 215(c).	I	The Court has consulted with its jury software vendor to determine if the software may be reprogrammed to calculate mileage based on an address rather than a zip code, and is working with the vendor on possible options.	Kate Bieker, Deputy Executive Officer	May 31, 2016
			The Court did not consistently perform the required three-point match-matching the vendor invoice to the terms of the procurement agreement and to proof of receipt and acceptance of the goods or services-before processing the vendor invoices for payment. Specifically, our review noted that the Court paid five vendor invoices/claims where the payment did not agree with the purchase orders, contracts, or procurement terms reviewed.	C	Consistent with recommendation #3, the accounts payable clerk performs a three-point match by applying the invoice to the appropriate purchase order and verifying that the invoice was approved by the authorized invoice approver. The invoice approver who is oftentimes the project manager assigned to the vendor contract is responsible for verifying that goods and/or services invoiced were received and/or provided in accordance to the terms of the agreement. The Court provided training in May 2015 to project managers on approving invoices. One invoice noted was for a service that the Court continues to receive despite the contract having already expired. The Court has corrected this situation by issuing a solicitation for this service in February 2015. This documentation was provided to the audit team. For the second invoice noted, the Court discovered that the vendor overcharged for services and the vendor has agreed to issue a credit memo or the amount overcharged. The Court corrected this issue prospectively in July 2015 by requiring the vendor to provide more detailed invoices to facilitate verification of rates charged to contract rates. This documentation has been provided to the audit team.	Fae Li, Senior Financial Services Manager	Completed
					For a third invoice, although the rate was not identified in the contract, the Court pre-approved the hourly billing rate prior to initiation of services. E-mail documentation of the approved rate was provided to the audit team. For a fourth invoice, the blanket purchase order does not identify detailed rates but references the master services agreement that the Court purchased the services through and which specifies the rates charged to the Court. The fifth invoice was not sufficiently detailed. The Court will require the vendor to provide more detailed invoices to facilitate verification of rates charged to contract rates.		
Travel	11.2	6	To determine whether the Court followed the travel expense guidelines required in the FIN Manual, inquiries were made of appropriate Court staff regarding its current travel expense reimbursement practices. In addition, selected travel expense transactions between July 2014 and June 2015 were reviewed. During this period the Court had roughly \$151,000 in total travel expenditures. Of this total, \$105,773 or 70% of all travel claims paid in FY 14/15 were paid to CASA volunteers. Upon reviewing a sample of CASA claims, it was concluded that the Court is paying CASA mileage claims that are not being submitted on the appropriate travel demand form as per their contract agreement with CASA. Additionally, the Court is paying the CASA travel claims without validating that the mileage claimed is appropriate for the trip/trips taken. The agreement states that CASA volunteers must invoice the Court and include a travel demand form approved by the JCC. The approved JCC travel demand form is the standard TEC form. For example, in one sample reviewed it appeared, but cannot be actually validated, that the mileage claimed and paid to the CASA volunteer was 169.6 miles over what was shown on Google maps based on the destination locations documented on the TEC. If correct this resulted in the claim being overpaid by \$97.71. In another example reviewed, mileage claimed and paid to CASA volunteer was 60.9 miles over what was shown on Google maps based on the destination locations documented on the TEC. The claim would therefore have been overpaid \$35.	I	The Court agrees and will require CASA volunteers to submit monthly Travel Expense Claims in place of the Travel Demand currently being used. We believe the auditor's calculation of excess mileage and amounts overpaid is overstated if based directly between the "start" and "end" cities provided on the claim. CASA volunteers may be reimbursed for roundtrip travel related to their volunteer services, including travel between multiple stops at multiple locations in a single day. The Court will require volunteers to document their home addresses, the addresses of each location traveled, and the associated mileage traveled between locations.	Fae Li, Senior Financial Services Manager	May 31, 2016

FUNCTION	RPT NO.	ISSUE MEMO	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log For a out of state travel expenditure the Court's pre-approval authorization form should be completed with cost and location amounts that are as close an estimate as possible to actual trip. If it is policy for the Court to always book a more expensive refundable ticket, then the travel auth form should reflect the cost of this type of fare. In the sample reviewed the pre-approval for travel was for a non-refundable airline ticket out of SFO at a cost of \$316. But a refundable flight was taken from Oakland at a higher cost \$802. No corrected out of state travel authorization form with increase cost and changes was available to document that these cost were authorized prior to travel. An additional example had the same issue. For an out of state travel expenditure the Court's pre-approval form that was authorized was not completed with correct airline fare amount. Pre-approval for travel was for a non-refundable airline ticket at a cost of \$713.50. But a refundable flight was taken at a higher cost \$1019.24. No documentation was present to show that a corrected out of state travel authorization form was authorized with increased airfare.	I		Court policy is to purchase refundable tickets only; however, employees are asked to provide proposed itinerary to aid the Court travel coordinator in identifying flights to be selected. Estimates with refundable fares have not been previously provided by the Court travel coordinator before approval of the Travel Authorization Request because refundable fares frequently change. The Court is reviewing its travel policy to consider possible revisions including if and when non-refundable airfare is appropriate and at what step in the process the Court travel coordinator should reserve and provide an estimate for airfare.	Shannon Stone, Human Resources Director	September 30, 2016
		Log Two expenditures were misclassified as in state travel when they were for out of state travel; one travel expense for \$1019.24 and another \$17 that was for parking. The parking expense may have occurred at an in state airport, but the expense was part of a travel destination that was out of state and as such this expense should be classified as out of state parking.		C	The misclassification was an oversight as out-of-state travel expenditures are rare. Financial Services staff have been informed of the error and to record travel expenditures to the appropriate general ledger accounts.	Fae Li, Senior Financial Services Manager	Completed
MOU		Log Two of five County invoices reviewed, do not contain enough detail or supporting documentation to verify accuracy of payment.		C	The two invoices noted were for printing services, and effective April 2015 the Court implemented a procedure to verify charges to detail print job reports and delivery confirmations. A spreadsheet documenting the review is attached to the invoice and signed and dated by the invoice approver.	Fae Li, Senior Financial Services Manager	Completed
		Log In five of five MOU invoices reviewed, the Court did not record County expenditures within the appropriate general ledger expense accounts designated for County provided services.		C	We did not use County-Provided Services accounts 942101-942901 because, with the exception of IT Services, none of the services descriptions quite matched the County services received. For example, we receive telecommunications services from the County, yet there is no County-provided services category for telecommunications. Since we monitor spending by expenditure categories, we feel it is more important to code the expenditure to the most appropriate expenditure category rather than by the vendor who provided the service. We started using 942801 for County-provided IT Services in fiscal year 2015 - 2016, but continue using existing accounts for other County services.	Fae Li, Senior Financial Services Manager	Completed
		Log In one of five County invoices reviewed, the Court paid a charge to the County for a service not documented in the County MOU.	I		This is a monthly charge for off-site media back up service provided by the County IT Department. Although the service is identified in the IT agreement, the cost is under-estimated in the agreement. The estimated cost will be updated in the agreement effective next fiscal year.	Heather Pettit, Chief Information Officer	July 1, 2016
12 Fixed Assets Management							
		(Limited Review) no issues noted					
13 Audits							
		No issues to report					
14 Records Retention							
		No issues to report					
15 Domestic Violence							
		Testing not performed on this audit. In future testing to be performed on statewide basis.					
16 Exhibits							
		No issues to report					