



Audit of the  
Superior Court of California,  
County of Kern

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AUDIT SERVICES REPORT

AUGUST 2016



JUDICIAL COUNCIL  
OF CALIFORNIA

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LEADERSHIP SERVICES DIVISION

AUDIT SERVICES

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**Superior Court of California, County of Kern**

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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 (Judicial Council), Audit Services, began court audits in 2002.

The audit of the Superior Court of California, County of Kern (Court), was initiated by Audit Services in April 2016. Depending on the size of the court, the audit process typically involves three or four audit cycles encompassing the following primary areas:

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

The audit process includes a 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. Audit Services conducted the prior audit of the Court in FY 2007-2008. Audit Services followed up on the issues identified in this prior audit to determine whether the Court adequately resolved previous issues.

Compliance with the State Leadership Accountability Act (SLAA) is also an integral part of the audit process. The primary focus of a SLAA review is to evaluate an entity's internal control structure and processes based on the following concepts:

- A plan of organization that provides segregation of duties appropriate for the proper safeguarding of assets;
- A plan that limits access to assets to authorized personnel;
- A system of policies and procedures adequate to provide compliance with applicable laws, criteria, standards, and other requirements;
- An established system of practices to be followed in the performance of duties and functions;
- Personnel of a quality commensurate with their responsibilities;
- An effective system of internal review; and
- A technology infrastructure to support the completeness, accuracy, and validity of information processed.

While Audit Services does not believe that SLAA applies to the judicial branch, compliance with SLAA represents good public policy, and most of the SLAA concepts are addressed in the FIN Manual. Since Audit Services reviews compliance with the FIN Manual, the audit process provides a review that also fulfills most of the SLAA requirements.

Audits conducted by Audit Services identify instances of non-compliance, such as with the FIN Manual. Some of these instances of non-compliance are highlighted below in the **Audit Issues Overview**. Although audit reports do not emphasize or elaborate on areas of compliance, Audit Services did identify areas in which the Court was in compliance with the FIN Manual and SLAA. For example except for those issues reported in this report, some of the areas where Audit Services 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.
- 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, to ensure it implements prompt and appropriate corrective action.

### **Audit Issues Overview**

This audit identified areas of noncompliance that were consolidated into the reportable issues included in this report, as well as other 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 the corrective measures asserted by the Court in its responses.

Although the audit identified other issues reported within this report, the following issues are highlighted for Court management's attention. Specifically, the Court needs to improve and refine certain procedures and practices to ensure compliance with statewide statutes, policies, and procedures. These issues are summarized below:

#### *Closer Monitoring Could Help Ensure that Submitted Matters are Decided Timely (Issue 1.1)*

To promote a prompt judicial system, statute requires judicial officers to decide on case matters within 90 days after being submitted for a judicial decision, or risk not receiving their salary. In addition, to prevent submitted causes from remaining undecided for over 90 days, the California Rules of Court makes the PJ responsible for supervising and monitoring the number of causes under submission and ensuring that no cause under submission remains undecided and pending for longer than 90 days.

Our review of the Court-prepared submitted matters lists for the period February 2015 through February 2016 found that although the Court's monthly list of cases with matters under submission notes the date when matters are 30 and 90 days old, the list is inconsistent with

California Rules of Court (ROC). Specifically, ROC 10.603(c)(3)(A) requires the matters under submission list to designate whether the matter has been under submission for 30 to 60 days, 61 to 90 days, and over 90 days. Furthermore, although the Court's monthly list of cases with matters under submission includes a column for reporting the date when the judicial officer took the matter under submission, court staff do not consistently enter this key under submission date when manually preparing the monthly list of cases with matters under submission.

Moreover, the Court is not using its monthly list of cases with matters under submission as an effective tool in monitoring the age of each submitted matter to ensure the judges are aware that a submitted matter is nearing the 90-day mark. During the period reviewed, the Court took more than 90 days to decide 10 cases with matters under submission. In fact, two of these 10 cases took 97 and 98 days, respectively, to decide the matter under submission.

Further, the Court could not demonstrate how the PJ reviews the monthly list of cases with matters under submission, circulated the list to each judge, contacts judges with matters over 30 days to ensure the matters are timely ruled upon, or contacted judges with matters under submission over 60 days to consider whether providing assistance was necessary to ensure matters do not remain undecided for more than 90 days. Therefore, we could not determine whether the PJ is proactively supervising and monitoring the number of cases with matters under submission to ensure that no matter taken under submission remains undecided and pending for longer than 90 days. Subsequent to our review, the Court updated its procedures for managing the monthly list of cases with matters under submission and to formalize and improve its notification and monitoring of cases with matters under submission as required by Rules of Court.

The Court agreed with our recommendations and indicates having taken, or is taking, corrective action to address the noted issues.

*The Court Can Better Track and Monitor Civil Fee Payment Plans (Issue 5.1)*

Before courts may process their civil filings, parties of civil cases must pay the required filing fees in full or be granted a fee waiver. Otherwise, when a party does not pay the required civil filing fees in full, the court must void the filing. Further, statute allows the court to execute on any order for payment of initially waived fees and costs in the same manner as on a judgment in a civil action.

Our review of civil cases in which the Court allowed parties to pay civil filing fees in installments found that the Court did not send timely notice to the parties when the installments became delinquent. In addition, the Court allowed cases to be disposed prior to receiving full payment of the required civil filing and administrative fees. It also did not take action to collect the required civil filing and administrative fees when the required civil fees were not paid as agreed.

Specifically, our review of eight civil cases for which the Court allowed parties to pay the required civil filing fees in installments, but the parties did not pay, found that the Court sent deficiency notices requiring the parties to pay the required civil filing fees as agreed from 40 to 231 days after the payment became delinquent.

In addition, the Court disposed two of the eight civil cases reviewed prior to receiving full payment of the civil filing fees due. Specifically, for one case, the judicial officer disposed the case two months after allowing the party to make installment payments of the civil filing fee. Although the party made payments prior to the case being disposed, the Court did not receive full payment prior to the case being disposed and received no payments after the case was disposed. For the second case, the judicial officer disposed the case on the same day the installment payments of the civil filing fee was allowed; consequently, the Court did not receive full payment prior to the case being disposed and had not received any payments at the time of our review.

Further, although the Court's Revenue Recovery unit sends delinquency notices to collect delinquent civil fee payment plans, it does not have a process to escalate and refer these delinquent civil fees to a third-party collection agency. As a result, for all eight civil cases reviewed for which the Court allowed parties to pay the required civil filing fees in installments but the parties did not pay as agreed, the Court has not taken further action to collect the civil and administrative fees due to the Court.

The Court partially agreed with our recommendations and indicates taking corrective action to address some of the noted issues. The Court asserts that its implementation of a new case management system hindered its ability to bill timely, but this has since been remedied.

*The Court Could Impose the Statutorily Required Domestic Violence Fines and Fees on a More Consistent Basis (Issue 15.1)*

Domestic violence (DV) is one of the leading causes of injuries to women in the United States. As a result, in 2003, the Legislature held a public hearing to examine DV shelter services. DV shelters obtain funding from state and federal sources, including funding from the fines ordered through judicial proceedings of DV cases. Legislative members expressed concerns about the wide disparities from county to county in the amount of resources available for shelter services, as well as concerns about the lack of consistency in the assessment of fines. As a result, the Joint Legislative Audit Committee requested that Audit Services conduct an audit of court-ordered fines and fees in certain DV cases. Audit Services agreed to review the statutory fines and fees in DV cases on an on-going basis.

Our review of criminal DV cases found that the Court did not always impose the applicable fines and fees prescribed by statute. Specifically, for five of the 22 DV cases reviewed where probation was ordered, the Court did not order the minimum \$500 Domestic Violence (DV) Fee and did not state the reason for not doing so in court records. Also, the Court did not assess the Probation Revocation Restitution Fine in one of the 22 DV cases reviewed where probation was ordered and assessed a lesser amount in another case.

In addition, the Court did not assess the State Restitution Fine in two of the 28 DV cases reviewed with convictions, and court records do not state the compelling and extraordinary reasons for not assessing the fine. Further, the Court assessed the Court Operations and the Criminal Conviction Assessments for only one conviction in two of the six DV cases reviewed with convictions on multiple violations.



Finally, the Court inadvertently duplicated the Court Operations Assessment, the Criminal Conviction Assessment, and State Restitution Fine in three of the 16 DV cases reviewed where a penal code fine was ordered. The Court attributes these exceptions to clerical error.

The Court agreed with our recommendations and indicates taking corrective action to address the noted issues.

## STATISTICS

The Superior Court of California, County of Kern (Court) has 43 judges and subordinate judicial officers who handled more than 198,000 cases in FY 2014–2015. The Court operates 11 court locations, four in Bakersfield and one each in Lake Isabella, Mojave, Ridgecrest, Delano, Shafter, Lamont, and Taft. Further, the Court employed approximately 461 full-time-equivalent staff to fulfill its administrative and operational activities, and incurred total trial court expenditures of approximately \$67.3 million for the fiscal year ended June 30, 2016.

Before 1997, the Court and the County of Kern (County) worked within common budgetary and cost parameters—often the boundaries of services and programs offered by each blurred. The Court 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 continued delivery of County services necessary to operate the Court.

For FY 2015–2016, the Court received various services from the County, including payroll processing, telecommunications, and mailroom services, which were covered under a Memorandum of Understanding (MOU) with the County. The Court also received court security services from the county sheriff which was covered under a separate MOU.

The charts that follow contain general Court statistical information.

<b>County Population</b> (Estimated as of January 1, 2016)	886,507
<small>Source: California Department of Finance</small>	
<b>Number of Court Locations</b>	11
<b>Number of Courtrooms</b>	42
<small>Source: Superior Court of California, County of Kern</small>	
<b>Number of Case Filings in FY 2014–2015:</b>	
<b>Criminal Filings:</b>	
▪ Felonies	7,746
▪ Non-Traffic Misdemeanor	20,848
▪ Non-Traffic Infractions	1,578
▪ Traffic Misdemeanors	14,128
▪ Traffic Infractions	124,823
<b>Civil Filings:</b>	
▪ Unlimited Civil	1,856
▪ Limited Civil	8,604
▪ Small Claims	2,507

<p><b>Family and Juvenile Filings:</b></p> <ul style="list-style-type: none"> <li>▪ Family Law (Marital) 3,060</li> <li>▪ Family Law Petitions 7,784</li> <li>▪ Juvenile Delinquency – Original 1,252</li> <li>▪ Juvenile Delinquency – Subsequent 421</li> <li>▪ Juvenile Dependency – Original 845</li> <li>▪ Juvenile Dependency – Subsequent 15</li> </ul> <p><b>Other Filings:</b></p> <ul style="list-style-type: none"> <li>▪ Probate 1,086</li> <li>▪ Mental Health 996</li> <li>▪ Appeals 71</li> <li>▪ Habeas Corpus Criminal 628</li> </ul> <p>Source: Judicial Council of California's 2016 Court Statistics Report</p>	
<p><b>Judicial Officers as of June 30, 2015:</b></p> <p>Authorized Judgeships 36</p> <p>Authorized Subordinate Judicial Officers 7</p> <p>Source: Judicial Council of California's 2016 Court Statistics Report</p>	
<p><b>Court Staff as of June 30, 2016:</b></p> <p>Total Authorized FTE Positions 498</p> <p>Total Filled FTE Positions 461</p> <p>Total Fiscal Staff 8</p> <p>Source: Fourth Quarter FY 2015–2016 Quarterly Financial Statements and FY 2016 – 2017 Schedule 7A</p>	
<p><b>Select FY 2015-2016 Financial Information:</b></p> <p>Total Revenues \$70,039,912</p> <p>Total Expenditures \$67,337,648</p> <p>Total Personal Services Costs \$49,182,292</p> <p>Total Temporary Help Costs \$484,579</p> <p>Source: Fourth Quarter FY 2015–2016 Quarterly Financial Statements</p>	
<p><b>FY 2015-2016 Average Daily Cash Collections</b>          (As of February 1, 2016)</p> <p>Source: Superior Court of California, County of Kern</p>	\$43,870

## 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 2006-2016* 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 developed and established the statewide fiscal infrastructure project, Phoenix Financial System, which is supported by the Judicial Council Trial Court Administrative Services. The Superior Court of California, County of Kern (Court), implemented and processes fiscal data through this 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 2014–2015 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: Governmental, Proprietary and Fiduciary. The Court uses the following fund 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 here include:
    - **Special Revenue**
      1. Small Claims Advisory – 120003
      2. Dispute Resolution – 120004
      3. Enhanced Collections – 120007
      4. 2% Automation – 180004
    - **Grants**
      1. Judicial Council Grants – 190100
- **Proprietary**
  - **Internal Service** – Typically used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis. In this case, the following funds were set up to allow the Court to account for total costs and charges for the Court's share of their self-insurance program:
    - Self Health Insurance – 130011
    - Retiree Self Health Insurance – 130021
- **Fiduciary**

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."

- **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.”<sup>1</sup> Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:
  - Trust Fund – 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, 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.<sup>2</sup> **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 funds included here are:
  - Distribution Fund – 400000
  - Treasury Fund – 910000

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<sup>1</sup> GASB Statement No. 34, paragraph 69.

<sup>2</sup> GASB Statement No. 34, paragraph 12.

Superior Court of California, County of Kern  
 Trial Court Operations Fund  
 Balance Sheet  
 As of June 30  
 (Unaudited)

	2016					2015	
	Governmental Funds			Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue					
Non-Grant		Grant					
<b>ASSETS</b>							
Operations	\$ (4,380,782)	\$ 2,704,722	\$ 0	\$ 1,811,943	\$ 102,265	\$ 238,149	\$ 240,919
Payroll							
Jury							
Revolving							
Other	\$ 8,447					\$ 8,447	\$ 8,395
Distribution							
Civil Filing Fees					\$ 0	\$ 0	\$ 0
Trust							
Credit Card							
Cash on Hand	\$ 11,400					\$ 11,400	\$ 10,900
Cash with County	\$ 2,000,000				\$ 9,611,268	\$ 11,611,268	\$ 13,976,789
Cash Outside of the JCC	\$ 0				\$ 0	\$ 0	\$ 0
Cash Equivalents	\$ 6,072,977				\$ 855,696	\$ 6,928,673	\$ 9,020,910
<b>Total Cash and Cash Equivalents</b>	<b>\$ 3,712,042</b>	<b>\$ 2,704,722</b>	<b>\$ 0</b>	<b>\$ 1,811,943</b>	<b>\$ 10,569,229</b>	<b>\$ 18,797,936</b>	<b>\$ 23,257,913</b>
Short-Term Investment							
Investments							
<b>Total Investments</b>							
Accrued Revenue	\$ 8,588	\$ 3,216		\$ 11,088		\$ 22,892	\$ 9,391
Accounts Receivable - General				\$ 40,298		\$ 40,298	\$ 39,515
Dishonored Checks							
Due From Employee							
Civil Jury Fees							
Trust							
Due From Other Funds	\$ 900,369					\$ 900,369	\$ 105,991
Due From Other Governments	\$ 6					\$ 6	\$ 0
Due From Other Courts					\$ 0	\$ 0	\$ 0
Due From State	\$ 2,048,613	\$ 26,559	\$ 992,601	\$ 0		\$ 3,067,773	\$ 1,036,982
Trust Due To/From							
Distribution Due To/From							
Civil Filing Fee Due To/From							
General Due To/From							
<b>Total Receivables</b>	<b>\$ 2,957,576</b>	<b>\$ 29,775</b>	<b>\$ 992,601</b>	<b>\$ 51,386</b>	<b>\$ 0</b>	<b>\$ 4,031,337</b>	<b>\$ 1,191,878</b>
Prepaid Expenses - General	\$ 573,830			\$ 2,080		\$ 575,909	\$ 222,721
Salary and Travel Advances	\$ 0	\$ 0	\$ 0			\$ 0	\$ 158
Counties							
<b>Total Prepaid Expenses</b>	<b>\$ 573,830</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,080</b>		<b>\$ 575,909</b>	<b>\$ 222,879</b>
Other Assets				\$ 100,000		\$ 100,000	\$ 100,000
<b>Total Other Assets</b>				<b>\$ 100,000</b>		<b>\$ 100,000</b>	<b>\$ 100,000</b>
<b>Total Assets</b>	<b>\$ 7,243,447</b>	<b>\$ 2,734,497</b>	<b>\$ 992,601</b>	<b>\$ 1,965,409</b>	<b>\$ 10,569,229</b>	<b>\$ 23,505,183</b>	<b>\$ 24,772,671</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Accrued Liabilities	\$ 858					\$ 858	\$ 131,926
Accounts Payable - General	\$ 381,506	\$ 33,800	\$ 0	\$ 7,877	\$ 0	\$ 423,183	\$ 228,437
Due to Other Funds	\$ 0	\$ 3,696	\$ 856,852	\$ 39,821	\$ 0	\$ 900,369	\$ 105,991
Due to Other Courts							
Due to State	\$ 67,383					\$ 67,383	
TC145 Liability					\$ 957,837	\$ 957,837	\$ 975,061
Due to Other Governments	\$ 238,601		\$ 53,369			\$ 291,970	\$ 345,497
AB145 Due to Other Government Agency					\$ 7,026,374	\$ 7,026,374	\$ 6,865,891
Due to Other Public Agencies							
Sales and Use Tax	\$ 0					\$ 0	\$ 0
Interest					\$ 125	\$ 125	\$ 25
Miscellaneous Accts. Pay. and Accrued Liab.							\$ 0
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 688,349</b>	<b>\$ 37,496</b>	<b>\$ 910,221</b>	<b>\$ 47,698</b>	<b>\$ 7,984,336</b>	<b>\$ 9,668,099</b>	<b>\$ 8,652,827</b>
Civil							
Criminal	\$ 0					\$ 0	\$ 0
Unreconciled - Civil and Criminal							
Trust Held Outside of the JCC					\$ 2,584,893	\$ 2,584,893	\$ 5,110,898
Trust Interest Payable							
Miscellaneous Trust							
<b>Total Trust Deposits</b>	<b>\$ 0</b>				<b>\$ 2,584,893</b>	<b>\$ 2,584,893</b>	<b>\$ 5,110,898</b>
Accrued Payroll	\$ 2,087,590	\$ 123,375	\$ 82,380			\$ 2,293,345	\$ 1,775,407
Benefits Payable	\$ (7,437)					\$ (7,437)	\$ (4,695)
Deferred Compensation Payable							
Deductions Payable	\$ 0					\$ 0	\$ 0
Payroll Clearing							
<b>Total Payroll Liabilities</b>	<b>\$ 2,080,153</b>	<b>\$ 123,375</b>	<b>\$ 82,380</b>			<b>\$ 2,285,909</b>	<b>\$ 1,770,712</b>
Revenue Collected in Advance	\$ 9,675		\$ 0			\$ 9,675	\$ 2,991,397
Liabilities For Deposits	\$ 60,668	\$ 155		\$ 477	\$ 0	\$ 61,299	\$ 53,797
Jury Fees - Non-Interest							
Fees - Partial Payment & Overpayment							
Uncleared Collections	\$ 0					\$ 0	\$ (3)
Other Miscellaneous Liabilities				\$ 1,192,745		\$ 1,192,745	\$ 1,192,745
<b>Total Other Liabilities</b>	<b>\$ 70,343</b>	<b>\$ 155</b>	<b>\$ 0</b>	<b>\$ 1,193,222</b>	<b>\$ 0</b>	<b>\$ 1,263,719</b>	<b>\$ 4,237,936</b>
<b>Total Liabilities</b>	<b>\$ 2,838,845</b>	<b>\$ 161,026</b>	<b>\$ 992,601</b>	<b>\$ 1,240,920</b>	<b>\$ 10,569,229</b>	<b>\$ 15,802,620</b>	<b>\$ 19,772,373</b>
<b>Total Fund Balance</b>	<b>\$ 4,404,603</b>	<b>\$ 2,573,471</b>	<b>\$ 0</b>	<b>\$ 724,489</b>		<b>\$ 7,702,562</b>	<b>\$ 5,000,298</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 7,243,447</b>	<b>\$ 2,734,497</b>	<b>\$ 992,601</b>	<b>\$ 1,965,409</b>	<b>\$ 10,569,229</b>	<b>\$ 23,505,183</b>	<b>\$ 24,772,671</b>

Source: Phoenix Financial System

**Superior Court of California, County of Kern  
Trial Court Operations Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Year  
(Unaudited)**

	2015-2016					2014-2015		
	Governmental Funds			Proprietary Funds	Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue						
Non-Grant		Grant						
<b>REVENUES</b>								
<b>State Financing Sources</b>								
Trial Court Trust Fund	\$ 43,766,774	\$ 314,043			\$ 44,080,817	\$ 43,083,872	\$ 38,699,451	\$ 37,051,956
Improvement and Modernization Fund	\$ 104,900				\$ 104,900	\$ 104,900	\$ 122,400	\$ 104,900
Judges' Compensation (45.25)								
Court Interpreter (45.45)	\$ 2,595,573				\$ 2,595,573	\$ 2,054,282	\$ 2,600,145	\$ 2,033,443
Civil Coordination Reimbursement (45.55)								
MOU Reimbursements (45.10 and General)	\$ 4,002,304				\$ 4,002,304	\$ 3,918,810	\$ 3,770,162	\$ 3,554,513
Other Miscellaneous	\$ 3,544,269				\$ 3,544,269	\$ 3,544,269	\$ 3,544,269	\$ 3,544,269
	\$ 54,013,819	\$ 314,043			\$ 54,327,862	\$ 52,706,133	\$ 48,736,427	\$ 46,289,081
<b>Grants</b>								
AB 1058 Commissioner/Facilitator			\$ 1,364,564		\$ 1,364,564	\$ 1,335,268	\$ 1,365,854	\$ 1,367,562
Other Judicial Council Grants			\$ 244,738		\$ 244,738	\$ 511,714	\$ 18,270	\$ 38,724
Non-Judicial Council Grants								
			\$ 1,609,302		\$ 1,609,302	\$ 1,846,982	\$ 1,384,124	\$ 1,406,286
<b>Other Financing Sources</b>								
Interest Income	\$ 49,479	\$ 9,941		\$ 7,767	\$ 67,187	\$ 27,519	\$ 47,516	\$ 27,519
Investment Income								
Donations								
Local Fees	\$ 1,242,633	\$ 315,002			\$ 1,557,636	\$ 1,571,521	\$ 1,642,319	\$ 1,645,917
Non-Fee Revenues	\$ 5,580	\$ 69,515			\$ 75,095	\$ 82,254	\$ 82,253	\$ 87,029
Enhanced Collections		\$ 3,735,511			\$ 3,735,511	\$ 3,206,433	\$ 3,122,181	\$ 3,306,433
Escheatment	\$ 79,398				\$ 79,398	\$ 56,320	\$ 305,906	\$ 1,076
Prior Year Revenue								
County Program - Restricted		\$ 165,088			\$ 165,088	\$ 147,259	\$ 162,259	\$ 174,821
Reimbursement Other	\$ 164,225			\$ 495,868	\$ 660,094	\$ 902,902	\$ 369,249	\$ 171,768
Sale of Fixed Assets								
Other Miscellaneous	\$ 7,643			\$ 7,755,096	\$ 7,762,739	\$ 7,924,295	\$ 7,086,409	\$ 6,804,439
	\$ 1,548,960	\$ 4,295,057		\$ 8,258,732	\$ 14,102,748	\$ 13,918,503	\$ 12,818,092	\$ 12,219,002
<b>Total Revenues</b>	<b>\$ 55,562,779</b>	<b>\$ 4,609,100</b>	<b>\$ 1,609,302</b>	<b>\$ 8,258,732</b>	<b>\$ 70,039,912</b>	<b>\$ 68,471,618</b>	<b>\$ 62,938,644</b>	<b>\$ 59,914,369</b>
<b>EXPENDITURES</b>								
<b>Personal Services</b>								
Salaries - Permanent	\$ 24,011,640	\$ 1,644,299	\$ 828,300		\$ 26,484,239	\$ 27,620,164	\$ 23,439,784	\$ 24,298,711
Temp Help	\$ 482,829	\$ 1,750			\$ 484,579		\$ 652,107	\$ 500,000
Overtime	\$ 92,806	\$ 95	\$ 312		\$ 93,213		\$ 91,014	
Staff Benefits	\$ 20,089,503	\$ 1,388,448	\$ 642,311		\$ 22,120,262	\$ 23,239,142	\$ 20,996,143	\$ 19,901,420
	\$ 44,676,778	\$ 3,034,592	\$ 1,470,923		\$ 49,182,292	\$ 50,859,306	\$ 45,179,047	\$ 44,700,131
<b>Operating Expenses and Equipment</b>								
General Expense	\$ 1,514,694	\$ 15,750	\$ 14,316		\$ 1,544,759	\$ 740,310	\$ 2,792,081	\$ 2,466,217
Printing	\$ 120,662	\$ 17,101	\$ 3,901	\$ 4,982	\$ 146,646	\$ 96,565	\$ 96,567	\$ 164,055
Telecommunications	\$ 532,543	\$ 4,553			\$ 537,097	\$ 358,848	\$ 465,704	\$ 568,458
Postage	\$ 385,650	\$ 59,800			\$ 445,450	\$ 511,515	\$ 506,402	\$ 490,067
Insurance	\$ 17,435			\$ 887,607	\$ 905,042	\$ 796,295	\$ 796,296	\$ 810,996
In-State Travel	\$ 83,460	\$ 1,570	\$ 4,822		\$ 89,853	\$ 87,639	\$ 87,637	\$ 91,822
Out-of-State Travel	\$ 3,907				\$ 3,907			\$ 3,920
Training	\$ 26,461	\$ 3,550	\$ 1,430		\$ 31,441	\$ 22,842	\$ 22,842	\$ 44,221
Security Services	\$ 343				\$ 343			\$ 477
Facility Operations	\$ 78,464				\$ 78,464	\$ 756,218	\$ 1,527,068	\$ 797,576
Utilities	\$ 1,277				\$ 1,277			\$ 1,517
Contracted Services	\$ 3,377,107	\$ 349,849	\$ 5,180	\$ 424,979	\$ 4,157,114	\$ 4,050,022	\$ 4,056,286	\$ 3,715,734
Consulting and Professional Services	\$ 160,131	\$ 301,681	\$ 206,846		\$ 668,658	\$ 945,005	\$ 755,523	\$ 762,879
Information Technology	\$ 2,176,945	\$ 26,061			\$ 2,203,006	\$ 2,918,118	\$ 2,995,071	\$ 4,066,223
Major Equipment	\$ 329,002				\$ 329,002		\$ 406,500	\$ 123,737
Other Items of Expense	\$ 19,161	\$ 43	\$ 1,228		\$ 20,432	\$ 18,684	\$ 17,587	\$ 14,658
	\$ 8,827,242	\$ 779,958	\$ 237,722	\$ 1,317,568	\$ 11,162,491	\$ 11,302,061	\$ 14,525,565	\$ 14,122,557
<b>Special Items of Expense</b>								
Grand Jury	\$ 1,476				\$ 1,476	\$ 241	\$ 241	\$ 684
Jury Costs	\$ 680,919				\$ 680,919	\$ 719,217	\$ 720,913	\$ 624,611
Judgements, Settlements and Claims				\$ 6,260,882	\$ 6,260,882	\$ 7,373,662	\$ 6,083,146	\$ 5,605,803
Debt Service								
Other				\$ 49,588	\$ 49,588	\$ 67,536	\$ 67,536	
<b>Capital Costs</b>								
<b>Internal Cost Recovery</b>								
Internal Cost Recovery	\$ (869,367)	\$ 586,347	\$ 283,021		\$ 0	\$ 0	\$ 0	\$ 0
<b>Prior Year Expense Adjustment</b>								
	\$ (186,972)	\$ 586,347	\$ 283,021	\$ 6,310,470	\$ 6,992,865	\$ 8,160,656	\$ 6,871,835	\$ 6,231,098
<b>Total Expenditures</b>	<b>\$ 53,317,048</b>	<b>\$ 4,400,897</b>	<b>\$ 1,991,666</b>	<b>\$ 7,628,038</b>	<b>\$ 67,337,648</b>	<b>\$ 70,322,023</b>	<b>\$ 66,576,447</b>	<b>\$ 65,053,786</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	\$ 2,245,731	\$ 208,203	\$ (382,364)	\$ 630,694	\$ 2,702,264	\$ (1,850,405)	\$ (3,637,803)	\$ (5,139,417)
<b>Operating Transfers In (Out)</b>	\$ (382,364)		\$ 382,364		\$ 0	\$ 0	\$ 0	\$ 0
<b>Fund Balance (Deficit)</b>								
Beginning Balance (Deficit)	\$ 2,541,236	\$ 2,365,267	\$ 0	\$ 93,795	\$ 5,000,298	\$ 5,000,298	\$ 8,638,101	\$ 8,638,101
Ending Balance (Deficit)	\$ 4,404,603	\$ 2,573,471	\$ 0	\$ 724,489	\$ 7,702,562	\$ 3,149,893	\$ 5,000,298	\$ 3,498,684

Source: Phoenix Financial System



Superior Court of California, County of Kern  
Trial Court Operations Fund  
Statement of Program Expenditures  
For the Fiscal Year  
(Unaudited)

	2015-2016						2014-2015	
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
<b>PROGRAM EXPENDITURES:</b>								
Judges & Courtroom Support	\$ 16,961,307	\$ 860,138			\$ 17,821,445	\$ 17,139,801	\$ 15,596,677	\$ 15,240,796
Traffic & Other Infractions	\$ 2,635,615	\$ 64,298			\$ 2,699,913	\$ 2,856,838	\$ 2,376,961	\$ 2,549,279
Other Criminal Cases	\$ 3,374,401	\$ 95,136			\$ 3,469,537	\$ 3,718,320	\$ 2,996,001	\$ 3,275,087
Civil	\$ 3,726,451	\$ 26,842			\$ 3,753,293	\$ 3,907,232	\$ 3,144,032	\$ 3,023,706
Family & Children Services	\$ 5,117,826	\$ 81,634			\$ 5,199,460	\$ 6,052,330	\$ 4,626,265	\$ 5,445,774
Probate, Guardianship & Mental Health Services	\$ 1,071,019	\$ 14,843			\$ 1,085,861	\$ 1,123,114	\$ 832,648	\$ 891,656
Juvenile Dependency Services	\$ 678,136	\$ 2,384,225			\$ 3,062,361	\$ 3,171,131	\$ 3,107,470	\$ 2,999,519
Juvenile Delinquency Services	\$ 355,993	\$ 45			\$ 356,038	\$ 360,486	\$ 333,617	\$ 322,938
Other Court Operations	\$ 3,210,501	\$ 430,272			\$ 3,640,773	\$ 3,767,251	\$ 3,276,863	\$ 3,068,225
Court Interpreters	\$ 2,216,659	\$ 566,408			\$ 2,783,067	\$ 2,742,654	\$ 2,491,465	\$ 2,427,652
Jury Services	\$ 487,377	\$ 198,878	\$ 680,919		\$ 1,367,174	\$ 1,406,877	\$ 1,358,100	\$ 1,104,562
Security		\$ 272,393			\$ 272,393	\$ 67,883	\$ 488,771	\$ 477,657
<b>Trial Court Operations Program</b>	<b>\$ 39,835,285</b>	<b>\$ 4,995,111</b>	<b>\$ 680,919</b>		<b>\$ 45,511,315</b>	<b>\$ 46,313,917</b>	<b>\$ 40,628,870</b>	<b>\$ 40,826,851</b>
Enhanced Collections	\$ 2,950,980	\$ 267,698		\$ 586,347	\$ 3,805,026	\$ 3,206,433	\$ 3,122,181	\$ 3,306,769
Other Non-Court Operations	\$ 22,750	\$ 1,556,028	\$ 6,311,945		\$ 7,890,724	\$ 8,880,017	\$ 7,603,109	\$ 7,064,130
<b>Non-Court Operations Program</b>	<b>\$ 2,973,731</b>	<b>\$ 1,823,727</b>	<b>\$ 6,311,945</b>	<b>\$ 586,347</b>	<b>\$ 11,695,750</b>	<b>\$ 12,086,450</b>	<b>\$ 10,725,290</b>	<b>\$ 10,370,899</b>
Executive Office	\$ 1,808,006	\$ 10,637			\$ 1,818,643	\$ 2,122,543	\$ 1,723,906	\$ 2,014,348
Fiscal Services	\$ 868,880	\$ 155,211			\$ 1,024,091	\$ 1,579,376	\$ 839,384	\$ 1,469,298
Human Resources	\$ 591,717	\$ 136,433			\$ 728,151	\$ 821,029	\$ 2,959,002	\$ 721,793
Business & Facilities Services	\$ 1,540,195	\$ 604,954		\$ (586,347)	\$ 1,558,802	\$ 2,052,456	\$ 3,371,995	\$ 2,330,967
Information Technology	\$ 1,564,478	\$ 3,436,418			\$ 5,000,897	\$ 5,346,252	\$ 6,328,000	\$ 7,319,630
<b>Court Administration Program</b>	<b>\$ 6,373,277</b>	<b>\$ 4,343,653</b>		<b>\$ (586,347)</b>	<b>\$ 10,130,583</b>	<b>\$ 11,921,656</b>	<b>\$ 15,222,287</b>	<b>\$ 13,856,036</b>
Expenditures Not Distributed or Posted to a Program								
Prior Year Adjustments Not Posted to a Program								
<b>Total</b>	<b>\$ 49,182,292</b>	<b>\$ 11,162,491</b>	<b>\$ 6,992,865</b>	<b>\$ 0</b>	<b>\$ 67,337,648</b>	<b>\$ 70,322,023</b>	<b>\$ 66,576,447</b>	<b>\$ 65,053,786</b>

Source: Phoenix Financial System

## **PURPOSE AND SCOPE**

The purpose of this review was to determine the extent to which the Superior Court of California, County of Kern (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 and the Court's own documented policies and procedures.
- Complied with various statutes and Rules of Court.

The scope of the audit 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 2015–2016.

The Judicial Council in December 2009 adopted California Rule 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 court 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. Therefore, 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 February 8, 2016.

The entrance meeting was held with the Court on March 7, 2016.

Audit fieldwork commenced on April 25, 2016.

Fieldwork was completed in August 2016.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary exit meeting to review the draft report and audit results was held on January 17, 2017, with the following Court management:

- Terry McNally, Court Executive Officer
- Debra Ostlund, Deputy Court Executive Officer-Finance

Audit Services received the Court's final management responses to the audit recommendations and Appendix A log items on March 10, 2017. Audit Services 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 22, 2017. On March 28, 2017, the Court submitted its final comments and suggestions concerning its review of the audit report and indicated it did not consider another review of the report necessary before Audit Services presented the report to the Judicial Council.

The audit assignment was completed by the following audit staff under the supervision of Robert Cabral, Manager:

Joe Azevedo, Senior Auditor (auditor-in-charge)

Gregory Kelley, Auditor

Lorraine De Leon, Auditor

Illya Kulish, Auditor

Mami Nakashita, 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 responsibility 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 must 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 for court governance.

The table below presents the Superior Court of California, County of Kern (Court), general ledger account balances that are considered associated with court administration. A description of the areas reviewed and how we reviewed them is included below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Expenditures</b>				
* 906300 - SALARIES - JUDICIAL OFFI	1,424,728.37	1,291,427.21	133,301.16	10.32%
* 920500 - DUES AND MEMBERSHIPS	21,951.00	15,940.00	6,011.00	37.71%
* 933100 - TRAINING	31,441.26	22,841.94	8,599.32	37.65%
* 972001 - JUDGMENTS, SETTLEMENTS A	6,260,881.60	6,083,146.20	177,735.40	2.92%

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 review of records. Primary areas reviewed included an evaluation of the following:

- Expense restrictions included in *Operating Guidelines and Directives for Budget Management in the Judicial Branch* (operating guidelines), such as 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 determine whether duties are sufficiently segregated.

**The following issues were considered significant enough to bring to management's attention in this report.**

## **1.1 Closer Monitoring Could Help Ensure that Submitted Matters are Decided Timely**

### **Background**

To promote a prompt judicial system, statute requires judicial officers to decide on case matters within 90 days after being submitted for a judicial decision, or risk not receiving their salary. Specifically, Government Code Section 68210 states that no judge of a court of record shall receive his salary unless he shall make and subscribe before an officer entitled to administer oaths, an affidavit stating that no cause before him remains pending and undetermined for 90 days after it has been submitted for a decision.

To prevent submitted matters from remaining undecided for over 90 days, California Rules of Court 10.603(c)(3) makes the PJ responsible for supervising and monitoring the number of matters under submission and ensuring that no matter under submission remains undecided and pending for longer than 90 days. As an aid in accomplishing this goal, this rule requires the PJ to take certain actions, including the following:

- Require each judge to report to the PJ all matters under submission for more than 30 days, including each matter under submission for 30 through 60 days, 61 through 90 days, or over 90 days,
- Compile and circulate monthly to each judge of the court a complete list of all matters under submission, including the name of each judge, a list of matters under submission before each judge, and the length of time each matter has been under submission,
- Contact each judge who has a matter under submission for over 30 days and discuss ways to ensure that the matter is timely decided, and
- Consider providing assistance to a judge who has a matter under submission for over 60 days.

### **Issues**

Our review of the Court-prepared submitted matters lists for the period February 2015 through February 2016 found that although the Court's monthly list of cases with matters under submission notes the date when matters are 30 and 90 days old, the list is inconsistent with California Rules of Court (ROC). Specifically, ROC 10.603(c)(3)(A) requires the matters under submission list to designate whether the matter has been under submission for 30 to 60 days, 61 to 90 days, and over 90 days. Furthermore, although the Court's monthly list of cases with matters under submission includes a column for reporting the date when the judicial officer took the matter under submission, court staff do not consistently enter this key under submission date when manually preparing the monthly list of cases with matters under submission.

Moreover, the Court is not using its monthly list of cases with matters under submission as an effective tool in monitoring the age of each submitted matter to ensure the judges are aware that a submitted matter is nearing the 90-day mark. As a result, during the period reviewed, the Court took more than 90 days to decide 10 cases with matters under submission. In fact, two of these 10 cases took 97 and 98 days, respectively, to decide the matter under submission.

Further, the Court could not demonstrate how the PJ reviews the monthly list of cases with matters under submission, circulated the list to each judge, contacts judges with matters over 30

days to ensure the matters are timely ruled upon, or contacted judges with matters under submission over 60 days to consider whether providing assistance was necessary to ensure matters do not remain undecided for more than 90 days. Therefore, we could not determine whether the PJ is proactively supervising and monitoring the number of cases with matters under submission to ensure that no matter taken under submission remains undecided and pending for longer than 90 days. Subsequent to our review, the Court updated its procedures for managing the monthly list of cases with matters under submission and to formalize and improve its notification and monitoring of cases with matters under submission as required by Rules of Court.

### **Recommendations**

To help ensure the Court decides matters within 90 days after taking the matter under submission, the Court should consider the following:

1. Enhance its monthly list of cases with matters under submission to designate whether matters have been under submission for 30 to 60 days, 61 to 90 days, and over 90 days as required by Rules of Court. Also, ensure court staff consistently enter the key under submission date when preparing the monthly list of cases with matters under submission.
2. Continue to implement and refine its updated procedures for the management of the monthly list of cases with matters under submission, including ensuring the PJ reviews the monthly list of cases with matters under submission, circulates the list to each judge, contacts judges with matters over 30 days to ensure that the matters are timely ruled upon, and contacts judges with matters under submission over 60 days to consider whether providing assistance is necessary to ensure the matters do not remain undecided for more than 90 days as required by Rules of Court.

### **Superior Court Response: Terry McNally, CEO**

**Date: January 6, 2017**

1. 60 day column – Agree. We have amended our report to include a third column for the 60 day deadline.  
Submission date column – Agree in part. A hearing date column precedes the submission date column. Previously when the two dates were identical no entry was made in the submission date column. We now enter a date in the submission column for those that are identical to the hearing date.

Date of Corrective Action: January 2017

Responsible Person: Terry McNally, CEO

2. Implement and Refine Procedures – Partially Agree. The Court will continue to refine notification procedures to individual Judicial Officers that have matters under submission and nearing deadlines. The “Under Submission Report” for all Judicial Officers will be filed with the Confidential Administrative Assistant to the Presiding Judge monthly. Judges will be notified of the lodged report and its availability upon request.

Date of Corrective Action: January 2017

Responsible Person: Terry McNally, CEO

## 2. Fiscal Management and Budgets

### Background

Trial courts must employ sound business, financial, and accounting practices to conduct their fiscal operations. To operate within the funding appropriated in the State Budget Act and allocated to courts, courts should establish budgetary controls to monitor their budgets on an ongoing basis to ensure that actual expenditures do not exceed available amounts. As personnel services costs account for the majority of trial court 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 the Court's general ledger account balances that are considered associated with this section. A description of the areas reviewed and how we reviewed them in this audit is included below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Assets</b>				
120050 SHORT TERM INVESTMENTS-LA	5,286,978.31	7,790,706.44	(2,503,728.13)	-32.14%
120051 SHORT TERM INVESTMENTS-BL	1,641,694.89	1,230,204.05	411,490.84	33.45%
<b>Liabilities</b>				
374705 BENEFITS PAYABLE-LIFE EE	(1,769.60)	(1,257.60)	(512.00)	-40.71%
374706 BENEFITS PAYABLE-FLEX SPE	(3,553.18)	(1,604.54)	(1,948.64)	-121.45%
374707 BENEFITS PAYABLE-LTD EE A	(2,114.19)	(1,832.81)	(281.38)	-15.35%
375001 ACCRUED PAYROLL	2,293,345.49	1,775,407.33	517,938.16	29.17%
<b>Expenditures</b>				
900301 SALARIES – PERMANENT	24,076,358.24	20,605,852.36	3,470,505.88	16.84%
900302 SALARIES - COURT REPORTER	763,837.10	896,540.79	(132,703.69)	-14.80%
900320 LUMP SUM PAYOUTS	-	435,600.00	(435,600.00)	-100.00%
900322 PREMIUM PAY	101,351.93	105,747.48	(4,395.55)	-4.16%
900325 BILINGUAL PAY	98,755.63	88,846.74	9,908.89	11.15%
900326 SHIFT DIFFERENTIAL	507.59	204.91	302.68	147.71%
900328 OTHER PAY	18,699.95	15,564.01	3,135.94	20.15%
<b>* 900300 - SALARIES – PERMANENT</b>	<b>25,059,510.44</b>	<b>22,148,356.29</b>	<b>2,911,154.15</b>	<b>13.14%</b>
903301 TEMPORARY EMPLOYEES – ON	484,578.58	652,106.81	(167,528.23)	-25.69%
<b>* 903300 - TEMP HELP</b>	<b>484,578.58</b>	<b>652,106.81</b>	<b>(167,528.23)</b>	<b>-25.69%</b>
906303 SALARIES – COMMISSIONERS	1,424,728.37	1,291,427.21	133,301.16	10.32%
<b>* 906300 - SALARIES - JUDICIAL OFFI</b>	<b>1,424,728.37</b>	<b>1,291,427.21</b>	<b>133,301.16</b>	<b>10.32%</b>
908301 OVERTIME	93,213.19	91,014.00	2,199.19	2.42%
<b>* 908300 – OVERTIME</b>	<b>93,213.19</b>	<b>91,014.00</b>	<b>2,199.19</b>	<b>2.42%</b>
<b>** SALARIES TOTAL</b>	<b>27,062,030.58</b>	<b>24,182,904.31</b>	<b>2,879,126.27</b>	<b>11.91%</b>
910301 SOCIAL SECURITY INS & MED	1,948,669.82	1,740,063.13	208,606.69	11.99%
<b>* 910300 – TAX</b>	<b>1,948,669.82</b>	<b>1,740,063.13</b>	<b>208,606.69</b>	<b>11.99%</b>
910501 MEDICAL INSURANCE	6,093,370.25	5,416,932.25	676,438.00	12.49%
910503 RETIREE BENEFIT	-	-	-	0.00%
<b>* 910400 - HEALTH INSURANCE</b>	<b>6,093,370.25</b>	<b>5,416,932.25</b>	<b>676,438.00</b>	<b>12.49%</b>
910601 RETIREMENT (NON-JUDICIAL	12,384,351.86	10,052,326.72	2,332,025.14	23.20%
910604 RETIREMENT – OTHER	-	2,250,000.00	(2,250,000.00)	-100.00%
912301 RETIREMENT (SUBORDINATE A	688,914.95	502,700.85	186,214.10	37.04%

* <b>910600 – RETIREMENT</b>	<b>13,073,266.81</b>	<b>12,805,027.57</b>	<b>268,239.24</b>	<b>2.09%</b>
912501 STATUTORY WORKERS COMPENS	583,700.00	642,799.00	(59,099.00)	-9.19%
* <b>912500 - WORKERS' COMPENSATION</b>	<b>583,700.00</b>	<b>642,799.00</b>	<b>(59,099.00)</b>	<b>-9.19%</b>
912701 DISABILITY INSURANCE – SD	24.81	-	24.81	100.00%
913301 UNEMPLOYMENT INSURANCE	115,015.65	94,610.00	20,405.65	21.57%
913501 LIFE INSURANCE	11,816.80	11,948.59	(131.79)	-1.10%
913699 OTHER INSURANCE	11,353.26	10,477.17	876.09	8.36%
* <b>912700 - OTHER INSURANCE</b>	<b>138,210.52</b>	<b>117,035.76</b>	<b>21,174.76</b>	<b>18.09%</b>
913701 OTHER JUDGES BENEFITS	253,145.08	247,877.80	5,267.28	2.12%
* <b>913700 - SUPERIOR COURT JUDGES BE</b>	<b>253,145.08</b>	<b>247,877.80</b>	<b>5,267.28</b>	<b>2.12%</b>
913803 PAY ALLOWANCES	28,121.14	26,407.11	1,714.03	6.49%
913899 OTHER BENEFITS	1,778.19	-	1,778.19	100.00%
* <b>913800 - OTHER BENEFITS</b>	<b>29,899.33</b>	<b>26,407.11</b>	<b>3,492.22</b>	<b>13.22%</b>
** <b>STAFF BENEFITS TOTAL</b>	<b>22,120,261.81</b>	<b>20,996,142.62</b>	<b>1,124,119.19</b>	<b>5.35%</b>
*** <b>PERSONAL SERVICES TOTAL</b>	<b>49,182,292.39</b>	<b>45,179,046.93</b>	<b>4,003,245.46</b>	<b>8.86%</b>

We did not assess the Court’s budgetary controls due to audit planning considerations.

In regards to personnel services costs, we compared actual to budgeted expenditures, and performed a trend analysis of prior year personnel services costs to identify and determine the causes of significant cost increases. We also evaluated the Court’s payroll controls through interviews with Court employees, and review of payroll reports and reconciliation documents. For selected employees, we validated payroll expenditures to supporting documents, including payroll registers, timesheets, and personnel files to determine whether work and leave time were appropriately approved and pay was correctly calculated. In addition, we reviewed the Court’s Personnel Manual and employee bargaining agreements to determine whether any differential pay, leave accruals, and various benefits were made in accordance with court policy and agreements.

**There was a minor issue associated with this area that is included in Appendix A to 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. Specifically, the FIN Manual 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. The FIN Manual also 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. The Judicial Council Phoenix Financial System includes governmental, fiduciary, and proprietary funds to serve this purpose. Furthermore, the Judicial Council has approved a fund balance policy to ensure that courts identify and reserve 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 the Court's general ledger account balances that are considered associated with this section. A description of the areas reviewed and how we reviewed them in this audit is included below.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Fund Balance</b>				
535001 RESERVE FOR ENCUMBRANCES	2,166,307.30	1,821,667.00	344,640.30	18.92%
551001 FUND BALANCE - NON SPENDA	222,879.29	786,583.00	(563,703.71)	-71.66%
552001 FUND BALANCE - RESTRICTED	2,365,267.24	2,153,259.15	212,008.09	9.85%
552002 FUND BALANCE - COMMITTED	1,821,667.00	5,539,517.25	(3,717,850.25)	-67.12%
553001 FUND BALANCE - ASSIGNED	590,484.56	158,741.75	431,742.81	271.98%
615001 ENCUMBRANCES	(2,166,307.30)	(1,821,667.00)	(344,640.30)	-18.92%
<b>*** Fund Balances</b>	<b>5,000,298.09</b>	<b>8,638,101.15</b>	<b>(3,637,803.06)</b>	<b>-42.11%</b>
<b>Revenues</b>				
837011 TRIAL COURT IMPROVEMENT A	104,900.00	122,400.00	(17,500.00)	-14.30%
<b>** 837000-IMPROVEMENT FUND - REIMBUR</b>	<b>104,900.00</b>	<b>122,400.00</b>	<b>(17,500.00)</b>	<b>-14.30%</b>
841010 SMALL CLAIMS ADVISORY	22,750.13	19,944.00	2,806.13	14.07%
841011 DISPUTE RESOLUTION	142,338.09	142,314.95	23.14	0.02%
<b>** 840000-COUNTY PROGRAM - RESTRICTE</b>	<b>165,088.22</b>	<b>162,258.95</b>	<b>2,829.27</b>	<b>1.74%</b>
<b>Other Financial Sources (Uses)</b>				
<b>*** 701100 OPERATING TRANSFERS IN</b>	<b>(1,364,552.74)</b>	<b>(1,354,850.38)</b>	<b>(9,702.36)</b>	<b>-0.72%</b>
<b>*** 701200 OPERATING TRANSFERS OUT</b>	<b>1,364,552.74</b>	<b>1,354,850.38</b>	<b>9,702.36</b>	<b>0.72%</b>

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.

**There were no issues associated with this area to report to management.**

#### 4. Accounting Principles and Practices

##### Background

Trial courts must accurately account for the 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 Judicial Council, 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 Judicial Council Procurement and Accounting Branch (PAB). 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 the financial reporting capabilities are centralized with PAB, our review of court financial statements is kept at a high level.

Courts may also receive various federal and state grants either directly or passed through to it from the Judicial Council. Restrictions on the use of these grant funds and other requirements may be found in the grant agreements. The grants courts receive are typically reimbursement-type grants that require them to document and report costs to receive payment. Courts must separately account for the financing sources and expenditures associated with each grant. As a part of the annual Single Audit the State Auditor conducts for the State of California, the Judicial Council 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 reviewed and how we reviewed them in this audit is included below.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Assets</b>				
130001 A/R-ACCruED REVENUE	22,891.64	9,391.19	13,500.45	143.76%
131603 ACCOUNTS RECEIVABLE	40,298.13	39,514.66	783.47	1.98%
140014 GENERAL-DUE FROM SPECIAL	900,369.15	105,990.57	794,378.58	749.48%
150001 A/R - DUE FROM OTHER GOVE	5.68	-	5.68	100.00%
152000 A/R-DUE FROM STATE	3,067,772.52	1,036,981.89	2,030,790.63	195.84%
<b>** Receivables</b>	<b>4,031,337.12</b>	<b>1,191,878.31</b>	<b>2,839,458.81</b>	<b>238.23%</b>
171201 PREPAID - TRAVEL ADVANCES	-	158.40	(158.40)	-100.00%
172001 PREPAID EXPENSES	575,909.44	222,721.06	353,188.38	158.58%
<b>** Prepaid Expenses</b>	<b>575,909.44</b>	<b>222,879.46</b>	<b>353,029.98</b>	<b>158.40%</b>
<b>*** Accounts Receivable</b>	<b>4,607,246.56</b>	<b>1,414,757.77</b>	<b>3,192,488.79</b>	<b>225.66%</b>
<b>Revenues</b>				
<b>** 812100-TCTF - PGM 10 OPERATIONS</b>	<b>44,080,817.00</b>	<b>38,699,451.00</b>	<b>5,381,366.00</b>	<b>13.91%</b>
<b>** 816000-OTHER STATE RECEIPTS</b>	<b>3,544,269.00</b>	<b>3,544,269.00</b>	<b>-</b>	<b>0.00%</b>
<b>** 821000-LOCAL FEES REVENUE</b>	<b>1,557,635.62</b>	<b>1,642,318.77</b>	<b>(84,683.15)</b>	<b>-5.16%</b>

** 821200-ENHANCED COLLECTIONS - REV	3,735,510.93	3,122,181.08	613,329.85	19.64%
** 822000-LOCAL NON-FEES REVENUE	75,095.24	82,253.11	(7,157.87)	-8.70%
** 823000-OTHER - REVENUE	7,842,137.23	7,392,315.24	449,821.99	6.08%
** 825000-INTEREST INCOME	67,187.34	47,516.05	19,671.29	41.40%
** 831000-GENERAL FUND - MOU/REIMBUR	682,965.55	642,057.38	40,908.17	6.37%
** 832000-PROGRAM 45.10 - MOU/REIMBU	3,319,338.09	3,128,105.07	191,233.02	6.11%
** 834000-PROGRAM 45.45 - REIMBURSEM	2,595,572.69	2,600,145.00	(4,572.31)	-0.18%
** 838000-AOC GRANTS - REIMBURSEMENT	1,609,301.83	1,384,124.12	225,177.71	16.27%
** 860000-REIMBURSEMENTS - OTHER	660,093.71	369,249.27	290,844.44	78.77%

We compared general ledger year-end account balances between the prior two complete fiscal years and reviewed accounts with material and significant year-to-year variances. We also assessed the Court's procedures for processing and accounting for trust deposits, disbursements, and refunds to determine whether its procedures ensure adequate control over trust funds. Further, we reviewed selected FY 2014–2015 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant accounting guidance.

**There were minor issues associated with this area that are included in Appendix A to this report.**

## 5. Cash Collections

### Background

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

The table below presents the Court's general ledger account balances that are considered associated with this section. A description of the areas reviewed and how we reviewed them in this audit is included below.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Cash Accounts</b>				
100000 POOLED CASH	1,059,804.97	426,542.05	633,262.92	148.46%
100011 OPS DEPOSIT	-	226,443.90	(226,443.90)	-100.00%
100025 DISB CHECK-OPERATIONS	(821,656.39)	(372,969.12)	(448,687.27)	-120.30%
100027 DISB OUTGOING EFT	-	(39,098.20)	39,098.20	100.00%
115000 CASH-OTHER	8,446.82	8,395.46	51.36	0.61%
119001 CASH ON HAND - CHANGE FUN	11,200.00	10,700.00	500.00	4.67%
119002 CASH ON HAND - PETTY CASH	200.00	200.00	-	0.00%
120001 CASH WITH COUNTY	11,611,267.71	13,976,788.66	(2,365,520.95)	-16.92%
<b>Overages /Shortages</b>				
952599 CASHIER SHORTAGES	66.00	2,671.83	(2,605.83)	-97.53%
* <b>952500 - CASH DIFFERENCES</b>	<b>66.00</b>	<b>2,671.83</b>	<b>(2,605.83)</b>	<b>-97.53%</b>

We visited selected court locations with cash handling responsibilities and assessed various cash handling processes and practices through observations and interviews with Court managers and staff. Specific processes and practices reviewed include 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 transactions, and validated these transactions to supporting receipts, case files, and other records. In addition, we assessed controls over manual receipts to determine whether adequate physical controls existed, periodic oversight was 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 identified, monitored, and promptly referred to its collections agency, and that collections received are promptly and accurately recorded and reconciled to the associated case.

**The following issues were considered significant enough to bring to management's attention in this report. Additional minor issues are included in Appendix A to this report.**

## **5.1 The Court Can Better Track and Monitor Civil Fee Payment Plans**

### **Background**

Before courts may process their civil filings, parties of civil cases must pay the required filing fees in full or be granted a fee waiver. Otherwise, when a party does not pay the required civil filing fees in full, the court must void the filing. Nonetheless, Government Code (GC) Section 68630 allows courts to grant initial fee waivers for individuals who cannot afford to pay their civil filing fees and who apply for an initial fee waiver. GC 68632 directs courts to initially grant permission to proceed without paying court fees and costs because of an applicant's financial condition. Applicants eligible for an initial fee waiver include an applicant who is receiving public benefits under certain programs, an applicant whose monthly income is 125 percent or less of the current poverty guidelines, an applicant who cannot pay court fees without using moneys that normally would pay for the common necessities of life for the applicant and the applicant's family, and a person who files a petition for appointment of a fiduciary in a guardianship or conservatorship when the financial condition of the conservatee or ward meets the standards for a fee waiver.

If the court finds that that an applicant can pay a portion of the court fees, or can pay over a period of time or some other arrangement, without using moneys that normally would pay for the common necessities of life for the applicant and the applicant's family, GC 68632 (c) allows courts to grant such an applicant a partial initial fee waiver to pay a portion of the court fees, or to pay over a period of time or some other arrangement.

If the court denies the initial fee waiver application in whole or in part, GC 68634 (g) requires the applicant to pay the court fees and costs, or make the partial payment ordered by the court, within 10 days after notice of the denial. If the applicant does not pay on time, the court shall void the papers that the applicant filed without payment of court fees.

After granting an initial fee waiver in whole or in part, GC 68636 allows the court, before or at the time of final disposition of the case, to require the applicant to appear at a court hearing to provide reasonable evidence to support the eligibility for the fee waiver. If the court determines that the applicant was not entitled to or is no longer eligible for the initial fee waiver, the court may order the person to pay to the court immediately, or over a period of time, all or part of the court fees and costs.

Further, GC 68638 allows the court to execute on any order for payment of initially waived fees and costs in the same manner as on a judgment in civil action. The court may issue an abstract of judgment, a writ of execution, or both for the recovery of initially waived fees and costs as ordered; the fees for issuing the abstract of judgment, writ of execution, or both; a \$25 administrative fee; and an amount for serving and collecting on the judgment.

## **Issues**

Our review of civil cases in which the Court allowed parties to pay civil filing fees in installments found that the Court did not send timely notice to the parties when the installments became delinquent. In addition, the Court allowed cases to be disposed prior to receiving full payment of the required civil filing and administrative fees. It also did not take action to collect the required civil filing and administrative fees when the required civil fees were not paid as agreed.

Specifically, our review of eight civil cases for which the Court allowed parties to pay the required civil filing fees in installments, but the parties did not pay, found that the Court sent deficiency notices requiring the parties to pay the required civil filing fees as agreed from 40 to 231 days after the payment became delinquent.

In addition, the Court disposed two of the eight civil cases reviewed prior to receiving full payment of the civil filing fees due. Specifically, for one case, the judicial officer disposed the case two months after allowing the party to make installment payments of the civil filing fee. Although the party made two payments prior to the case being disposed, the Court did not receive full payment prior to the case being disposed and the party made no payments after the case was disposed. For the second case, the judicial officer disposed the case on the same day the installment payments of the civil filing fee was allowed; consequently, the Court did not receive full payment prior to the case being disposed and had not received any payments at the time of our review.

Further, although the Court's Revenue Recovery unit sends delinquency notices to collect delinquent civil fee payment plans, it does not have a process to escalate and refer these delinquent civil fees to a third-party collection agency. As a result, for all eight civil cases reviewed for which the Court allowed parties to pay the required civil filing fees in installments but the parties did not pay as agreed, the Court has not taken further action to collect the civil and administrative fees due to the Court.

## **Recommendations**

To ensure the prompt collection of the civil fees it allows parties to pay in installments, the Court should consider enhancing its oversight and procedures regarding these installment payment plans as follows:

1. Establish and follow a formal written process to monitor and collect on all civil installment payment plans. If the parties do not make the required payments as agreed, the Court should notify the judge of the delinquent payments so that the judge can compel the responsible parties to pay the required civil fees prior to the commencement of a trial or hearing, further court proceedings, or final disposition of the case.
2. Develop and implement a process to promptly issue court orders to recover the initially waived civil fees and costs the Court allowed the party to pay in installments. In addition, recover the fees for issuing the legal documents needed to collect the initially waived fees and costs, the \$25 administrative fee, and any other costs to serve and collect on the judgment from the parties who did not pay, as agreed, the required civil fees and court costs.

3. Initiate collection proceedings to collect the required civil fees and court costs due to the Court for the cases noted above, and for any other civil cases the Court allowed to proceed or conclude and for which the responsible parties did not pay the required civil fees and court costs.

**Superior Court Response: Debra C. Ostlund, Deputy CEO-Finance Date: January 3, 2017**

1. **Written process** – Disagree. Requesting that Judges compel payment prior to commencement of a trial or hearing, further court proceedings, or final disposition of the case significantly interferes with calendar and case management. Additionally, it potentially denies the applicant access to justice.

Instead, the Court is considering ending the optional practice of allowing applicants to pay over a period of time. Without the ability to impact the driver's license, as we can in criminal cases, the main tool we have is the disruption of the proceedings which comes with the problems outlined above. Overall the financial return to the courts has been minimal when the cost of collections is factored in.

Date of Corrective Action: October 2017

Responsible Person: Debra Ostlund, Deputy CEO – Finance

2. **Issuing court orders** – Disagree. Issuing an abstract of judgment or a writ of execution to recover the civil fees and costs the party agreed to pay in installments is only effective if the applicant has a bank account or employer with sufficient funds to attach. Therefore, spending significant time and funds for hard costs on these processes with no guaranteed return is a step the Court has chosen not to pursue.
3. **Initiate Collections proceedings** – Agree. While our options for civil collections are much more limited than criminal, the Franchise Tax Board Tax Intercept (FTB-TIP) program is available for civil use. We were unable to refer the cases at the end of 2016 due to the FTB-TIP requirement to send only one amount per person. The Civil cases are in Odyssey and our Criminal cases are still in our legacy system and so we were only able to send Criminal cases this year.

We had delays in billing after Odyssey was implemented for Civil, but that has since been remedied so billing has been current.

We plan to go live for Criminal in the first half of 2017, so we will have all cases in Odyssey and we should be able to tie all cases to a single party to facilitate referral in 2017.

Date of Corrective Action: October 2017

Responsible Person: Debra Ostlund, Deputy CEO – Finance

## 5.2 The Court Needs to Strengthen Some of Its Cash Handling Procedures

### Background

To protect the integrity of the court and its employees and promote public confidence, the FIN Manual, Policy No. FIN 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This policy requires courts to observe certain guidelines to assure the safe and secure collection and accurate accounting of all payments. For example, paragraph 6.3.2 states that cashiers receive a nominal amount of money, secured in individually locked drawers or bags, to enable them to return change on cash transactions. Cashiers should verify receipt of their beginning cash funds with their supervisor, and any beginning cash discrepancies should be resolved before the cashier starts their daily cash collection duties.

In addition, paragraph 6.3.1 states that courts may establish a change fund in each location that the court collects payments to provide cashiers currency and coin in denominations and amounts necessary to permit the making of change in the day-to-day collecting operation of the court. At the end of the business day, the change fund custodian, in the presence of a manager or supervisor, must reconcile the change funds ending balance to the day's beginning balance. In addition, the change fund should be counted by a court employee, other than the change fund custodian, in accordance to the schedule outlined in the FIN Manual and reported to the court fiscal officer.

Also, paragraph 6.3.9 states that in the case of a failure of the automated accounting system, the supervisor or designated employee will issue books of pre-numbered receipts. The supervisor issuing the books of pre-numbered receipts will monitor and maintain an accounting of the receipt books, including the receipt book(s) issued, to whom the receipt book(s) was given, the date given, the person returning the book(s), the receipts used within each book and the date on which the receipt book(s) are returned. In addition, handwritten receipt transactions must be processed as soon as possible after the automated system is restored.

The FIN Manual, Policy No. FIN 10.02, paragraph 6.4, also provides courts with the following guidance for processing payments received through the mail:

- Two-person teams are used to open and process mail to maintain accountability for payments received in the mail.
- Checks and money orders received in the mail should be processed on the day they are received and listed on a cash receipts log. The log should record certain key information, such as case number, check amount, check number, and date received, and be signed by the person logging the payments.
- Checks and money orders received through the mail but not processed on the day received should be placed in a locked area and processed on the next business day after notifying the supervisor.

Finally, the FIN Manual, Policy No. FIN 1.01, paragraph 6.4.2, requires courts to document and obtain Judicial Council approval of their alternative procedures if court procedures differ from



the procedures in the FIN Manual. The paragraph further states that alternative procedures not approved by the Judicial Council will not be considered valid for audit purposes.

### **Issues**

Our review of the Court's cash handling practices and associated documents found that the Court follows inconsistent cash handling and accounting practices. Specifically, the Court could strengthen its procedures in the following areas:

1. Change Fund – The assigned change fund custodian at seven of the 12 cash collection locations reviewed has other incompatible cash handling duties, such as verifying the cashiers' beginning cash funds, verifying the cashiers' end-of-day collections, and preparing the daily deposit.
2. Handwritten receipts – Of the 12 cash collection locations reviewed, supervisors at three cash collection locations did not review the copies of the issued handwritten receipts to ensure cashiers completed and issued the handwritten receipts correctly with all pertinent information. As a result, at one cash collection location, one handwritten receipt was issued twice, the original receipt was dated as issued in May 2015 and one of the copies of the same receipt was dated as issued in June 2015, and the original copy of a second handwritten receipt was missing with no explanation as to its disposition. In addition, at another cash collection location, one handwritten receipt was issued out of sequence, three handwritten receipts were completed without the name of the person making the payment, and one of these three handwritten receipts also did not note the case name. Further, at a third cash collection location, we noted one handwritten receipt that was partially completed but with no explanation as to why the receipt was not issued, another handwritten receipt that was skipped over, and a third handwritten receipt that did not note the case number.

In addition, supervisors at six of the 12 cash collection locations reviewed did not complete the handwritten receipt log with all pertinent information, such as to whom the handwritten receipt books are issued, the specific handwritten receipt numbers used, and whether supervisors verified the entry of the handwritten receipt into the CMS. As a result, all 11 handwritten receipts reviewed at one cash collection location did not contain evidence that the payments associated with these handwritten receipts were promptly entered into the CMS, such as by having a copy of the CMS receipt attached or by having the CMS receipt number noted on the handwritten receipt. We were able to subsequently verify entry of the payments associated with these 11 handwritten receipts into the CMS by the case number, or case name if the case number was not noted, and the payment amount. Nevertheless, incomplete records and lax oversight over handwritten receipts increases the risk of lost payments.

3. Mail Payments – Court cash collection locations reviewed do not consistently log on a mail payment log or similar document payments received through the mail or their drop box to establish a record of payments received through the mail and drop box. Specifically, although cash payments received through the mail and drop box are logged, three cash collection locations do not log checks and money orders received through the mail and drop box. Similarly, the Court's mail room that services six cash collection locations does not log

non-cash payments received through the mail to establish a complete record of payments it receives through the mail. In addition, three other cash collection locations do not log any cash, check, or money order payments received through the mail and drop box. Further, four other cash collection locations do not log any cash, check or money order payments received through the drop box. When payments received in the mail or drop box are not promptly recorded on a log or similar document, the risk of losing payments without a means for detection increases.

### **Recommendations**

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

1. Ensure that court staff responsible for handling the change fund have no other incompatible cash handling duties, such as verifying cashiers' beginning cash fund, verifying cashiers' end-of-day collections, and preparing the daily deposit, to reduce the risk of lapping fraud.
2. Ensure that supervisors monitor the use of handwritten receipts, including reviewing handwritten receipt books to ensure that the handwritten receipts were issued appropriately and completed with all pertinent information. Also, remind supervisors of their responsibility to complete a handwritten receipt log when issuing handwritten receipt books to cashiers with the required information, including to whom books were issued, when the books were returned and by whom, and the receipt numbers used.
3. To provide for the strongest oversight and monitoring of payments received through the mail, consistently log all cash, check, and money order payments received through the mail and drop box on a mail payment log or other similar document to establish a record of payments received through the mail and drop box.
4. Prepare alternative procedure requests and submit them to the Judicial Council's Finance Office for approval if the Court cannot implement the FIN Manual procedures as recommended. 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: Debra Ostlund, Deputy CEO-Finance Date: December 13, 2016**

1. **Change Fund - Incompatible Duties** – Partially Agree – The new TCFP&P Fin 10.02, 6.3.1. #5 reads: Individuals responsible for the Cash Change Funds to make change may perform other collection-related review or oversight duties, but should not be a cashier. None of our individuals responsible for the Change funds had cashier duties. However, we are considering verifying the change fund and the daily deposit at the same time when they are performed by the same person.

Date of Corrective Action: December 31, 2016

Responsible Person(s): Debra Ostlund, Deputy CEO – Finance.

2. **Handwritten Receipts** – Agree - We will be incorporating a regular review of the handwritten receipt log. Initially the review will be quarterly, and subsequently based on need.

Date of Corrective Action: March 31, 2017

Responsible Person(s): Debra Ostlund, Deputy CEO – Finance.

- 3 **Mail Payment Logs** – Disagree – The Court does not believe implementing the discretionary payment log as outlined in FIN 10.02 6.4 Step 3, for noncash payments is a cost effective use of resources. Given the relatively low risk of the impact on Court assets and the cost of the resources involved in implementing all of the optional procedures in Step 3, the Court chooses to accept the business risk associated with this issue.

Specifically, step 1 requires restrictively endorsing the checks “For Deposit Only in the Court’s Bank Account”. Once the check has been stamped with the restrictive endorsement, it has effectively protected the Court’s interest regarding that check and is no longer considered a negotiable instrument for any purpose other than depositing in the Court’s bank account. We are considering implementing a verification to ensure all checks have been stamped correctly.

Additionally, if the payment is not properly posted to the case in the Court’s case management system, the Court will continue to notify the defendant that further collection steps will occur. This allows the Court to identify the missing payment.

The procedures outlined in 6.4 Step 3, more than double the work involved in processing a payment by mail. Manually completing the 6 fields on the log is more time consuming than the actual entry of the payment into an automated case management system. The reconciling steps are also cumbersome, especially if multiple people ring the payments.

Date of Corrective Action: N/A

Responsible Person(s): Debra Ostlund, Deputy CEO – Finance.

## 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, cashiering 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 from an unexpected system failure. 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 included in them.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Expenditures</b>				
943202 IT MAINTENANCE - HARDWARE	113,758.28	87,959.69	25,798.59	29.33%
943203 IT MAINTENANCE - SOFTWARE	643,394.42	652,198.51	(8,804.09)	-1.35%
* <b>943200 - IT MAINTENANCE</b>	<b>757,152.70</b>	<b>740,158.20</b>	<b>16,994.50</b>	<b>2.30%</b>
943301 IT COMMERCIAL CONTRACTS	623,244.31	1,020,820.15	(397,575.84)	-38.95%
* <b>943300 - IT COMMERCIAL CONTRACT</b>	<b>623,244.31</b>	<b>1,020,820.15</b>	<b>(397,575.84)</b>	<b>-38.95%</b>
943501 IT REPAIRS & SUPPLIES	5,905.72	2,446.28	3,459.44	141.42%
943502 IT SOFTWARE & LICENSING F	321,331.17	311,759.56	9,571.61	3.07%
943503 COMPUTER SOFTWARE	469,750.00	903,500.00	(433,750.00)	-48.01%
943505 SERVER SOFTWARE	25,621.75	16,387.00	9,234.75	56.35%
* <b>943500 - IT REPAIRS/SUPPLIES/LICE</b>	<b>822,608.64</b>	<b>1,234,092.84</b>	<b>(411,484.20)</b>	<b>-33.34%</b>
** <b>INFORMATION TECHNOLOGY (IT) TOTAL</b>	<b>2,203,005.65</b>	<b>2,995,071.19</b>	<b>(792,065.54)</b>	<b>-26.45%</b>
946601 MAJOR EQUIPMENT - IT	221,119.28	349,077.15	(127,957.87)	-36.66%

We reviewed various information system (IS) controls through interviews with Court management, observation of IS facilities and equipment, and review of records. Some of the primary areas reviewed include the following:

- Systems backup and data storage procedures.
- Recovery and continuity plans and 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 environmental conditions of the computer rooms.
- Access controls to the Department of Motor Vehicles (DMV) database records.
- Automated distribution calculations of collected fines, penalties, fees, and assessments for selected criminal and traffic violations.

**There were minor issues associated with this area that are included in Appendix A to this report.**

## 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 court control. The FIN Manual, Policy No. 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, including interest income on funds deposited in the Judicial Council established bank accounts. Courts typically deposit in Judicial Council established accounts allocations for court operations, civil filing fees, and civil trust deposits. Courts may also deposit monies with the county, including collections for criminal and traffic fines and fees, and bail trust deposits.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Assets</b>				
100000 POOLED CASH	1,059,804.97	426,542.05	633,262.92	148.46%
100011 OPS DEPOSIT	-	226,443.90	(226,443.90)	-100.00%
100025 DISB CHECK-OPERATIONS	(821,656.39)	(372,969.12)	(448,687.27)	-120.30%
100027 DISB OUTGOING EFT	-	(39,098.20)	39,098.20	100.00%
115000 CASH-OTHER	8,446.82	8,395.46	51.36	0.61%
119001 CASH ON HAND - CHANGE FUN	11,200.00	10,700.00	500.00	4.67%
119002 CASH ON HAND - PETTY CASH	200.00	200.00	-	0.00%
120001 CASH WITH COUNTY	11,611,267.71	13,976,788.66	(2,365,520.95)	-16.92%
120050 SHORT TERM INVESTMENTS-LA	5,286,978.31	7,790,706.44	(2,503,728.13)	-32.14%
120051 SHORT TERM INVESTMENTS-BL	1,641,694.89	1,230,204.05	411,490.84	33.45%
<b>*** Cash and Cash Equivalents</b>	<b>18,797,936.31</b>	<b>23,257,913.24</b>	<b>(4,459,976.93)</b>	<b>-19.18%</b>
<b>Accounts Payable</b>				
301001 A/P - GENERAL	404,218.39	217,165.80	187,052.59	86.13%
301004 A/P - ELECTRONIC PAYABLES	18,964.31	11,271.48	7,692.83	68.25%
314014 SPECIAL REVENUE-DUE TO GE	900,369.15	105,990.57	794,378.58	749.48%
321501 A/P DUE TO STATE	67,383.00	-	67,383.00	100.00%
321600 A/P - TC145 LIABILITY	957,836.99	975,060.64	(17,223.65)	-1.77%
322001 A/P - DUE TO OTHER GOVERN	291,970.09	345,497.00	(53,526.91)	-15.49%
323010 TREASURY INTEREST PAYABLE	124.70	24.59	100.11	407.12%
330002 A/P - ACCRUED LIABILITIES	858.38	131,925.86	(131,067.48)	-99.35%
<b>*** Accounts Payable</b>	<b>2,641,725.01</b>	<b>1,786,935.94</b>	<b>854,789.07</b>	<b>47.84%</b>
<b>Current Liabilities</b>				
341001 REVENUE COLLECTED IN ADVA	9,675.00	2,970,250.00	(2,960,575.00)	-99.67%
342001 REIMBURSEMENTS COLLECTED	-	21,146.88	(21,146.88)	-100.00%
351003 LIABILITIES FOR DEPOSITS	61,299.28	53,797.24	7,502.04	13.95%
353070 DUE TO OTHER GOVERNMENT A	7,026,374.23	6,865,890.91	160,483.32	2.34%
353090 FUNDS HELD OUTSIDE OF THE	2,584,893.48	5,110,897.75	(2,526,004.27)	-49.42%
<b>Revenues</b>				
825010 INTEREST INCOME	67,187.34	47,516.05	19,671.29	41.40%
<b>Expenditures</b>				
920302 BANK FEES	9,537.55	11,149.51	(1,611.96)	-14.46%

Many courts rely on the Judicial Council Treasury Unit for many banking services, such as performing monthly bank reconciliations to the general ledger, overseeing the investment of trial court funds, and providing periodic reports to trial courts and other stakeholders. Therefore, we reviewed only the following procedures associated with funds not deposited in bank accounts established by the Judicial Council, including funds on deposit with the County:

- Processes for reconciling general ledger trust balances to supporting documentation; including daily deposit, CMS, and case file records.
- Whether Judicial Council approval was obtained prior to opening and closing bank accounts.
- The Court's procedures for escheating unclaimed monies.

**There were minor issues associated with this area that are included in Appendix A to this report.**

## 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, and these services are typically included 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 Judicial Council Office of Security (OS) provides courts with guidance in developing a sound court security plan, including a court security plan template and a court security best practices document. OS also has a template for courts to use in developing an Emergency Plan.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Expenditures</b>				
934512 ALARM SERVICE	343.00	-	343.00	100.00%
* 934500 - SECURITY	<b>343.00</b>	-	<b>343.00</b>	<b>100.00%</b>
** SECURITY TOTAL	<b>343.00</b>	-	<b>343.00</b>	<b>100.00%</b>
941101 SHERIFF - REIMBURSEMENTS	29,160.00	25,350.00	3,810.00	15.03%
* 941100 - SHERIFF	<b>29,160.00</b>	<b>25,350.00</b>	<b>3,810.00</b>	<b>15.03%</b>
945204 WEAPON SCREENING X-RAY MA	60,716.24	-	60,716.24	100.00%

We reviewed the Court's security controls through interviews with Court management and county sheriff service providers, observation of security conditions, and review of records. We also reviewed the Court's MOU with the County Sheriff for court security services, including the stationing of bailiffs in courtrooms.

**There were minor issues associated with this area that are included in Appendix A to 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 in documenting their procurement practices. Trial courts must demonstrate that their procurement 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 account codes, 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. The authorized court manager or supervisor is responsible for verifying that the correct account codes are specified and assuring that funds are available before approving the request for procurement. Depending on the type, cost, and frequency of the goods or services to be procured, trial court employees may need to perform varying degrees of procurement research to generate an appropriate level of competition and obtain the best value. Court employees may need to also prepare and enter the agreed terms and conditions into purchase orders, service agreements, or contracts to document the terms and conditions of the procurement transaction.

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 included below.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Expenditures</b>				
* 920500 - DUES AND MEMBERSHIPS	21,951.00	15,940.00	6,011.00	37.71%
* 920600 - OFFICE EXPENSE	276,018.36	236,859.38	39,158.98	16.53%
* 921500 - ADVERTISING	47,238.28	20,773.54	26,464.74	127.40%
* 921700 - MEETINGS, CONFERENCES, E	1,179.13	3,289.27	(2,110.14)	-64.15%
* 922300 - LIBRARY PURCHASES AND SU	169,779.44	150,418.04	19,361.40	12.87%
* 922600 - MINOR EQUIPMENT - UNDER	671,355.46	1,946,155.68	(1,274,800.22)	-65.50%
* 922700 - EQUIPMENT RENTAL/LEASE	10,914.42	10,439.88	474.54	4.55%
* 922800 - EQUIPMENT MAINTENANCE	128,798.18	112,286.36	16,511.82	14.71%
* 923900 - GENERAL EXPENSE - SERVIC	191,348.06	265,823.10	(74,475.04)	-28.02%
* 924500 - PRINTING	146,646.48	96,566.81	50,079.67	51.86%
* 925100 - TELECOMMUNICATIONS	537,096.64	465,704.32	71,392.32	15.33%
* 926200 - STAMPS, STAMPED ENVELOPE	202,941.47	168,202.07	34,739.40	20.65%
* 926300 - POSTAGE METER	242,508.05	338,200.00	(95,691.95)	-28.29%
* 928800 - INSURANCE	905,041.99	796,295.91	108,746.08	13.66%
* 933100 - TRAINING	31,441.26	22,841.94	8,599.32	37.65%
* 934500 - SECURITY	343.00	-	343.00	100.00%
* 935200 - RENT/LEASE	695,209.03	609,214.77	85,994.26	14.12%
* 935300 - JANITORIAL	101,265.66	94,251.41	7,014.25	7.44%
* 935400 - MAINTENANCE AND SUPPLIES	23,354.44	31,100.08	(7,745.64)	-24.91%
* 935500 - GROUNDS	13.76	138.00	(124.24)	-90.03%
* 935600 - ALTERATION	(741,378.74)	792,364.00	(1,533,742.74)	-193.57%
* 936100 - UTILITIES	1,277.00	-	1,277.00	100.00%
* 938300 - GENERAL CONSULTANT AND P	299,541.38	260,879.09	38,662.29	14.82%



* 938500 - COURT INTERPRETER SERVIC	537,876.74	386,039.73	151,837.01	39.33%
* 938600 - COURT REPORTER SERVICES	70,779.92	119,595.62	(48,815.70)	-40.82%
* 938700 - COURT TRANSCRIPTS	43,909.90	47,678.01	(3,768.11)	-7.90%
* 938800 - COURT APPOINTED COUNSEL	2,338,489.90	2,512,655.03	(174,165.13)	-6.93%
* 938900 - INVESTIGATIVE SERVICES	6,524.00	11,697.05	(5,173.05)	-44.23%
* 939000 - COURT ORDERED PROFESSION	295,677.50	244,210.80	51,466.70	21.07%
* 939100 - MEDIATORS/ARBITRATORS	221,407.34	213,351.95	8,055.39	3.78%
* 939200 - COLLECTION SERVICES	128,441.68	17,954.74	110,486.94	615.36%
* 939400 - LEGAL	15,991.50	41,259.44	(25,267.94)	-61.24%
* 939800 - OTHER CONTRACT SERVICES	198,474.39	200,964.73	(2,490.34)	-1.24%
* 943200 - IT MAINTENANCE	757,152.70	740,158.20	16,994.50	2.30%
* 943300 - IT COMMERCIAL CONTRACT	623,244.31	1,020,820.15	(397,575.84)	-38.95%
* 943500 - IT REPAIRS/SUPPLIES/LICE	822,608.64	1,234,092.84	(411,484.20)	-33.34%
* 945200 - MAJOR EQUIPMENT	329,002.44	406,499.94	(77,497.50)	-19.06%
* 952300 - VEHICLE OPERATIONS	20,365.51	14,915.59	5,449.92	36.54%

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

**The following issues were considered significant enough to bring to management's attention in this report. Additional minor issues are included in Appendix A to this report.**

## **9.1 The Court Should Strengthen Some of Its Procurement Practices**

### **Background**

With certain exceptions, the California Judicial Branch Contract Law (JBCL) requires that superior courts, as well as other judicial branch entities (JBEs), comply with provisions of the Public Contract Code (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 policy number FIN 6.01 of the Trial Court Financial Policies and Procedures Manual for most court procurements. 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. To meet the unique needs of the court and ultimately achieve the goals set forth in PCC Sections 100–102, each presiding judge has the authority to vary the Court's application of any non-mandatory business or accounting practice set forth in the JBCM. Any variances should be documented in the court's Local Contracting Manual.

Chapters 4 and 5 of the JBCM provide procurement requirements for competitive and non-competitive procurements, respectively. Additionally, Chapter 9, Section 9.2, of the JBCM discusses requirements for procurements using court purchase cards.

### **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 also selected 21 payment transactions and 10 purchase card transactions for the period July 2015 through March 2016 to review the Court's associated procurement practices. Our review revealed that the Court did not always follow the required Judicial Branch procurement policies and procedures. Specifically, we noted the following:

1. The Court could not demonstrate prior written purchase authorization for some of its procurements. Specifically, the Court did not prepare or did not retain in its procurement file purchase requisitions for four of the 21 procurements reviewed.
2. In addition, for five of the 21 procurements reviewed, the Court did not enter into the accounting system the purchase order transaction the system requires to encumber and reserve fund balance in the official accounting records for those procurements valued at more than \$500.
3. Further, the Court did not always follow the JBCM procurement requirements. Specifically, two of the 21 procurements reviewed did not fall within one of the JBCM non-competitive procurement categories and the Court could not provide, or did not retain in its procurement files, the solicitation documents needed to demonstrate that it followed competitive solicitation practices, nor could it provide an approved sole-source request document. Also, for two of five non-IT procurements, the Court did not obtain or did not retain in its procurement files the vendor-signed Darfur Contracting Act Certification that is required by the JBCM. Further, for all three procurements reviewed that resulted in a contract valued at more than \$1 million, the Court could not provide documentation to demonstrate that it notified the California State Auditor within 10 days of entering into the contracts.

Also, the Court did not always follow the JBCM procurement requirements for procurements required to be competitively bid. Specifically, for one of the four procurements reviewed where the Court used a leveraged procurement agreement, the Court could not demonstrate that the leveraged procurement agreement was competitively bid. In addition, for the two procurements reviewed where the Court issued a Request for Proposal (RFP) and for which the JBCM requires advertisement of the RFP, the Court could not provide or did not retain in its procurement files, documentation demonstrating that it advertised the RFP. Further, for two of the eight competitive procurements reviewed, the Court could not provide or did not retain in its procurement files copies of the evaluations it performed for the offers it received and copies of the Notice of Intent to Award these contracts to the winning bidders. In fact, for one of these two procurements, the Court could not provide or did not retain in its procurement files a list of the offers it received.

4. Finally, the Court did not consistently demonstrate prior approval of the purchases made with the Court's purchase card for three of the 10 purchase card transactions reviewed. Specifically, one purchase card transaction reviewed was for airfare for five court employees. Although travel request forms were completed and approved for all five court employees, two forms were approved after the airfare was purchased and a third form was both prepared and approved after the airfare was purchased. In addition, the second purchase card transaction reviewed was for an emergency purchase. Although the Court asserts that verbal authorization was given for the purchase, the verbal authorization for the emergency purchase was not subsequently documented so that accounts payable staff could verify that the purchase was verbally approved by authorized court personnel prior to the purchase. Further, although a purchase requisition for safety supplies was completed and approved for the third purchase card transaction reviewed, the purchase requisition was not dated. Therefore, the Court could not demonstrate that the purchase requisition was completed and approved prior to the purchase.

### **Recommendations**

To ensure that it can demonstrate its prudent use of public funds when procuring goods and services, the Court should consider strengthening its procurement practices as follows:

1. Require the consistent use of fully completed and appropriately approved purchase requisitions prior to initiating the procurement of goods and services to adequately demonstrate pre-authorization of its procurements.
2. Ensure that it enters purchase orders for procurements over \$500 in the accounting system to encumber and reserve fund balance.
3. Obtain and retain in its procurement files the documentation required to support its procurement activities, including justifications and approvals for sole source procurements, the Darfur Contracting Act vendor certifications for procurements of non-IT goods or services, and notification to the California State Auditor of contracts valued at over \$1 million within 10 days of entering into the contracts. Also, obtain and retain in its procurement files documentation required to support its competitively bid procurements, including the advertisement of bids issued, list of offers received, evaluations of offers received, and the Notice of Intent to Award contracts to winning bidders.
4. Ensure that purchase requisitions are completed and appropriately approved, including the date of approval, prior to procuring goods using the Court purchase card.

### **Superior Court Response: Debra C. Ostlund, Deputy CEO-Finance Date: January 4, 2017**

1. **Purchase Requisition pre-approvals** – Partially Agree  
We are now including a pre-approval work flow for fill-in Commissioners. The administrative expense for the Health program is always billed at the beginning of the month to which it applies. The amount per employee is set by contract, and in the future we can ensure it is approved prior to the beginning of the month so that it is approved prior to the expense being incurred.

The third item was for flu shots, and we have the email setting up the terms with the vendor copied to our Deputy CEO – Human Resources. The vendor was contacted at the Deputy CEO’s direction. Previous and subsequent years have always been under the Deputy CEO’s approval amount of \$5,000. In the year selected for this audit, that amount was exceeded due to the number of employees receiving shots that year. Our CEO approved the actual invoice. Going forward, the CEO will approve this expenditure in advance.

The fourth item was for our case management contract with Tyler Technologies. At our CEO’s request, our CIO participated in the RFP process where Tyler was selected as the leading vendor. Based on the contract signed by our PJ, we used the Requisition Approval form to create the PO and encumber funds for the contract amount. We have revised the form to include a signature and date. We will also document and include in our procurement file the PJ’s authorization for our CIO to participate in the RFP process.

Date of Corrective Action: April 2017

Responsible Person(s): Debra C. Ostlund, Deputy CEO - Finance

2. **P.O. >\$500 to Encumber** – Partially Agree

FIN 5.01 (Accounting Principles), Section 6.6 (Encumbrances) of the *Financial Policies and Procedures Manual* states “Any encumbrance amount over \$500 must be posted to the accounting system ensuring adequate amounts must be reserved for the expenditures contemplated.” In the last paragraph the policy states “There are court financial commitments that typically would not be encumbered; examples include monthly telephone services and subscriptions.” This would seem to indicate there is a level of judgement involved in deciding what items to encumber. Encumbering all items over \$500 does not seem to be an effective way of ensuring adequate amounts are available for the expenditure.

The Court currently encumbers any significant, unusual expenditure at the time of order, to assist in determining funds available. We also use blanket POs for most ongoing expenditures incurred in the normal course of business which has worked well for us. For the five audited items, we rely on our budget amounts to determine that adequate funds are available.

Based on the flexibility indicated in the *Trial Court Policies and Procedures Manual* and other more effective methods used to determine available funds, the Court will submit a Request for Alternative Procedure to JCC Branch Accounting and Procurement for approval of an increased encumbrance threshold.

Date of Corrective Action: June 2017

Responsible Person(s): Debra C. Ostlund, Deputy CEO-Finance

3. **Maintain Complete Procurement Files** – Partially Agree

We have obtained Darfur certificates for the contracts signed prior to the requirement. Also, for the year 2016-17 all required notifications to the California State Auditor have been made timely.

**Pac West - Sole Source** - We are now completing a sole source document for this vendor which will be included in the procurement/contract file. We obtained 3 quotes in October 2012 for 1 courtroom, and their price was 73% less than the closest bid.

**CUBS** - For 2016/17 we completed a sole source doc for the ongoing maintenance of this proprietary software and will continue to do so.

**Health Contracts** – The majority of the issues related to two contracts from 2005 and 2008. These contracts relate to our Health Benefits Consultant and the Third Party Administrator (TPA) we use for our Self-Funded Health Insurance program. Both of these RFPs pre date the Judicial Branch Contract Law enacted in October 2011. While evaluations of the proposals were performed by the reviewing groups, the documentation was not retained.

Additionally, it would appear from a memo, the first contract was advertised, however, no proof was kept in the file. For the TPA RFP, we relied on our consultant to mail the RFP to selected vendors including the vendor that was the county's TPA.

No Notice of Intent to Award was kept although it may have been issued for these 2 contracts.

Since JBCL was implemented, the court has and will continue to obtain and retain in its procurement files documentation required to support its competitively bid procurements, including the advertisement of bids issued, list of offers received, evaluations of offers received, and the Notice of Intent to Award contracts to winning bidders.

**LPA** - In the future we will check with the county to make certain their LPA agreements have been competitively bid.

**Navigators** - No Notice of Intent to Award was kept although it may have been issued. Going forward, Court will ensure this notice is included in its procurement files.

Date of Corrective Action: February 14, 2017

Responsible Person(s): Debra C. Ostlund, Deputy CEO-Finance

4. **Pre-approval for Credit Card Purchase** – Agree

The court has instituted a separate pre-approval process for airline reservations. We have also been more cognizant of the need to document any verbal approvals and ensure approvals are dated.

Date of Corrective Action: February 14, 2017

Responsible Person(s): Debra C. Ostlund, Deputy CEO-Finance

## 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 the Court's general ledger account balances that are considered associated with this section. A description of the areas reviewed and how we reviewed them as a part of this audit is included below.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Expenditures</b>				
* 938300 - GENERAL CONSULTANT AND P	299,541.38	260,879.09	38,662.29	14.82%
* 938500 - COURT INTERPRETER SERVIC	537,876.74	386,039.73	151,837.01	39.33%
* 938600 - COURT REPORTER SERVICES	70,779.92	119,595.62	(48,815.70)	-40.82%
* 938700 - COURT TRANSCRIPTS	43,909.90	47,678.01	(3,768.11)	-7.90%
* 938800 - COURT APPOINTED COUNSEL	2,338,489.90	2,512,655.03	(174,165.13)	-6.93%
* 938900 - INVESTIGATIVE SERVICES	6,524.00	11,697.05	(5,173.05)	-44.23%
* 939000 - COURT ORDERED PROFESSION	295,677.50	244,210.80	51,466.70	21.07%
* 939100 - MEDIATORS/ARBITRATORS	221,407.34	213,351.95	8,055.39	3.78%
* 939200 - COLLECTION SERVICES	128,441.68	17,954.74	110,486.94	615.36%
* 939400 - LEGAL	15,991.50	41,259.44	(25,267.94)	-61.24%
* 939800 - OTHER CONTRACT SERVICES	198,474.39	200,964.73	(2,490.34)	-1.24%
* 942100 - COUNTY-PROVIDED SERVICES	449,489.07	730,172.80	(280,683.73)	-38.44%

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

Further, we reviewed the Court MOUs with the County to determine whether they are current, comprehensive of all services 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 County billed cost were reasonable.

**There were minor issues associated with this area that are included in Appendix A of this report.**

## 11. Accounts Payable

### Background

The FIN Manual provides courts with 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, trial court judges and employees may be required to travel as a part of their official duties, and may occasionally conduct official court business during a meal period. Courts may reimburse their judges and employees for their reasonable and necessary travel expenses, within certain maximum limits, incurred while traveling on court business. Courts may also reimburse their judges and employees, or pay vendors, for the actual cost of providing business-related meals when certain rules and limits are met.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Liabilities</b>				
301001 A/P - GENERAL	404,218.39	217,165.80	187,052.59	86.13%
301004 A/P - ELECTRONIC PAYABLES	18,964.31	11,271.48	7,692.83	68.25%
314014 SPECIAL REVENUE-DUE TO GE	900,369.15	105,990.57	794,378.58	749.48%
321501 A/P DUE TO STATE	67,383.00	-	67,383.00	100.00%
321600 A/P - TC145 LIABILITY	957,836.99	975,060.64	(17,223.65)	-1.77%
322001 A/P - DUE TO OTHER GOVERN	291,970.09	345,497.00	(53,526.91)	-15.49%
323010 TREASURY INTEREST PAYABLE	124.70	24.59	100.11	407.12%
330002 A/P - ACCRUED LIABILITIES	858.38	131,925.86	(131,067.48)	-99.35%
<b>*** Accounts Payable</b>	<b>2,641,725.01</b>	<b>1,786,935.94</b>	<b>854,789.07</b>	<b>47.84%</b>
351003 LIABILITIES FOR DEPOSITS	61,299.28	53,797.24	7,502.04	13.95%
353070 DUE TO OTHER GOVERNMENT A	7,026,374.23	6,865,890.91	160,483.32	2.34%
353090 FUNDS HELD OUTSIDE OF THE	2,584,893.48	5,110,897.75	(2,526,004.27)	-49.42%
379001 OTHER CURRENT LIABILITIES	1,192,744.90	1,192,744.90	-	0.00%
<b>Reimbursements</b>				
861010 CIVIL JURY REIMBURSEMENT	33,681.30	50,751.13	(17,069.83)	-33.63%
861011 MISCELLANEOUS REIMBURSEME	626,412.41	318,498.14	307,914.27	96.68%
<b>** 860000-REIMBURSEMENTS - OTHER</b>	<b>660,093.71</b>	<b>369,249.27</b>	<b>290,844.44</b>	<b>78.77%</b>
<b>Expenditures</b>				
* 920600 - OFFICE EXPENSE	276,018.36	236,859.38	39,158.98	16.53%
* 921500 - ADVERTISING	47,238.28	20,773.54	26,464.74	127.40%
* 921700 - MEETINGS, CONFERENCES, E	1,179.13	3,289.27	(2,110.14)	-64.15%
* 922300 - LIBRARY PURCHASES AND SU	169,779.44	150,418.04	19,361.40	12.87%
* 922700 - EQUIPMENT RENTAL/LEASE	10,914.42	10,439.88	474.54	4.55%
* 922800 - EQUIPMENT MAINTENANCE	128,798.18	112,286.36	16,511.82	14.71%

* 922900 - EQUIPMENT REPAIRS	4,730.28	5,597.90	(867.62)	-15.50%
* 924500 - PRINTING	146,646.48	96,566.81	50,079.67	51.86%
* 925100 - TELECOMMUNICATIONS	537,096.64	465,704.32	71,392.32	15.33%
* 926200 - STAMPS, STAMPED ENVELOPE	202,941.47	168,202.07	34,739.40	20.65%
* 926300 - POSTAGE METER	242,508.05	338,200.00	(95,691.95)	-28.29%
* 928800 - INSURANCE	905,041.99	796,295.91	108,746.08	13.66%
* 929200 - TRAVEL- IN STATE	89,852.99	87,637.36	2,215.63	2.53%
* 931100 - TRAVEL OUT OF STATE	3,906.96	-	3,906.96	100.00%
* 933100 - TRAINING	31,441.26	22,841.94	8,599.32	37.65%
* 935300 - JANITORIAL	101,265.66	94,251.41	7,014.25	7.44%
* 935400 - MAINTENANCE AND SUPPLIES	23,354.44	31,100.08	(7,745.64)	-24.91%
* 935500 - GROUNDS	13.76	138.00	(124.24)	-90.03%
* 935600 - ALTERATION	(741,378.74)	792,364.00	(1,533,742.74)	-193.57%
* 936100 -UTILITIES	1,277.00	-	1,277.00	100.00%
* 938300 - GENERAL CONSULTANT AND P	299,541.38	260,879.09	38,662.29	14.82%
* 938500 - COURT INTERPRETER SERVIC	537,876.74	386,039.73	151,837.01	39.33%
* 938600 - COURT REPORTER SERVICES	70,779.92	119,595.62	(48,815.70)	-40.82%
* 938700 - COURT TRANSCRIPTS	43,909.90	47,678.01	(3,768.11)	-7.90%
* 938800 - COURT APPOINTED COUNSEL	2,338,489.90	2,512,655.03	(174,165.13)	-6.93%
* 938900 - INVESTIGATIVE SERVICES	6,524.00	11,697.05	(5,173.05)	-44.23%
* 939000 - COURT ORDERED PROFESSION	295,677.50	244,210.80	51,466.70	21.07%
* 939100 - MEDIATORS/ARBITRATORS	221,407.34	213,351.95	8,055.39	3.78%
* 939200 - COLLECTION SERVICES	128,441.68	17,954.74	110,486.94	615.36%
* 939400 - LEGAL	15,991.50	41,259.44	(25,267.94)	-61.24%
* 965100 - JUROR COSTS	680,919.32	720,912.50	(39,993.18)	-5.55%

We assessed the Court's compliance with the invoice and claim processing requirements specified in the FIN Manual through interviews with fiscal accounts payable staff. We also reviewed selected invoices and claims to determine whether the 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. Further, we reviewed selected travel expense claims and business meal expenses to assess compliance with the *AOC Travel Reimbursement Guidelines* and *Business-Related Meals Reimbursement Guidelines* provided in the FIN Manual.

**The following issues were considered significant enough to bring to management's attention in this report. Additional minor issues are included in Appendix A to this report.**

## 11.1 The Court Needs to Strengthen Its Invoice Review and Approval Procedures

### 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.



Specifically, 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 payment transactions recorded in the accounting records.

Additionally, court accounts payable staff must apply other policies and procedures that are germane to accounts payable processing of invoices and claims for payment, such as limits on reimbursements for professional dues as stated in FIN Manual Policy 8.03 and applicable Judicial Council policies such as the Payment Policies for Contract Court Interpreters.

### **Issues**

To determine whether the Court adheres to the applicable Judicial Branch invoice processing policies and procedures, we interviewed appropriate Court staff regarding its invoice payment processing practices. We also reviewed selected invoices and claims paid during the period July 1, 2015, through March 31, 2016, and identified the following weaknesses and areas of noncompliance:

1. The Court did not consistently follow applicable Judicial Branch procedures for processing the 43 paid invoices and claims we selected to review. For example, we noted the following:
  - a. For two invoices, the court accounts payable staff processed the invoices for payment even though the individual who signed approving payment of the invoices exceeded their authorized approval level per the Court's payment authorization matrix.
  - b. For three invoices, the Court could not demonstrate how its accounts payable staff matched and determined that the payment amount agreed with the payment terms in a procurement document or agreement. As a result, we also could not verify that the payment amount for these three invoices was appropriate.
  - c. For one paid claim, the Court could not demonstrate how its accounts payable staff verified that the services and rates it paid agreed to the services and rates the Court authorized. Specifically, the Court could not provide, or did not retain in the accounts payable file, the court authorization that is associated with the claim and that details the services and rate of pay that the Court authorized. Consequently, we were unable to determine if the services and claim payment amount was within any limits set by the Court.

### **Recommendations**

To ensure the Court can demonstrate responsible and economical use of public funds when processing invoices for payment, it should consider the following:

1. Provide training and instruction to accounts payable staff to ensure they follow applicable Judicial Branch policies and procedures for processing invoices and claims for payment. For example, ensure that appropriate authorized officials verify and approve invoices for payment, and that items and rates billed match and agree with the terms of the associated procurement document before processing the invoice for payment. Also, ensure that all claims are matched and agree with appropriate court authorizations for services and payment rates prior to payment.

**Superior Court Response: Debra Ostlund, Deputy CEO-Finance Date: February 14, 2017**

**1.a – Invoices exceeding approval level – Partially agree**

Both these documents had the CEO's approval on the requisition, or earlier invoice. Both amounts would be within his authorized approval level. Our current expenditure and procurement authority matrix does not specify a dollar amount regarding the actual invoice approval, only procurement authority. We are in the process of revising our matrix and will authorize higher amounts for the invoices than expenditures, since the invoice process is simply a matching process vs. spending authorization.

Date of Corrective Action: June 2017

Responsible Person(s): Debra Ostlund, Deputy CEO - Finance

**1.b – Matching invoices to procurement document - Partially agree**

The two court reporter invoices do not have contracts to back them up, however both are charged at a standard daily rate or the statutory amount for the transcript.

We will change our approval procedure for our printing agreement to include a +/- 10% variance for printing overruns.

Date of Corrective Action: February 14, 2017

Responsible Person(s): Debra Ostlund, Deputy CEO - Finance

**1.c – Matching claim to procurement document – Partially agree**

This claim was for the fill-in Commissioner and the daily rate was one we have used historically. More importantly, it had been approved by the CEO who was familiar with the rate we pay and the days the Commissioner worked. We are now including the confirming email to the Commissioner in our claim package.

Date of Corrective Action: February 14, 2017

Responsible Person(s): Debra Ostlund, Deputy CEO - Finance

## 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 the Court's general ledger account balances that are considered associated with this section.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Expenditures</b>				
922603 OFFICE FURNITURE - MINOR	8,557.69	479,556.23	(470,998.54)	-98.22%
922605 MODULAR FURNITURE-MINOR	246,283.66	136,554.96	109,728.70	80.35%
922606 NON-OFFICE FURNITURE	62,707.13	227,172.00	(164,464.87)	-72.40%
922610 COMPUTER ACCESSORIES	5,541.86	8,633.29	(3,091.43)	-35.81%
922611 COMPUTER	107,742.65	47,276.93	60,465.72	127.90%
922612 PRINTERS	52,026.61	-	52,026.61	100.00%
922614 SECURITY SURVEILLANCE - M	17,430.40	411,644.00	(394,213.60)	-95.77%
922699 MINOR EQUIPMENT - UNDER \$	171,065.46	635,318.27	(464,252.81)	-73.07%
* <b>922600 - MINOR EQUIPMENT - UNDER</b>	<b>671,355.46</b>	<b>1,946,155.68</b>	<b>(1,274,800.22)</b>	<b>-65.50%</b>
945204 WEAPON SCREENING X-RAY MA	60,716.24	-	60,716.24	100.00%
945205 MAJOR EQUIPMENT-VEHICLE	47,166.92	57,422.79	(10,255.87)	-17.86%
946601 MAJOR EQUIPMENT - IT	221,119.28	349,077.15	(127,957.87)	-36.66%
* <b>945200 - MAJOR EQUIPMENT</b>	<b>329,002.44</b>	<b>406,499.94</b>	<b>(77,497.50)</b>	<b>-19.06%</b>

**Due to audit planning considerations, we did not review this area.**

### 13. Audits

#### **Background**

Many legal requirements and restrictions surround the use of public resources that can lead to audits of trial court operations and finances. The court must, as part of its standard management practice, conduct its operations and account for its resources in a manner that will withstand the scrutiny of an audit. During an audit, courts must fully cooperate with the auditors and demonstrate accountability, efficient use of public resources, and compliance with all applicable requirements. Courts should strive to investigate and correct substantiated audit findings in a timely manner.

We reviewed prior audits conducted on the Court to obtain an overview of the types of issues identified and to assess during the course of this audit whether the Court appropriately corrected or resolved these issues. Specifically, Audit Services performed a review of the Court in 2008 that included a review of various fiscal and operational processes. Issues from the 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.

**There were no issues to report to management in this area. Issues that repeat from the prior audit are identified in Appendix A to this report as “repeat” issues.**

## 14. Records Retention

### Background

The FIN Manual establishes uniform guidelines for trial courts to follow in retaining financial and accounting records. According to the FIN Manual, it is the policy of trial courts to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, trial courts shall employ sound business practices that best serve the interests of courts. The trial courts 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 the Court's general ledger account balances that are considered associated with this section. A description of the areas reviewed and how we reviewed them as a part of this audit is included below.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec.)	% Change
	2016	2015		
<b>Expenditures</b>				
935203 STORAGE	74,143.03	69,060.77	5,082.26	7.36%

We assessed the Court's compliance with the record retention requirements provided in statute and 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 to report to management in this area.**

## 15. Domestic Violence

### Background

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

We identified the statutory requirements for assessments of criminal domestic violence fines, fees, penalties, and assessments, and obtained an understanding of how the Court ensures compliance with these requirements. We also selected certain criminal domestic violence cases with convictions and reviewed their corresponding CMS and case file information to determine whether the Court assessed the statutorily mandated fines and fees.

**The following issues were considered significant enough to bring to management's attention in this report. An additional minor issue is included in Appendix A to this report.**

### 15.1 The Court Could Impose the Statutorily Required Domestic Violence Fines and Fees on a More Consistent Basis

#### Background

Domestic violence (DV) is one of the leading causes of injuries to women in the United States. A nationwide survey reported that nearly one-third of American women had reported being physically or sexually abused by their husbands or boyfriends at some time in their lives. Effects can also extend to the children of the victims, elderly persons, or any family members within the household.

In 2003, the Legislature held a public hearing to examine DV shelter services. DV shelters obtain funding not only from state and federal sources; they also receive funding from the fines and fees ordered through judicial proceedings of DV cases. Legislative members expressed concerns about the wide disparities from county to county in the amount of resources available for shelter services, as well as concerns about the lack of consistency in the assessment of fines. As a result, the Joint Legislative Audit Committee requested that Audit Services (AS) conduct an audit of court-ordered fines and fees in certain DV cases.

As a part of the audit report that AS issued in March 2004, AS agreed to review the fines and fees in DV cases on an on-going basis. For example, courts are required to impose or assess the following statutory fines and fees in DV cases:

- PC 1203.097 Domestic Violence Fee  
If courts convict and sentence a person to probation for certain domestic violence crimes, courts must include in the terms of probation a minimum 36 month period of probation and assess, effective January 2013, a \$500 Domestic Violence Fee. Courts

may reduce or waive this fee if, after a hearing in court on the record, they find that the defendant does not have the ability to pay.

- Penal Code (PC) 1202.4 (b) State Restitution Fine  
Courts must impose a separate and additional State Restitution Fine in every case where a person is convicted of a crime. Effective January 2014, the minimum State Restitution Fine amounts for felony and misdemeanor convictions increased to \$300 and \$150, respectively. Courts must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason for not imposing this restitution fine, but may be considered only in assessing the amount of the fine in excess of the minimum.
- PC 1202.44 (or PC 1202.45) Probation (or Parole) Revocation Restitution Fine  
Effective January 2005, courts must assess an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed. This additional fine is effective upon the revocation of probation or of a conditional sentence (or parole), and shall not be waived or reduced by the court, absent compelling and extraordinary reasons stated on record.
- PC 1465.8 (a)(1) Court Operations Assessment  
Courts must impose a \$40 Court Operations Assessment for each conviction of a criminal offense effective July 1, 2011.
- GC 70373 Criminal Conviction Assessment  
Courts must impose a \$30 Criminal Conviction Assessment for each misdemeanor or felony conviction of a criminal offense effective January 1, 2009.

### **Issues**

Our review of 28 criminal DV cases disposed from July 2015 through February 2016 found that the Court did not always impose the applicable fines and fees prescribed by statute. Specifically, our review noted the following exceptions:

- The Court did not assess the \$500 PC 1203.097(a)(5) Domestic Violence Fee in five of the 22 criminal DV cases reviewed where probation was ordered, and did not state the reason for not doing so in court records.
- Also, the Court did not assess the PC 1202.44 Probation Revocation Restitution Fine in one of the 22 criminal DV cases reviewed where probation was ordered and assessed a lesser amount in another case. Specifically, for the second case, the Court assessed a \$150 Probation Revocation Restitution Fine even though a \$300 State Restitution Fine was assessed. Per PC 1202.44, the Court must assess a Probation Revocation Restitution Fine that equals the amount of the State Restitution Fine ordered.

- Further, the Court did not assess the PC 1202.4(b) State Restitution Fine in two of the 28 criminal DV cases reviewed with convictions, and court records do not state the compelling and extraordinary reasons for not assessing the fine.
- The Court assessed the PC 1465.8 Court Operations and the GC 70373 Criminal Conviction Assessments for only one conviction in two of the six criminal DV cases reviewed with convictions on multiple violations.
- The Court inadvertently duplicated the PC 1465.8 Court Operations Assessment, the GC 70373 Criminal Conviction Assessment, and the PC 1202.4(b) State Restitution Fine in three of the 16 criminal DV cases reviewed where a penal code fine was ordered. Specifically, for two of the three cases, the Court Operations Assessment, the Criminal Conviction Assessment, and the State Restitution Fine were included in the penal code fine as well as assessed separately in the CMS. Similarly, for the third case, the State Restitution Fine was included in the penal code fine as well as assessed separately in the CMS. The Court attributes these exceptions to clerical error.

### **Recommendations**

To ensure it consistently imposes the statutorily required minimum fines and fees on criminal DV cases, the Court should consider the following:

1. Establish a practice to consistently document in criminal DV case minute orders, and also in its case management system, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why the Court did not impose or assess the statutory minimum fines and fees. Also, provide training to ensure clerks consistently include in the minute orders the assessments that are statutorily required for each conviction.
2. Provide training to Court staff to ensure that the PC 1202.4(b) State Restitution Fine, the PC 1465.8 Court Operations Assessment, and the GC 70373 Criminal Conviction Assessment are either included as part of the total penal code fine the Court assesses or assessed separately, but not both.

### **Superior Court Response: Gina Fisher, Fiscal Officer    Date: January 3, 2017**

1. Inconsistent Assessment of the \$500 PC 1203.097(a)(5) Domestic Violence Fee – Agree. The Court has implemented further training and developed procedures for use in the courtroom to ensure that if the \$500 PC 1203.097 Domestic Violence fee is not included in the terms of probation on a domestic violence conviction, the defendant's inability to pay is noted on the record. Event code TCDVW was created in June 2016 to be used for this purpose.

Date of Corrective Action: June 2016

Responsible Person: Marie Castaneda, Deputy CEO - Operations

2. Inconsistent Assessment of the PC 1465.8 Court Operations Assessment and GC 70373 Criminal Conviction Assessment – Agree. The Court will continue further training in the



courtroom, especially with implementation of the new case management system, to comply with statute and ensure more consistent assessments.

One of the reasons for the confusion in our current case management system is because some of the fees automatically included are not readily apparent and therefore at times, duplicates have been added.

With the conversion to Odyssey, the fees, fines and assessments included will be more visible to the Judicial Courtroom Assistants reducing confusion regarding what is included and should ensure more consistent assessments.

Date of Corrective Action: June 2017

Responsible Person: Marie Castaneda, Deputy CEO - Operations

## 16. Exhibits

### **Background**

Exhibits are oftentimes presented as evidence 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 are expected to exercise different levels of caution depending on the types of exhibits presented. For example, compared to paper 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.

To ensure the consistent and appropriate handling of exhibits, some trial courts establish written exhibit room procedures manuals. These manuals normally define the term “exhibit” as evidence in the form of papers, documents, or other items produced during a trial or hearing and offered as proof of facts in a criminal or civil case. While some exhibits have little monetary 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. To minimize the risk of exhibits being lost, stolen, damaged, spilled, and/or disbursed into the environment, a manual should be prepared and used to guide and direct exhibit custodians in the proper handling of exhibits. Depending on the type and volume of exhibits, court manuals can be brief or very extensive. Manuals would provide exhibit custodians with procedures and practices for the consistent and proper handling, storing, and safeguarding of evidence until final disposition of the case.

We evaluated Court 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. In addition, we validated selected exhibit records and 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 to report to management in this area.**

## 17. Bail

### **Background**

In general, bail is used to influence the presence of a defendant before the court and is most commonly submitted in the form of cash or a surety bond. Surety bonds are contracts guaranteeing that specific obligations will be fulfilled and may involve meeting a contractual commitment, paying a debt, or performing certain duties. Bail bonds are one type of surety bond. For example, if an individual is arrested on a criminal charge the court may direct the individual be held in custody until trial, unless the individual furnishes the required bail. The posting of a bail bond acquired by or on behalf of the incarcerated person is one means of meeting the required bail. When a bond is issued, the bonding company guarantees that the defendant will appear in court at a given time and place. "Bail Agents" licensed by the State of California specialize in underwriting and issuing bail bonds and act as the appointed representatives of licensed surety insurance companies.

California Rules of Court (CRC) 3.1130(a) indicate that corporation must not be accepted or approved as a surety on a bond or undertaking unless the following conditions are met:

- The Insurance Commissioner has certified the corporation as being admitted to do business in the State as a surety insurer;
- There is filed in the office of the clerk a copy, duly certified by the proper authority, of the transcript or record of appointment entitling or authorizing the person or persons purporting to execute the bond or undertaking for and in behalf of the corporation to act in the premises, and
- The bond or undertaking has been executed under penalty of perjury as provided in Code of Civil Procedures section 995.630, or the fact of execution of the bond or undertaking by the officer or agent of the corporation purporting to become surety has been duly acknowledged before an officer of the state authorized to take and certify acknowledgements.

Further, Penal Code Sections 1268 through 1276.5, 1305, and 1306 outline certain bail procedures for trial courts to follow such as annual preparation, revision, and adoption of a uniform countywide bail schedule and processes for courts to follow when bail is posted.

**Due to audit planning considerations, we did not review this area.**

**APPENDIX A**

**Superior Court of California,  
County of Kern**

**Issue Control Log**

**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 “Report No.” column. Those issues with “Log” in the Report No. 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 for which corrective action is considered complete at the end of the audit indicate a “C” in the column labeled C. Issues that remain open at the end of the audit indicate an “I” for incomplete in the column labeled I and include an Estimated Completion Date.**

**Audit Services will periodically follow-up with the Court to obtain updates on the status of the corrective efforts indicated by the Court.**

**August 2016**

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1 Court Administration</b>								
	1.1		<b>Closer Monitoring Could Help Ensure that Submitted Matters are Decided Timely</b>					
		4	Although the Court's monthly list of cases with matters under submission includes a column for reporting the date when the judge took the matter under submission, court staff do not consistently enter this important under submission date when manually preparing the monthly list of cases with matters under submission.		C	A hearing date column precedes the submission date column. Previously when the two dates were identical no entry was made in the submission date column. We now enter a date in the submission column for those that are identical to the hearing date.	Terry McNally, CEO	January 2017
		4	The Court's monthly list of cases with matters under submission reports the date when the matters are 30 days and 90 days old. However, the Court does not ensure the list is consistent with Rules of Court (ROC). Specifically, ROC 10.603(c)(3)(A) requires the matters under submission list to designate whether the case has been under submission for 30 through 60 days, 61 through 90 days, and over 91 days.		C	We have amended our report to include a third column for the 60 day deadline.	Terry McNally, CEO	January 2017
		4	Because the Court does not document an audit trail of its monitoring of cases with submitted matters, the Court could not demonstrate how the PJ monitored the cases with matters under submission as required by ROC. Specifically, the Court could not demonstrate how the PJ reviewed the monthly list of cases with matters under submission, circulated the list to each judge, contacted judges who had cases with matters under submission for over 30 days to ensure the matters are decided timely, and contacted judges who had cases with matters under submission for over 60 days to consider whether providing assistance was necessary to ensure matters do not remain undecided for more than 90 days.		C	The Court will continue to refine notification procedures to individual Judicial Officers that have matters under submission and nearing deadlines. The "Under Submission Report" for all Judicial Officers will be filed with the Confidential Administrative Assistant to the Presiding Judge month. Judges will be notified of the lodged report and its availability upon request.	Terry McNally, CEO	January 2017
		4	The Court is not using its monthly list of cases with matters under submission as an effective tool in monitoring the age of each submitted matter to ensure that each respective judge is aware that a submitted matter is nearing the 90-day mark. As a result, we noted that during the period reviewed, February 2015 to February 2016, the Court took more than 90 days to decide 10 cases with matter under submission, with two of these cases taking 98 and 97 days, respectively, to decide.		C	See response above.	Terry McNally, CEO	January 2017
<b>2 Fiscal Management and Budgets</b>								
		Log	Although in March 2016 the Court implemented the process which requires employees to send pre-approval documents to payroll at the end of the pay period, we noted some instances where there were no pre-approval documents or overtime was not approved before overtime was worked. Specifically, of the 43 days reviewed after the Court implemented its policy where overtime was paid and pre-authorization was required, four days with 12.5 hours of overtime worked were not pre-approved. For another three days with eight hours of overtime worked, the overtime was approved after the overtime had started. For two other days with five hours of overtime worked, the Court provided an email approving the overtime, but the email did not specify which day was approved. Therefore, we could not determine whether the overtime for the first day was approved after the overtime started or whether the overtime for the second day was pre-approved.		C	Although we did not require employees and supervisors to attach their pre-approval documentation to their time cards until Pay Period 16-05, we have always required that all overtime be pre-approved based on our Personnel Policy. Some of the OT prior to that period had been verbally pre-approved and no documentation was created. Additionally, some of the items after Pay Period 16-05 were also verbally pre-approved, but the documentation was completed after the fact. We have tried to instruct everyone to comment "this is to document the verbally pre-approved overtime," but there has been a learning curve with the new procedure.	Debra Ostlund, Deputy CEO Finance	February 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
3	Fund Accounting		No issues to report.					
4	Accounting Principles and Practices							
		Log	The Court does not accrue as revenue the county reimbursement of approximately \$122,000 that it receives in July for the previous fiscal year's auto allowance expenditures for county-paid judges' benefits. According to the Court, since it has historically recognized the reimbursement in the year received, it does not accrue the county reimbursement due to the Court by June 30. (Repeat)	I		We will change our historical practice and recognize 2 payments in a single year, something we were trying to avoid by consistently following the same practice.	Debra Ostlund, Deputy CEO Finance	June 2017
		Log	In FY 2014-2015, the Court recorded three of six legally restricted revenue sources in the general fund instead of in a special revenue fund.		C	These were all booked to the special revenue fund in 2015/16 and will continue in the future.	Debra Ostlund, Deputy CEO Finance	June 2016
		Log	In FY 2014-2015, the Court recorded a \$95,700 transaction as both a payable and a prepaid even though the amount was not due and was not paid until the subsequent fiscal year. Specifically, the Court incorrectly recorded an optional payment that was not due and was not paid until the subsequent fiscal year as an accounts payable expense accrual in the 2014-2015 fiscal year. Moreover, instead of simply reversing the incorrect accounts payable expense accrual, it compounded the error by recording a year-end accrual entry that debited prepaid and credited expenditures in FY 2014-2015. Although this later year-end accrual entry offset the earlier accounts payable accrual expenditures to zero, these inappropriate accrual entries left the Court with unsupported accounts payable and prepaid balances of \$95,700 each at the end of FY 2014-2015.	I		The intent was for the payment to be made on June 30, 2016, there was no intent to delay payment. Once posted on June 30, 2016, had passed beyond our control and we assumed it would be delivered promptly, and so we counted it as a prepaid.  Additionally if the payment had been made on June 30, 2016, as assumed, the accounts payable entry would have been zeroed out.  We later found out the confusion was caused by using a July 1 document date. We were under the impression this was an information field only. Now we are aware that while that is true for regular JE's, for AP entries, it means to delay payment until the document date.  In the future, we will use a document date prior to June 30 for any prepaid we book.	Debra Ostlund, Deputy CEO Finance	June 2017
		Log	According to the Court, it did not report the postage machine rental as lease expenditures in its FY 2014-2015 non-SAP CAFR schedules because this lease was a month to month lease. However, the Court was unable to provide the original supporting lease agreement and terms showing the date the lease commitment expires to demonstrate that its lease of the postage machine was a month to month lease.		C	We were mistaken in thinking we had converted to a month-to-month lease and the expense should have been included in the CAFR.  The lease has now ended and we purchased new machines.	Debra Ostlund, Deputy CEO Finance	February 2017
5	Cash Collections							
		5.1	The Court Can Better Track and Monitor Civil Fee Payment Plans					
		1	For all eight applicable civil payment plans reviewed, the Court did not mail the required deficiency notices within a timely manner after the installment payments became delinquent. Specifically, the Court mailed the deficiency notices from 40 to 231 days after the payment became delinquent.		C	Requesting that Judges compel payment prior to commencement of a trial or hearing, further court proceedings, or final disposition of the case significantly interferes with calendar and case management. Additionally, it potentially denies the applicant access to justice.  Instead, the Court is considering ending the optional practice of allowing applicants to pay over a period of time. Without the ability to impact the driver's license as we can in criminal cases, the main tool we have is the disruption of the proceedings which comes with the problems outlined above. Overall the financial return to the courts has been minimal when the cost of collections is factored in.	Debra Ostlund, Deputy CEO - Finance	February 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		1	Of the eight civil payment plans reviewed, the Court adjudicated the associated cases for two civil payment plans prior to receiving full payment, and had not commenced collection proceedings of the unpaid civil fee amounts. The Court adjudicated one case after receiving only two payments and adjudicated the second case before receiving any payments.		C	<p>Issuing an abstract of judgment or a writ of execution to recover the civil fees and costs the party agreed to pay in installments is only effective if the applicant has a bank account or employer with sufficient funds to attach. Therefore, spending significant time and funds for hard costs on these processes with no guaranteed return is a step the Court has chosen not to pursue.</p> <p>While our options for civil collections are much more limited than criminal, the Franchise Tax Board Tax Intercept (FTB-TIP) program is available for civil use. We were unable to refer the cases at the end of 2016 due to the FTB-TIP requirement to send only one amount per person. The Civil cases are in Odyssey and our Criminal cases are still in our legacy system and so we were only able to send Criminal cases this year.</p> <p>We had delays in billing after Odyssey was implemented for Civil, but that has since been remedied so billing has been current.</p> <p>We plan to go live for Criminal in the first half of 2017, so we will have all cases in Odyssey and we should be able to tie all cases to a single party to facilitate referral in 2017.</p>	Debra Ostlund, Deputy CEO - Finance	February 2017
	5.2		<b>The Court Needs to Strengthen Some of Its Cash Handling Procedures</b>					
		2	At three cash handling locations, supervisors are not reviewing the manual receipts used, verifying entry into the CMS, and reconciling the manual receipt book usage to the manual receipt log. Specifically, although the locations maintain a manual receipt log, the supervisor at one location did not note the manual receipt numbers used and verify that the cashiers wrote the CMS receipt number on the manual receipt copy. As a result, one manual receipt was used twice, the original used in May 2015 and the copy used in June 2015. Also, the original copy of another manual receipt was missing with no explanation as to its disposition. At the second location, manual receipts were not issued in sequential order within one manual receipt book reviewed. At the third location, we noted one partially completed blank manual receipt and another skipped blank manual receipt indicating that the manual receipt books are not periodically reviewed per the court location's own policy ( <b>Repeat</b> )	I		We will be incorporating a regular review of the handwritten receipt log. Initially the review will be quarterly, and subsequently based on need.	Debra Ostlund, Deputy CEO - Finance	March 2017
		2	At one cash handling location, three manual receipts did not note the name of the person making the payment, and one of these three manual receipts also did not note the case name.	I		See response above.	Debra Ostlund, Deputy CEO - Finance	March 2017
		2	Although we were able to verify that the payment was posted to the CMS, one cash handling location did not note the case number on one of 11 manual receipts we reviewed that were not voided.	I		See response above.	Debra Ostlund, Deputy CEO - Finance	March 2017
		2	At six cash handling locations, the manual receipt log is not completed with all pertinent information, such as to whom the manual receipt books are issued and the specific receipt numbers used. In addition, the supervisor does not complete the log to indicate verifying that the used manual receipts were promptly entered into the CMS.	I		See response above.	Debra Ostlund, Deputy CEO - Finance	March 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		2	At one cash handling location, none of the 11 manual receipts reviewed contained evidence that the location entered the associated payments into the CMS, such as by having a copy of the CMS receipt attached or by having the CMS receipt number noted on the manual receipt book copy of the manual receipt. However, we were able to verify entry of the payment into the CMS by the case number and amount.	I		See response above.	Debra Ostlund, Deputy CEO - Finance	March 2017
		2	Although three cash handling locations log cash payments received through the mail and drop box, these locations did not record on a mail payments log the checks and money orders received in the mail or in the drop box to document a record of the check and money order payments received in the mail and drop box.	I		<p>The Court does not believe implementing the discretionary payment log as outlined in FIN 10.02 6.4 Step 3, for noncash payments is a cost effective use of resources. Given the relatively low risk of the impact on Court assets and the cost of the resources involved in implementing all of the optional procedures in Step 3, the Court chooses to accept the business risk associated with this issue.</p> <p>Specifically, step 1 requires restrictively endorsing the checks "For Deposit Only in the Court's Bank Account". Once the check has been stamped with the restrictive endorsement, it has effectively protected the Court's interest regarding that check and is no longer considered a negotiable instrument for any purpose other than depositing in the Court's bank account. We are considering implementing a verification to ensure all checks have been stamped correctly.</p> <p>Additionally, if the payment is not properly posted to the case in the Court's case management system, the Court will continue to notify the defendant that further collection steps will occur. This allows the Court to identify the missing payment.</p> <p>The procedures outlined in 6.4 Step 3, more than double the work involved in processing a payment by mail. Manually completing the 6 fields on the log is more time consuming than the actual entry of the payment into an automated case management system. The reconciling steps are also cumbersome, especially if multiple people ring the payments.</p>	Debra Ostlund, Deputy CEO - Finance	N/A
		2	Although the Court's mail room logs the cash mail payments, it does not log the non-cash mail payments to establish a complete record of the payments received in the mail.	I		See response above.	Debra Ostlund, Deputy CEO - Finance	N/A
		2	Three other cash handling locations do not log mail payments on a mail payment receipt log or other similar document to establish a record of the cash, check, and money order payments received in the mail.	I		See response above.	Debra Ostlund, Deputy CEO - Finance	N/A
		2	Seven cash handling locations do not log drop box payments on a drop box payment receipt log or other similar document to establish a record of the cash, check, and money order payments received in the drop box.	I		See response above.	Debra Ostlund, Deputy CEO - Finance	N/A
		2	At seven cash handling locations, the change fund custodian has other incompatible cash handling duties such as verifying cashiers' beginning cash fund, verifying cashiers' end-of-day collections, and preparing the daily deposit.	C		Partially Agree – The new TCFP&P Fin 10.02, 6.3.1. #5 reads: Individuals responsible for the Cash Change Funds to make change may perform other collection-related review or oversight duties, but should not be a cashier. None of our individuals responsible for the Change funds had cashier duties. However, we are considering verifying the change fund and the daily deposit at the same time when they are performed by the same person.	Debra Ostlund, Deputy CEO - Finance	December 2016



FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log</b>	Although the Court's practice is for designated leads or supervisors to reverse transactions, in 1 of 24 traffic/criminal reversal transactions reviewed, a court employee who was not a designated lead or supervisor reversed the transaction. According to the Court, due to the high volume of Amnesty Program cases, it authorized some non-lead/supervisory staff to reverse transactions. As a result, the Court should be alert for a heightened risk of inappropriate reversal transactions.	I		Amnesty cases created the need for mass quantities of reversals in our old CMS. We have developed queries and reports to review the amnesty related transactions. Post Amnesty, this function will be limited to lead/supervisory employees.	Debra Ostlund, Deputy CEO Finance	April 2017
		<b>Log</b>	The Court does not consistently assess its administrative fee for civil payment plans. Specifically, for six of eight applicable civil payment plans reviewed, the Court did not assess its \$25 administrative fee. In addition, for one of the two applicable civil payment plans reviewed where the Court assessed an administrative fee, it assessed a \$45 administrative fee instead of its \$25 administrative fee.		C	We have clarified this process for our staff and will aim for consistency going forward.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	Three cash handling locations are not validating the identity of the credit card presenter with the name on the credit card when processing credit card payments over the counter.	I		The Court has not required validating the ID, since it is not possible to do so for internet or telephone payments. Additionally, it is not required by the FIN Manual. FIN 10.02 6.3.5 -#4 states: At a minimum must verify the card is current.	Debra Ostlund, Deputy CEO Finance	N/A
		<b>Log</b>	At one cash handling location, although the beginning cash is in a sealed bag from the day before, cashiers do not verify their beginning cash in the presence of a supervisor or assistant supervisor at the beginning of the day before commencing collection activities.		C	The Court will adhere to the policy of the cashiers counting their bag in the presence of a supervisor.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	Although both the cashiers and supervisor sign the Cashier Bank Verification Log when cashiers receive their beginning cash at the start of the day, the cashiers sign the log before the cash is counted. In addition, the supervisor counts the beginning cash instead of the cashiers counting the cash they are taking responsibility for in the presence of the supervisor or lead.		C	See response above.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	At one cash handling location, court staff who open mail and drop box payments are not regularly rotated.		C	The Court will rotate their personnel.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	At one cash handling location, court staff who open mail and drop box payments process the same payments.		C	The Court will ensure the payments are not processed by the person opening them.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	Two cash handling locations allow staff who process counter payments to also process mail and drop box payments, leaving the court location at risk of a type of fraud called lapping. <b>(Repeat)</b>	I		Although we restrictively endorse checks to offer protection to the court from someone cashing a check payable to the court, this may not fully protect the court from lapping fraud when cashiers process mail or drop box payments while also accepting payments at the counter. We will consider options for implementing a process that will separate the processing of mail and drop box payments from the processing of counter payments.	Debra Ostlund, Deputy CEO Finance	May 2017
		<b>Log</b>	At one cash handling location, overnight delivery mail is opened by cashiers instead of by the two-person team tasked with opening mail payments.		C	The Court will include overnight delivery mail with the payment opening process.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	At one cash handling location, unprocessed mail payments are not verified/monitored by supervisors on a daily basis and are locked up by clerks in overhead cabinets at the end of the day instead of in the safe.		C	The Court will lock the unprocessed payments in the safe.	Debra Ostlund, Deputy CEO Finance	February 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The closeout is not a blind closeout since the Odyssey CMS generates a close-out report that shows the cashier the amounts collected by type of payment. This close-out report does not allow for a blind close-out process. Consequently, the Court is at risk of loss or theft of cash collections.	I		This procedure is not included in the Trial Court Policies and Procedures and is additional work for the supervisors. The only risk that Blind balancing prevents, is the cashier either keeping any overage or making up any shortage. To mitigate this risk, we have cameras at all cashier windows to provide a historical record of the transactions, and if a cashier were to pocket an overage, the theft can still be caught by the customer complaining the next day and review of the camera recordings.	Debra Ostlund, Deputy CEO Finance	N/A
		Log	At one cash handling location, although the change fund is counted by an assistant court supervisor, it is not counted in the presence of a second person, such as another assistant court supervisor or the court location supervisor.		C	This department will comply by counting in the presence of a supervisor or assistant court supervisor.	Debra Ostlund, Deputy CEO Finance	February 2017
		Log	At one cash handling location, the change fund is not always counted daily. This occurs when one of the assistant court supervisors is not available to count and verify the change fund.		C	This was an isolated instance during the auditors visit and has been correctly performed since.	Debra Ostlund, Deputy CEO Finance	February 2017
		Log	At one cash handling location, although the change fund is counted at the beginning of the day, it is not counted at the end of the day to verify that the change fund monies at the end of the day reconcile to the beginning of the day count.		C	This location is now counting the change fund at the end of the day.	Debra Ostlund, Deputy CEO Finance	February 2017
		Log	At one cash handling location, although the reviewer of the bank deposit verifies the amount of cash deposited to the deposit slip, the verification is incomplete because the amount of checks deposited is not also verified to the deposit slip.	I		The Court follows the FIN Manual which reads FIN 13.01 6.4 3b - "The Coin & Paper Currency portion of any bank deposit must be counted by one person and verified by a second person (preferably a supervisor or lead)". The FIN Manual does not require the verification of the check portion of bank deposits, and we feel the time needed to verify of the check portion of deposits could be too time consuming for those locations that receive a large number of check payments.	Debra Ostlund, Deputy CEO Finance	N/A
		Log	At one cash handling location, although one court employee prepared the deposit and another employee verified the deposit, an assistant supervisor or the court location supervisor did not review and approve the deposit.	I		The Court follows the FIN Manual which reads FIN 13.01 6.4 3b - "The Coin & Paper Currency portion of any bank deposit must be counted by one person and verified by a second person (preferably a supervisor or lead)". Although the FIN Manual prefers verification by a supervisor or lead, it is not required. We feel verification by another employee who is not a supervisor or lead may be sufficient at times.	Debra Ostlund, Deputy CEO Finance	N/A
		Log	The Court does not maintain a record of the cases it referred to the Franchise Tax Board (FTB) for collections efforts. Due to a legacy CMS system limitation, the Court does not know which cases it referred to FTB and cannot ensure that the delinquent cases are being referred timely. According to the Court, these issues should be resolved when it migrates to a new CMS for traffic and criminal cases in the Fall 2016.	I		These types of quirks are one of the reasons for our decision to change case management systems. Our legacy CMS will soon be replaced by Odyssey and we have tested this processes to ensure they work correctly in Odyssey.	Debra Ostlund, Deputy CEO Finance	Fall 2017
		Log	For one of the eight delinquent cases reviewed where a fail to pay (FTP) civil assessment should have been imposed, the Court did not impose the civil assessment.	I		See response above.	Debra Ostlund, Deputy CEO Finance	Fall 2017
		Log	For one of the ten delinquent cases reviewed, although the Court mailed its 15-day notice, it did not mail the 50-day delinquency notice even though it had not received payment.	I		See response above.	Debra Ostlund, Deputy CEO Finance	Fall 2017
		Log	Of the four delinquent cases reviewed where the Court should have reported a FTP hold to DMV, the legacy CMS did not show that an FTP hold was reported to DMV for one case. The Court was able to demonstrate that it reported an FTP hold to DMV for this case, but was unable to demonstrate whether the FTP hold was reported timely. For another two cases, the Court could not demonstrate that an FTP hold was reported to DMV.	I		See response above.	Debra Ostlund, Deputy CEO Finance	Fall 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
6	Information Systems							
		Log	The Court's Continuity of Government plan does not address both short-term and long-term recovery scenarios.	I		The court will update the plan to include both short and long-term scenarios.	Tim Davis, Deputy CEO Information Technology	September 2017
		Log	The Court's Continuity of Government plan does not address actions to be taken in specific situations.	I		The court will update the plan to include more specific threats and actions to be taken.	Tim Davis, Deputy CEO Information Technology	September 2017
		Log	Court management does not perform a periodic review of network user accounts to ensure access rights assigned to court staff are commensurate with their job responsibilities. <b>(Repeat)</b>	I		The court is working on a 6 month review plan. Should be completed and implemented in 1-2 months. By end of March 2017.	Tim Davis, Deputy CEO Information Technology	March 2017
		Log	The Court's IT policies and procedures do not address the assignment and use of temporary network user accounts, network remote access issues, and network virus protection. According to the Court, its IT policies and procedures are in the process of being updated and will address these items. <b>(Repeat)</b>	I		The court is working on the documentation and should have it completed in 2 months. By end of March 2017.	Tim Davis, Deputy CEO Information Technology	March 2017
		Log	The Court acknowledged that system logs are not reviewed for security-related events or security violations and are not backed up. According to the Court, there are several logs that record any and all actions on the network. However, these logs are not reviewed because of the volume of actions on the logs. Therefore, the Court is looking at software that would isolate and log security-related events as well as secure and back-up the security logs.		C	This has been addressed. The court has implemented Netwrix software to log security-related events and will secure and back-up these logs.	Tim Davis, Deputy CEO Information Technology	February 2017
		Log	The Court's IT policies and procedures do not address Odyssey password management issues, Odyssey system administrator account issues, and Odyssey remote access issues. According to the Court, it is in the process of developing IT policies and procedures for Odyssey and will address these items.	I		The court plans to implement a new policy at Odyssey Criminal Go-live in 2017.	Tim Davis, Deputy CEO Information Technology	Fall 2017
		Log	The Court's IT staff is not notified when an Odyssey-related security event occurs. According to the Court, it is unsure whether Odyssey is capable of notifying IT staff should a security event occur, such as multiple failed log-in attempts. The Court plans to inquire with the vendor if this is possible.	I		The court is in the process of developing a new daily report that will notify court staff of Odyssey-related security events. This should be available in 2-3 months. By end of March 2017.	Tim Davis, Deputy CEO Information Technology	March 2017
		Log	For 11 of the 54 DMV user IDs reviewed, the Court did not deactivate the assigned user IDs when the associated employees terminated or resigned employment. As a result, these DMV user IDs remained active in the system. <b>(Repeat)</b>		C	There are multiple levels required for an employee to access the DMV. 1 - User Account - Required for PC Access 2 - Host Integration Server - Required for Mainframe Access 3 - CMS user ID - allows access to DMV.  The 11 user IDs that were not deactivated would have not had 1 & 2 access, and so would not have been able to get to the CMS to use their ID. Currently our Odyssey team has taken responsibility for activating and deactivating users in Odyssey.	Tim Davis, Deputy CEO Information Technology	February 2017
		Log	For four of the 21 individuals reviewed with an assigned user ID for accessing the DMV database, the Court did not require the individuals to sign and date an annual DMV information security statement INF 1128 renewal form as required by DMV. As a result, the Court allowed these four employees to continue accessing the DMV database even though their DMV INF 1128 forms expired.	I		If we get the forms signed in March of this year, we would get them signed during the month of January next year and each year thereafter to avoid any expiration issues.	Linda Nipper, Deputy CEO Human Resources	March 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	For two California Traffic Safety Institute (CTSI) contract employees reviewed with an assigned DMV user ID, the Court did not require these individuals to sign a DMV information security statement INF 1128 form. CTSI requires its employees to sign a hybrid form, but this form is not renewed annually and more importantly is not an approved DMV information security statement certification form. The Court subsequently hired one of these two CTSI contract employees and required this individual to sign a DMV INF 1128 form.		C	The DMV (INF 1128) form for CTSI employees will now be completed at the time our HR department is issuing their badge.	Linda Nipper, Deputy CEO Human Resources	February 2017
		Log	For one of the 21 individuals reviewed with an assigned user ID for accessing the DMV database, although the DMV information security statement INF 1128 form on file was signed, the form was not dated making the validity of the form uncertain.		C	The court will be more attentive to ensuring dates are also entered.	Linda Nipper, Deputy CEO Human Resources	February 2017
		Log	Due to costly ad hoc reporting from an old legacy CMS system, the Court is currently not producing exception reports to monitor its DMV query and transaction activity. As a result, the Court cannot ensure that the reasons for DMV database inquiries are always appropriate. For example, for one of the 10 DMV database queries reviewed, the Court could not provide case information to demonstrate that the query was for an appropriate business purpose. The Court indicates it requested DMV transaction activity reporting capabilities in the new CMS system to facilitate its monitoring of DMV query activity.	I		The one query with questionable case information was a case that was paid off prior to the DMV inquiry. It's possible we may have received a phone call from the defendant inquiring about the DMV side of his case.  We are looking forward to the DMV solution from Odyssey.	Tim Davis, Deputy CEO Information Technology	Fall 2017
		Log	For the four traffic school distribution tables reviewed, the Court is continuing to distribute \$1 to the GC 76100 Local Courthouse Construction Fund even though the county has transferred all court facilities to the State and no associated bonded indebtedness remains. This resulted in proportional distribution shortages totaling \$1 to the various special distributions on traffic school cases, such as the VC 42007 TVS fee, the VC 42007.3 30% red light allocation, the GC 70372(a) SCFCF penalty, and the PC 1465.7 20% surcharge, on top-down traffic school distributions and a \$1 distribution shortage to the VC 42007 TVS fee on base-up traffic school distributions.	I		This has been correctly configured and tested in Odyssey and will calculate correctly once we have made the transition to the new system.	Debra Ostlund, Deputy CEO Finance	Fall 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>7 Banking and Treasury</b>								
		<b>Log</b>	The bank reconciliation of the local bank account is not in a format that starts with the bank balance, adjusts for timing differences, adjusts for reconciling items, and determines an adjusted bank balance that agrees with the Court's adjusted book balance after adjusting for unrecorded charges, credits, or corrections.		<b>C</b>	We added a summary in this format that pulls from the numbers already presented. Since this account is an account that is swept by the county, the Book balance will always be zero.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	Of the five escheated accounts reviewed with a balance of more than \$20, court records for one case indicate that the case was "stayed" pending arbitration but never "closed" prior to funds totaling over \$2,800 being escheated to the Court.	<b>I</b>		The case was stayed in 2004. Due to a clerical oversight it was never closed. We reopened the case and disbursed the escheatment funds to the party entitled to them.  Additionally we will ensure cases are fully closed prior to including them in the escheatment process.	Debra Ostlund, Deputy CEO Finance	March 2017
		<b>Log</b>	Of the five escheated accounts reviewed, the moneys for one case should have been initially deposited with the State Controller's Office as unclaimed property. Specifically, these monies were surplus proceeds from a trustee's sale of real property that the trustee inappropriately deposited with the Court. The trustee sent the required written notice, but the owner of record did not claim the surplus funds. According to Civil Code section 2924(j)(g), if there are no claims to the surplus funds, the trustee must comply with the Unclaimed Property Law. Thus, the trustee should have initially deposited the proceeds with the State Controller's Office under the Unclaimed Property Law. Instead, the trustee deposited the surplus funds with the Court, and the Court ordered the monies deposited in trust with the Court. Moreover, the Court did not attempt to contact the rightful owners before escheating these monies. The Court indicates that it relied on the due diligence performed by the trustee prior to the trustee depositing the monies in trust with the Court. We subsequently provided the Court with information we obtained from an internet search that may indicate that the rightful owner was possibly deceased at the time of the trustee sale, but that a related child may live in the county.		<b>C</b>	We currently review new cases and especially trustee's sale proceeds to determine whether they should be handled by the court.  Additionally, we have provided the heir in this case with a claim form and will provide her with the funds upon submission of proper documentation.	Debra Ostlund, Deputy CEO Finance	February 2017
<b>8 Court Security</b>								
		<b>Log</b>	All eight court building locations reviewed have not performed a building evacuation drill within the last 12 months prior to our review. <b>(Repeat)</b>		<b>C</b>	Due to the challenges involved in inmate handling etc., the court has chosen to not perform practice evacuations.	Terry McNally, Court Executive Officer	February 2017
		<b>Log</b>	Of the 12 cash collection locations reviewed, four do not have security cameras installed to record the cash collection activity. <b>(Repeat)</b>	<b>I</b>		We have issued a PO for the installations of cameras in these areas. Most have been installed except for the Felony/Civil area currently being remodeled. That area should be completed by June 2017.	Terry McNally, Court Executive Officer	June 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>9 Procurement</b>								
	9.1		<b>The Court Should Strengthen Some of Its Procurement Practices</b>					
		5	For four of the 21 procurement transactions reviewed, the Court did not prepare or did not retain in its procurement file a purchase requisition authorizing the procurement.	I		<p>We are now including a pre-approval work flow for fill-in Commissioners. The administrative expense for the Health program is always billed at the beginning of the month to which it applies. The amount per employee is set by contract, and in the future we can ensure it is approved prior to the beginning of the month so that it is approved prior to the expense being incurred.</p> <p>The third item was for flu shots, and we have the email setting up the terms with the vendor copied to our Deputy CEO – Human Resources. The vendor was contacted at the Deputy CEO’s direction. Previous and subsequent years have always been under the Deputy CEO’s approval amount of \$5,000. In the year selected for this audit, that amount was exceeded due to the number of employees receiving shots that year. Our CEO approved the actual invoice. Going forward, the CEO will approve this expenditure in advance.</p> <p>The fourth item was for our case management contract with Tyler Technologies. At our CEO’s request, our CIO participated in the RFP process where Tyler was selected as the leading vendor. Based on the contract signed by our PJ, we used the Requisition Approval form to create the PO and encumber funds for the contract amount. We have revised the form to include a signature and date. We will also document and include in our procurement file the PJ’s authorization for our CIO to participate in the RFP process.</p>	Debra Ostlund, Deputy CEO Finance	April 2017
		5	For five of the 21 procurement transactions reviewed, the Court did not enter in Phoenix FI the purchase order transaction that the system requires to encumber and reserve fund balance in the official accounting records for those procurements valued at more than \$500.	I		<p>FIN 5.01 (Accounting Principles), Section 6.6 (Encumbrances) of the Financial Policies and Procedures Manual states “Any encumbrance amount over \$500 must be posted to the accounting system ensuring adequate amounts must be reserved for the expenditures contemplated.” In the last paragraph the policy states “There are court financial commitments that typically would not be encumbered; examples include monthly telephone services and subscriptions.” This would seem to indicate there is a level of judgement involved in deciding what items to encumber. Encumbering all items over \$500 does not seem to be an effective way of ensuring adequate amounts are available for the expenditure.</p> <p>The Court currently encumbers any significant, unusual expenditure at the time of order, to assist in determining funds available. We also use blanket POs for most ongoing expenditures incurred in the normal course of business which has worked well for us. For the five audited items, we rely on our budget amounts to determine that adequate funds are available.</p> <p>Based on the flexibility indicated in the Trial Court Policies and Procedures Manual and other more effective methods used to determine available funds, the Court will submit a Request for Alternative Procedure to JCC Branch Accounting and Procurement for approval of an increased encumbrance threshold.</p>	Debra Ostlund, Deputy CEO Finance	June 2017
		5	For two of five procurement transactions for non-IT goods or services, the Court did not obtain or did not retain in its procurement file the vendor-signed Darfur Contracting Act Certification that is required by the JBCM.		C	We have obtained Darfur certificates for the contracts signed prior to the requirement. Also, for the year 2016-17 all required notifications to the California State Auditor have been made timely.	Debra Ostlund, Deputy CEO Finance	February 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		5	For all three procurement transactions reviewed that resulted in a contract valued at more than \$1 million, the Court could not provide documentation to demonstrate that it notified the California State Auditor within 10 days of entering into the contracts.		C	See response above.	Debra Ostlund, Deputy CEO Finance	February 2017
		5	For two of the eight non-competitive procurement transactions reviewed, the Court could not provide, or did not retain in its procurement file, documents to justify the non-competitive sole source selection of the vendor.		C	Pac West - Sole Source - We are now completing a sole source document for this vendor which will be included in the procurement/contract file. We obtained 3 quotes in October 2012 for 1 courtroom, and their price was 73% less than the closest bid.  CUBS - For 2016/17 we completed a sole source doc for the ongoing maintenance of this proprietary software and will continue to do so.	Debra Ostlund, Deputy CEO Finance	February 2017
		5	For one of the four procurement transactions reviewed where the Court used a leveraged procurement agreement (LPA), the Court could not demonstrate that the LPA was competitively bid.		C	LPA - In the future we will check with the county to make certain their LPA agreements have been competitively bid.	Debra Ostlund, Deputy CEO Finance	February 2017
		5	For the two procurement transactions reviewed where the Court issued a Request for Proposal (RFP), the Court could not provide or did not retain in its procurement file documentation to demonstrate that it advertised the RFP.		C	Health Contracts – The majority of the issues related to two contracts from 2005 and 2008. These contracts relate to our Health Benefits Consultant and the Third Party Administrator (TPA) we use for our Self-Funded Health Insurance program. Both of these RFPs pre-date the Judicial Branch Contract Law enacted in October 2011. While evaluations of the proposals were performed by the reviewing groups, the documentation was not retained.  Additionally, it would appear from a memo, the first contract was advertised, however, no proof was kept in the file. For the TPA RFP, we relied on our consultant to mail the RFP to selected vendors including the vendor that was the county's TPA.  No Notice of Intent to Award was kept although it may have been issued for these 2 contracts.  Since the JBCL was implemented, the court has and will continue to obtain and retain in its procurement files documentation required to support its competitively bid procurements, including the advertisement of solicitations issued, list of offers received, evaluations of offers received, and the Notice of Intent to Award contracts to winning bidders.	Debra Ostlund, Deputy CEO Finance	February 2017
		5	For one of the eight competitive procurement transactions reviewed, the Court could not provide or did not retain in its procurement file a list of offers received.		C	See response above.	Debra Ostlund, Deputy CEO Finance	February 2017
		5	For two of the eight competitive procurement transactions reviewed, the Court could not provide or did not retain in its procurement file copies of the evaluations it performed for the offers it received.		C	See response above.	Debra Ostlund, Deputy CEO Finance	February 2017
		5	For two of the eight competitive procurement transactions reviewed, the Court could not provide or did not retain in its procurement file copies of the Notice of Intent to Award the contract to the winning bidder.		C	See response above.	Debra Ostlund, Deputy CEO Finance	February 2017
		5	For three of the 10 purchase card transactions reviewed, the Court did not consistently demonstrate pre-approval of the purchase request.		C	The court has instituted a separate pre-approval process for airline reservations. We have also been more cognizant of the need to document any verbal approvals and ensure approvals are dated.	Debra Ostlund, Deputy CEO Finance	February 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court's Phoenix FI SAP User Security Roles are not up-to-date. Specifically, although the Court could not provide information on when the individual terminated employment with the Court, the user ID of a former employee was still active in the Phoenix FI system at the time of our review.		C	We have since terminated the SAP access of the former employee and have implemented a procedure to forward the names of all terminated employees to the SAP help desk for removal. This is in addition to the previous IT department termination process.	Debra Ostlund, Deputy CEO Finance	February 2017
		Log	For one of the 16 procurement transactions reviewed for which the Court prepared a purchase requisition, the purchase requisition was not approved by an authorized individual acting within their approval limits. Specifically, although authorized to approve procurements up to \$50,000, the CEO approved a procurement transaction that was valued at more than \$50,000.		C	<b>Kurt Larson - Buy Vet</b> - There may have been some confusion regarding the pre tax amount vs. the final amount. The pre-tax amount was only \$48,327.50 and would have been within the CEO's approval authority for a non-budgeted item. We have clarified that the limits apply to the final total and shared that information with all affected parties.	Debra Ostlund, Deputy CEO Finance	February 2017
<b>10 Contracts</b>								
		Log	Of the five contracts reviewed, the CEO signed two contracts valued at more than \$100,000 even though the CEO is only authorized to sign agreements valued up to \$50,000.		C	The Court will be more attentive to dollar amounts when we are completing contracts.	Debra Ostlund, Deputy CEO Finance	February 2017
		Log	Of the five contracts reviewed, one contract did not contain contract start and end dates.	I		<b>Wiley, Price and Radulovich</b> - Contract dates - This will be corrected when a new contract is signed.	Debra Ostlund, Deputy CEO Finance	October 2017
		Log	The Court-County MOU is missing three provisions. Specifically, the MOU did not detail the method of service delivery, the anticipated service outcomes, as well as an audit rights provision that allows the JCC or its delegate to audit the county figures to ensure compliance with GC 77212, and determine the reasonableness of the indirect and overhead costs charged to the Court.	I		We will include these provisions during our next drafting of the Court-County MOU. We anticipate the main county services provided being reduced in the near future.	Debra Ostlund, Deputy CEO Finance	October 2017
<b>11 Accounts Payable</b>								
		11.1	<b>The Court Needs to Strengthen Its Invoice Review and Approval Procedures</b>					
		6	In two of 43 applicable vendor invoices and claims reviewed, the court accounts payable staff processed the invoices for payment although the employee who signed approving payment of the invoice exceeded their authorized approval level per the Court's payment matrix.	I		Both these documents had the CEO's approval on the requisition, or earlier invoice. Both amounts would be within his authorized approval level. Our current expenditure and procurement authority matrix does not specify a dollar amount regarding the actual invoice approval, only procurement authority. We are in the process of revising our matrix and will authorize higher amounts for the invoices than expenditures, since the invoice process is simply a matching process vs. spending authorization.	Debra Ostlund, Deputy CEO Finance	June 2017
		6	In one of 43 applicable vendor invoices and claims reviewed, the Court could not demonstrate how its accounts payable staff verified that the services and rates it paid agreed to the services and rates the Court authorized. Specifically, the accounts payable staff could not provide, or did not retain in the accounts payable file, the court authorization that is associated with the invoice and that details the services and rate of pay that the court authorized.		C	This claim was for the fill-in Commissioner and the daily rate was one we have used historically. More importantly, it had been approved by the CEO who was familiar with the rate we pay and the days the Commissioner worked. We are now including the confirming email to the Commissioner in our claim package	Debra Ostlund, Deputy CEO Finance	February 2017
		6	In three of 43 applicable vendor invoices and claims reviewed, the Court could not demonstrate how its accounts payable staff verified that the invoice rates it paid agreed to the payment terms in an associated purchase document or agreement before processing the invoices for payment.		C	The two court reporter invoices do not have contracts to back them up, however both are charged at a standard daily rate or the statutory amount for the transcript.  We will change our approval procedure for our printing agreement to include a +/- 10% variance for printing overruns.	Debra Ostlund, Deputy CEO Finance	February 2017



FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	In three of 43 applicable vendor invoices and claims reviewed, the address on the vendor invoices (all for the same vendor) do not reconcile to the Phoenix FI vendor address. The Phoenix FI address appears correct as it agrees with the address in the contract; however, the court should verify the correct vendor address as the address on the vendor invoice is to a residence per the satellite image available on an internet map.		C	All payments to this vendor are paid by ACH, so the address is never used. Additionally the incorrect address on the invoice was for the court, and there was no address for the vendor. We have revised the invoice template using the vendor's Fresno address and the court's correct address.	Debra Ostlund, Deputy CEO Finance	February 2017
		Log	In four of 43 applicable vendor invoices and claims reviewed, the invoice was not date stamped when it was received and processed for payment by the court accounts payable unit.		C	After reviewing these invoices, some were received via a dated email and two were not date stamped. Accounts payable staff will ensure invoices are date stamped before payment processing in the future.  1. - No date was stamped. We will increase our diligence. 2. - Received by email 7/27/15 - we will date stamp in future 3. - Received by email 9/22/15 - we will date stamp in future 4. - No date was stamped. We will increase our diligence.	Debra Ostlund, Deputy CEO Finance	February 2017
		Log	For one of two county invoices reviewed, the Court paid the county estimated costs for juvenile dependency representation services instead of paying the actual costs as agreed in the Court and county MOU.	I		The annual invoice is based on the employees actually assigned to process Juvenile Dependency cases and is calculated on their salary and benefit rate. This would represent actual costs not estimated cost. We will ask the county to provide support of its actual costs on a quarterly and cumulative basis to facilitate reconciling the payments we made to actual county costs.	Debra Ostlund, Deputy CEO Finance	June 2017
		Log	In two of 43 applicable vendor invoices and claims reviewed, the Court accounts payable staff processed the invoices for payment without documentation or positive confirmation that an appropriate court individual received and accepted the goods or services.	I		<b>Columbia</b> - This was simply a renewal of an existing program used on a daily basis by our Revenue Recovery Department. Getting a receiving document for something that never changed seems similar to getting a receiving document for a monthly ATT bill. Accounts payable staff will obtain approval signatures on invoices from responsible operations management to confirm their receipt of acceptable goods or services. Expect completion in July 2017.  <b>Jackson</b> - This invoice was verified to the hard copy of the weekly scheduling calendar and the dates checked off by the supervisor of the court reporters. Her calendar shows the days as checked off, but unfortunately, we believe her signature was on the faxed copy we receive prior to the original being received in the mail, and we did not get the supervisor to sign the original when it came in. In the future we will be more attentive to these invoices. Completion was February 2017.	Debra Ostlund, Deputy CEO Finance	July 2017
		Log	In one of two applicable court interpreter claims reviewed, the Court did not pay the JC approved contract court interpreter rates nor provide a written court-approved local policy that supports the rate it pays for hard to find court interpreters who can interpret certain uncommon languages.		C	We now have a standard signed approval to pay this rate for certain contract interpreters.	Debra Ostlund, Deputy CEO Finance	February 2017
		Log	In one of two applicable court interpreter claims reviewed, the Court did not calculate and reimburse the correct mileage. Specifically, the court used a round-trip mileage total that was 10 miles overstated. As a result, the Court overpaid this interpreter \$5.40 per day, or \$54 over a ten-day period.		C	This court interpreter's mileage chart was corrected and updated in April 2016 and we have been using the correct mileage rate ever since.	Debra Ostlund, Deputy CEO Finance	April 2016

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log</b>	Of the two juror mileage reimbursements reviewed, the Court reimbursed one juror more than the actual mileage between the juror's residence and the courthouse, but the Court could not explain how its system calculated the mileage. For the second juror mileage reimbursement, the Court could not demonstrate how it verified the mileage reimbursement because the Court had on file only a P.O. Box mailing address instead of a residence address that it could use to recalculate and verify the mileage reimbursement amount.	I		The jury system software currently uses the same mileage calculation for all addresses located within a zip code. We spoke to the jury system software vendor on 11/23/16, and the vendor indicated that in response to this audit issue with other courts, they will be releasing an update that will calculate mileage from the actual address. The vendor expects update to be ready any day now. Per follow up discussion with the vendor on March 2, 2017, the program is ready. We requested they implement for Kern.  Additionally, we will change our procedure to obtain physical addresses for all jurors and enter it in the "residential address" field, which the jury system software will use to calculate mileage.	Debra Ostlund, Deputy CEO Finance	April 2017
		<b>Log</b>	Our inquiries of the Court's jury payment process could not determine whether the Court has a process for reviewing and approving the jury fee and mileage reimbursement payment amounts before sending the jury payment file to JCC Branch Accounting to print and issue the checks. Specifically, we asked the Court about its review and approval process for jury payments, but the Court did not respond and provide the requested information.		C	We have now instituted an approval process as part of the jury payment process.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	For three of eight travel expense claims reviewed that reimbursed for mileage, the Court did not pay mileage representing the lesser distance between the traveler's designated headquarters or home and the business destination.		C	The judicial secretaries have been instructed in the procedure of comparing mileage from home versus home court to destination.  The interpreter's office had corrected this employee's mileage reference sheet since when this August 2015 claim was paid.	Debra Ostlund, Deputy CEO Finance	February 2017
		<b>Log</b>	The Court pays judges who receive a county-funded auto allowance a reduced mileage reimbursement rate as a court-funded supplemental judicial benefit. Although an auto allowance is normally expected to be in lieu of mileage reimbursement, the Court paid this reduced mileage rate to judges prior to July 1, 2008, in addition to their county-funded auto allowance. Therefore, this reduced mileage reimbursement rate for judges who receive a county-funded auto allowance is allowable per JCC policy regarding court-funded supplemental judicial benefits. However, the Court has not documented in a written local court policy this reduced mileage reimbursement rate as a court-funded supplemental judicial benefit for judges who also receive a county-funded auto allowance.	I		The Court will be drafting a local court policy addressing the reduced mileage rate for judges who receive an auto allowance.	Debra Ostlund, Deputy CEO Finance	April 2017
		<b>Log</b>	For seven of 10 business-related meal expense forms reviewed, the form was not appropriately approved. Specifically, for one business-related meal form, the form was not approved by the PJ or CEO, but instead approved by a court manager after the meeting. In addition, for two other business-related meal forms, although the forms were approved by the CEO, they were not dated; therefore, we were unable to determine whether the CEO approved the forms before the meeting. For another four business-related meal forms, the forms were signed-approved after the meeting.		C	We will continue to provide ongoing training and assistance to employees charged with completing these forms to improve our compliance.	Debra Ostlund, Deputy CEO Finance	February 2017

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
12 Fixed Assets Management			Not reviewed.					
13 Audits			No issues to report.					
14 Records Retention			No issues to report.					
15 Domestic Violence								
	15.1		The Court Could Impose the Statutorily Required Domestic Violence Fines and Fees on a More Consistent Basis					
		3	For 5 of the 22 criminal DV cases reviewed where probation was ordered, the Court did not order the \$500 PC 1203.097(a)(5) Domestic Violence Probation Fee. <b>(Repeat)</b>		C	The Court has implemented further training and developed procedures for use in the courtroom to ensure that if the \$500 PC 1203.097 Domestic Violence fee is not included in the terms of probation on a domestic violence conviction, the defendant's inability to pay is noted on the record. Event code TCDVW was created in June 2016 to be used for this purpose.	Marie Castaneda, Deputy CEO - Operations	June 2016
		3	For 2 of the 22 criminal DV cases reviewed where probation was ordered, the Court did not order the PC 1202.44 Probation Revocation Restitution Fine in one case <b>(Repeat)</b> and ordered the wrong amount in another case. Specifically, for the second case, the Court ordered a \$150 Probation Revocation Restitution Fine even though it ordered a \$300 State Restitution Fine. Per PC 1202.44, the Court must assess a Probation Revocation Restitution Fine that equals the amount of the State Restitution Fine ordered.	I		The Court will continue further training in the courtroom, especially with implementation of the new case management system, to comply with statute and ensure more consistent assessments.  One of the reasons for the confusion in our current case management system is because some of the fees automatically included are not readily apparent and therefore at times, duplicates have been added.  With the conversion to Odyssey, the fees, fines and assessments included will be more visible to the Judicial Courtroom Assistants reducing confusion regarding what is included and should ensure more consistent assessments.	Marie Castaneda, Deputy CEO - Operations	June 2017
		3	For 2 of the 28 criminal DV cases reviewed with convictions, the Court did not order the PC 1202.4(b) State Restitution Fine. <b>(Repeat)</b>	I		See response above.	Marie Castaneda, Deputy CEO - Operations	June 2017
		3	For two of the six criminal DV cases reviewed with convictions on multiple violations, the Court ordered the PC 1465.8 Court Operations and the GC 70373 Criminal Conviction Assessments for only one violation conviction.	I		See response above.	Marie Castaneda, Deputy CEO - Operations	June 2017
		3	For 3 of the 16 criminal DV cases reviewed where a penal code fine was ordered, the Court assessed the PC 1465.8 Court Operations Assessment, the GC 70373 Criminal Conviction Assessment, and the PC 1202.4(b) State Restitution Fine twice. Specifically, for two of the three cases, the Court Operations Assessment, the Criminal Conviction Assessment, and the State Restitution Fine were included in the penal code fine as well as assessed separately in the CMS. Similarly, for the third case, the State Restitution Fine was included in the penal code fine as well as assessed separately in the CMS. The Court attributes these exceptions to clerical errors.	I		See response above.	Marie Castaneda, Deputy CEO - Operations	June 2017

FUNCTION		RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			<b>Log</b>	For three of the 16 criminal DV cases reviewed where a non-standard penal code fine was ordered, the Court calculated the per \$10 penalty assessments using a factor that did not correspond to the base fine amount rounded up to the nearest \$10. According to the Court, its legacy CMS performs top-down distribution calculations that include this known precision error. The Court expects to resolve this precision error when it implements its new CMS.	I		This has been correctly configured and tested in Odyssey and will calculate correctly once we transition to the new system.	Debra Ostlund, Deputy CEO Finance	Fall 2017
16	Exhibits			No issues to report.					
17	Bail			Not reviewed.					