

AUDIT OF THE SUPERIOR COURT OF CALIFORNIA, COUNTY OF IMPERIAL

AUGUST 2011

Prepared by:



On Behalf Of:



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

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Superior Court of California, County of Imperial

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MANAGEMENT SUMMARY

On behalf of the Judicial Council of California, Administrative Office of the Courts (AOC)'s Internal Audit Services (IAS), Sjoberg Evashenk Consulting, Inc. (SEC) initiated an audit of the Superior Court of California, County of Imperial (Court) that encompassed administrative and operational areas, as well as other selected programs. The audit process involves reviewing the Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies.

With eleven judges and judicial officers and the Court Executive Officer (CEO) overseeing Fiscal Year 2009-2010 expenditures of nearly \$15.2 million, the Imperial County Superior Court is considered a medium-sized court with 138 employees performing baseline operational activities. Throughout the audit, SEC found many instances where the Court exhibited strong governance practices, and complied with statutes, Rules of Court, and internal policies and procedures. For instance:

- Court management exhibited a positive “tone at the top” that emphasized the Court’s commitment to effective internal controls over court administration and operations;
- Court management and fiscal staff responded positively to recommendations for improving court operations and were proactive in working toward continual operational improvements;
- Prudent spending has bolstered the Court’s fund balance and reserves;
- Cash handling practices demonstrated many good controls such as endorsing checks immediately upon receipt and investigating daily collection discrepancies before final close-out;
- Funds held in trust are reconciled to the Court’s case management system and fiscal records;
- Written job descriptions were in place for all key fiscal positions;
- Court restricted access to court information systems and case data was backed-up regularly to an off-site location;
- Procurement and accounts payable functions are appropriately segregated.
- Detailed and effective security protocols are in place for exhibit transfers between Courtroom and Exhibit Room; and,
- Court produces additional metrics outside of those required by AOC to monitor fiscal health and operational efficiency of the Court.

As in all organizations, however, we identified opportunities for improvement. Appendix D of this report contains all of the issues we identified as reportable along with court management’s responses and plans for corrective action—some of which the Court will need to prioritize and address accordingly. Below, we highlight some of the more significant issues identified during the audit, which we believe require immediate corrective action.

- **Procurement and Expenditure Practices Did Not Always Comply with Internal Court Policy and Procedures or FIN Manual Requirements**

Although the Court has appropriate controls in place for its procurement and expenditure processing, our review discovered minor inconsistencies in procurement practice, such as an inappropriate invoice approval by Fiscal staff, insufficient evidence of a 3-point match, inappropriate international travel claim approval, insufficient support for jury fee waivers, an instance where juror was paid for 1st day of jury service contrary to court practice, and inconsistent evidence of obtaining multiple quotes for purchases over \$500.00. In addition, we discovered that the Court could improve its process of verifying the accuracy of reporter invoices by evaluating the number of folios invoiced for reasonableness instead of only documenting the number of pages submitted as part of the Court transcripts delivered by the reporter.

- **Segregation of Duties Risk Exists In Court Payroll Processing**

The Finance Manager is the final approving authority for payroll, controls the check stock, and signs all payroll checks. While all three Fiscal Department staff responsible for payroll processing has the access to change the amount of pay received, such changes may be detected by the Finance Manager when reviewing the payroll register prior to issuing payroll. However, the fiscal staff and the Finance Manager have access to alter payroll rates, and current payroll procedures do not include an independent review to ensure that any changes to payroll information of the three fiscal staff are accurate and properly approved.

- **Recent Changes to California Rules of Court Require the Court to Develop a More Formal Process for Establishing Executive Compensation**

Although the Court conducted a CEO compensation study to establish the benefits package offered to the Imperial Court CEO hired in 2010, the Court has not yet developed a documented, formalized process for performing CEO performance evaluations or for determining increases to CEO salary or changes to benefits. California Rule of Court (CRC) 10.603 was amended in April 2010 and now requires the PJ to approve, in writing, the total compensation provided to the CEO and to establish a documented process for setting and approving CEO compensation.

- **Some Improvements Are Needed with Cash Controls and Safeguarding Court Assets**

While the Court exhibited generally strong controls over cash handling, we found some instances in which improvements can be made to better safeguard court assets. First, while the Court's void processing policy includes a heightened level of scrutiny by court staff, the Court does not apply the same level of review for fee waivers by regularly reviewing approved fee waivers against case file for accuracy and appropriateness.

Secondly, although court staff indicated mail payment processing typically takes 1-2 days, our observations discovered the Court backlog to be 4-5 days. The consistency of the backlog is further supported by court practice of storing payments in their safe in date

order (payments are brought out from the safe each day for processing by the Call Center representatives). Also, the majority of Imperial Courthouse locations use one clerk for mail processing rather than the FIN Manual guidelines which suggest two persons.

Lastly, while the majority of Imperial County Superior Court locations appropriately restrict access to court safes, at the Brawley Court location all court clerks (as well as the Court Supervisor) are privy to the safe combination.

- **Court Does Not Always Ensure Appropriate Fees and Fines are Collected and Distributed According to Statute**

To automatically calculate and distribute fees and fines based on the Court's interpretations of applicable laws and the State Controller's Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C, the Court relies on codes programmed into its case management system, SUSTAIN. This audit revealed a few fine calculations that were incorrectly assessed and distributed, including (1) 30% Red Light reduction to the State Construction Penalty; (2) 30% Red Light reduction to ICNA SB1407 Penalty; and (3) Judge did not assess sufficient fine amounts to allow for adequate revenue distribution.

In addition to the above insufficient fine assessment amounts, we discovered during our domestic violence testing that the Court does not consistently assess the minimum \$400 domestic violence fee to defendants granted formal/summary probation (pursuant PC 1203.097 (a)). Although the Court assessed the appropriate state restitution fines in almost all cases sampled, the Court assessed the appropriate domestic violence fund fees in less than half of the cases selected. Of the 20 cases tested, the Court assessed the appropriate amount for the mandatory state restitution fine, PC 1202.4 (b) in 18 cases. Although in all cases selected defendants were granted Summary or Formal Probation, the Court assessed the entire \$400 mandatory Domestic Violence Fund fee PC 1203.95 (a)(5) in only 7 of the 20 cases. In 6 of the 20 cases, fees of less than \$400 were assessed and in 7 other cases no assessment was made under PC 1203.95(a)(5).

- **The Court Does Not Conduct Annual Inventories of Exhibits.**

The Court does not conduct annual inventories or periodic inspections of exhibit room content. Although the Imperial County Superior Court has implemented detailed policies and procedures regarding the acceptance, transfer, and storage of exhibits, the Court has not appropriately safeguarded its exhibits by implementing periodic inventories of exhibit rooms by court supervisors or managers as a way to mitigate perceived or actual risks of theft and minimize possible mismanagement of the exhibit inventory.

We believe the Court has embraced the audit process and is actively engaged in improving its operations and refining its practices. While we present many recommendations throughout this report, we highlight the more significant recommendations below. In some cases, implementation will only require limited corrections to key information systems or minor alterations of court practices to ensure adequate controls. In other cases, a more concerted approach by court management will be critical to enhancing internal controls and court operations as the Court moves forward.

To address the findings presented above, we recommend that the Court:

- Implement a practice for the CEO to review the payroll register of all Fiscal staff and the Finance Manager on a periodic basis as a mitigating control against possible inappropriate activity and fraud.
- Develop a formal, documented process for establishing and changing CEO compensation, and performing periodic performance evaluations.
- Generate fee waiver browse reports from SUSTAIN to verify that waived fees are supported by approved fee waiver applications and orders in case file.
- Ensure the distribution formulas in SUSTAIN are correct to address the errors noted and continue to ensure that all fee/fine revenue distributions comply with relevant laws, regulations, and guidance. If necessary, seek clarification and guidance from the AOC on configuring accurate distributions in the SUSTAIN case management system.
- Strengthen practices and consistency over accounts payable by reaffirming good practices and ensuring court staff are adhering to the processes such as obtaining all supporting invoice detail, documenting approval of invoices, and ensuring other expenditure specific practices are accurately applied.
- Provide training to court staff to reinforce the importance of verifying mandatory fine and fees related to domestic violence convictions are correctly assessed as well as continue recently implemented process of conducting internal “audits” of domestic violence cases to review the appropriateness of fee and fine assessments.
- Implement the FIN Manual recommended exhibit inventory controls, such as conducting physical inventory audits of exhibits at least annually to ensure that exhibits are appropriately accounted.

In all, we present 20 recommendations throughout this report. With the exception of one, the Court agreed with our recommendations, has fully addressed 15 of the recommendations, and is working on implementing the remaining four.

STATISTICS

The Court operates at seven court locations with nine judicial positions handling nearly 80,000 case filings in Fiscal Year 2009-2010. Further, the Court employed 138 staff members to fulfill its administrative and operational activities through the expenditure of nearly \$15.2 million for the fiscal year ended June 30, 2010. Table 1 below provides general court information.

Table 1. General Court Statistics

	Total
Number of Courtrooms (including each courthouse)	14
Number of Authorized Judgeships as of July 1, 2010	9
Number of Authorized Subordinate Judicial Officers as of July 1, 2009	2.5
Number of Full Time Equivalent Employees as of July 1, 2009	138
Total Authorized Positions (FTE) as of July 1, 2009 (Schedule 7A Fiscal Year 2009-2010)	134.13
Number of Temporary Employees as of July 1, 2009 (Figures are for Part-Time Extra Help Staff)	1
Total Salaries for Temporary Employees (Fiscal Year 2009-2010, Figures are for Part-Time Extra Help Staff)	\$217,771
Daily Average Revenues Collected (Fiscal Year 2008-2009)	\$73,369
County Population (7/1/09 Estimate per California Department of Finance)	183,029
Number of Case Filings in Fiscal Year 2008-2009	
Criminal Filings:	
• Felonies	1,768
• Traffic Misdemeanors	6,127
• Traffic Infractions	61,045
Civil Filings:	
• Civil Unlimited	799
• Civil Limited	2,897
• Family Law – Marital	2,112
• Family Law – Petitions	2,833
• Probate	169
• Small Claims	642
Juvenile Filings:	
• Juvenile Delinquency – Original	611
• Juvenile Dependency – Original	358

Source: Case Filing statistics reported by the Court.

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PURPOSE, SCOPE, AND METHODOLOGY

IAS requested that our firm, SEC, conduct an audit at the Court in accordance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. This audit is part of a regularly scheduled audit cycle initiated by IAS and represents the second audit performed by IAS since the Trial Court Funding Act of 1997 eliminated the requirement of county audits of the courts.

The purpose of this review was to determine the extent to which the Court has:

- Complied with applicable statutes, California Rules of Court (CRC), the Trial Court Financial Policies and Procedures Manual (FIN Manual) and the Court's own policies and procedures; and,
- 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.

Additionally, compliance with the Financial Integrity and State Manager's Accountability Act (FISMA) is also an integral part of the audit. The primary thrust of a FISMA review is an assessment of an entity's internal control structure and processes. While IAS does not believe that FISMA applies to the judicial branch, IAS believes it does represent good public policy. Thus, IAS incorporates FISMA internal control concepts and guidance in its audits including the following:

- 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 authorization and record keeping adequate to provide effective accounting control;
- An established system of practices to be followed in the performance of duties and functions; and,
- Personnel of a quality commensurate with their responsibilities.

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

The scope of audit work at the Imperial County Superior Court included reviews of the Court's major functional areas including: court administration, fiscal management, accounting practices,

cash collections, information systems, banking and treasury, court security, procurement, contracts, accounts payable, fixed asset management, audits, records retention, domestic violence, exhibits, and appeals. Coverage of each area is based on initial scope coverage decisions. The period of our audit primarily focused on the period between Fiscal Years 2008-2009 and 2010-2011.

To evaluate the Court's fiscal and operational compliance with the FIN Manual as well as assess the Court's internal control structure and fiscal management, we performed procedures that generally encompassed the following activities:

- Met with court executive management to discuss the Court's organizational structure, local rules, human resource management, and judicial practice.
- Interviewed appropriate court personnel regarding court account and fund balances as well as fiscal policies, practices, level of oversight, and general knowledge of fiscal management protocols and FIN Manual policies.
- Reviewed reports, data, and systems used to assess court fiscal standing and manage fiscal operations as well as assessed grant management practices and the accuracy of transactions, funds, and reports of financial activity.
- Observed key cash receiving, handling, and disbursement processes, including fees/fines/forfeiture collection, receipt of payments by mail, cash balancing to the Court's case management system, deposit preparation, and claims preparation.
- Obtained, reviewed, analyzed, and tested key documents, including:
 - Court fiscal records, reports, reconciliations, and bank statements;
 - Case management system records, case files, and distribution schedules;
 - Court policies and procedures manuals as well as informal practices; and,
 - Examples of claims, deposit permits, end-of-day case management system reports, and other cash transaction documentation.
- Inquired about, reviewed, and evaluated any backlogs in the Court's collection, processing, or disbursement transaction processes, including reconciliations of accounts and funds.
- Reviewed revenue/collection and expenditure reports for unusual or inappropriate activity.
- Tested a sample of cash-related revenue and expenditure transactions to determine if court procedural controls were administered and if the transactions were properly recorded, reconciled and, where appropriate, reviewed and approved.
- Ascertained whether the Court has essential controls in place over information systems in areas such as passwords, remote access, and security reports. Where feasible, we obtained a security level printout from each system that identified users, roles, and access to determine if levels were appropriate for each position and whether the proper segregation of duties existed.

- Evaluated methods employed by the Court through its case management system (SUSTAIN) to calculate and distribute fees, fines, and forfeitures.
- Assessed whether the physical plant holding essential court computer equipment had appropriate security over access and whether appropriate emergency measures were in place to deal with disasters.
- Observed current physical security in place during a security walk-through of the courthouse as well as reviewed operational and logical security over the Court's exhibit rooms and computer rooms.
- Inquired about, reviewed, and evaluated the Court's procurement and contracting practices to determine compliance with FIN Manual's requirements as well as sound business practices.
- Tested a sample of expenditure transactions related to services and supplies purchases, county-provided service payments, court interpreters, court reporters, expert witnesses, and judges and employee travel to determine if court procedural controls were administered and if the transactions were properly recorded, reconciled, and, where appropriate, reviewed and approved.
- Obtained, reviewed, analyzed, and tested key documents, if available, including:
 - Purchase requisitions, purchase orders, vendor invoices, payable documents, and credit card statements; and,
 - Memorandums of understanding and personal service agreements.
- Reviewed a sample of contracts maintained to determine whether major contract elements such as cost, schedule, scope of work and terms and conditions were present and that contracts were appropriately executed by either the CEO or the Presiding Judge.
- Evaluated policies and procedures in place to safeguard and account for exhibits including whether regular inspections and/or annual inventories were conducted timely, stale or unneeded exhibits were disposed or destroyed once a case is closed, and case exhibits were securely stored and maintained.
- Reviewed a small sample of domestic violence cases to determine if Domestic Violence Fees and Restitution Fines were assessed as required by statute.
- Additionally, we performed procedures such as identifying corrective action on prior audit findings and recommendations, assessing payroll processes and internal controls, evaluating fixed assets listings and management practices, and understanding compliance with record retention policies from the FIN Manual.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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TIMING AND REVIEWS WITH MANAGEMENT

An entrance meeting was held with the Court on October 19, 2010 with audit fieldwork commencing on that same day. Although fieldwork was formally completed in March 2011, preliminary results were discussed with court management during the course of the review at several intervals between November 2010 and March 2011. Feedback and perspectives from responsible court officials were obtained throughout the course of this audit and were incorporated into this report.

An informal results conference was held on March 9, 2011, followed by a formal exit conference to discuss the final audit results on April 29, 2011 with:

- Kristine Kussman, Court Executive Officer
- Terri Darr, Finance Manager

Management responses to our recommended actions were received on June 30, 2011 and can be found in Appendix D of this report.

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ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Considered a medium-sized court, the Imperial County Superior Court maintains seven locations in a County with approximately 183,000 residents. With nearly 80,000 case filings annually, court expenditures in Fiscal Year 2009-2010 were nearly \$15.2 million. The Court's 138 employees are overseen by a Presiding Judge (PJ) as well as a Court Executive Officer (CEO).

Various guidelines and requirements related to trial court governance and management are specified in California Rules of Court (CRC), *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and Operating Guidelines and Directives for Budget Management in the Judicial Branch covering administrative areas such as:

- Duties of the PJ and CEO;
- Delegation of Authority over Court Administration;
- Organizational/Reporting Structure and Strategic Planning;
- Conflict of Interest Disclosures (Statement of Economic Interest Form 700);
- Executive Compensation and Employee Bargaining Agreements; and,
- Submitted Cases Tracking and Monitoring.

Overall, we found the Imperial County Superior Court has established processes and procedures that comply with the FIN Manual. Specifically, the Court:

- ✓ Established an organizational chart with clear reporting structures;
- ✓ Formally delegated the responsibility of managing the Court's fiscal operations to the Court Executive Officer;
- ✓ Developed detailed job descriptions that cover all court employees;
- ✓ Has appropriate processes in place to ensure that all appropriate employees are completing the Form 700;
- ✓ Tracks and monitors cases under submission and prepares monthly pay affidavits; and,
- ✓ Regularly updates its local rules of court, including the most recent revision to include a definition of "vacation day."

Most importantly, the Court has a positive "tone at the top" and management proactively addresses issues to improve court operations and controls. During audit fieldwork, we found management and non-management alike readily made themselves available to audit team inquiries, clearly understood their own job functions and could clearly explain court policy and procedures applicable to their responsibilities, easily accessed data and supporting documents, and forthcoming with information pertaining to all aspects of court operations. However, we did identify a few areas related to general court administration that could be improved as discussed on the following page.

1.1 Certain Administrative Practices Related to CEO Compensation Could be Improved

The Court has implemented many strong practices designed to protect court assets and to minimize risks of potential loss. At the same time, we noted one area that poses unnecessary risk in the long term, and which can be addressed with minimal cost to the Court.

Overall, we found the steps taken by the Court to establish CEO compensation to be appropriate; the Court conducted a CEO Compensation Study to determine the initial executive compensation package offered to the new Imperial County Superior Court CEO in 2010, and court practice requires the PJ approve to any changes to the CEO's compensation package. However, given recent changes to California Rules of Court, additional steps should be taken to formally document CEO compensation practices on a go-forward basis. According to California Rules of Court 10.603(c) 6 (C), it is the PJ's responsibility to "Establish a documented process for setting and approving any changes to the court executive officer's total compensation package in a fiscally responsible manner consistent with the Court's established budget." Because the Court did not have formally documented processes regarding modifying CEO's compensation or for conducting periodic performance evaluations, we recommend that the Court consider memorializing its process for setting and changing CEO compensation through formal court policies and procedures, judicial order, or local rule of court.

Recommendation

To tighten general court administrative practices, the Court should:

1. Develop a formal written process for setting and approving, including performance evaluations, to ensure changes made to the compensation package are appropriate and authorized, and made in a fiscally responsible manner.

Superior Court Response

1. The Court agrees with the recommendation.

Human Resources carefully collected and evaluated information on Court Executive salary and benefits. Using this extensive information, the Executive Committee of the Bench approved the salary and benefits for the CEO. The Court needs to further create a policy to document its process in writing related to CEO compensation, CEO evaluations and CEO compensation and benefit changes.

2. Fiscal Management

As detailed in Appendix B, Table C, salaries and benefits for non-judicial staff totaled approximately \$8.25 million in Fiscal Year 2009-2010, encompassing approximately 54 percent of the Court's approximate \$15.2 million expenditure budget. Fiscal activities are overseen by the CEO while daily activities are carried out by the Finance Manager and six other fiscal and accounting staff who perform various aspects of fiscal operations, including developing budget documents; recording fiscal transactions and activity; processing contracts, procurement documents, and vendor payments; processing trust disbursements; preparing detailed annual performance reports for court management and judicial officers; reconciling daily fee and fine collections and preparing deposits; reconciling in a timely manner all court bank accounts, funds, and cash; processing revenue distribution documentation; administering court payroll activities; and providing court-related administrative services associated with state prison proceedings.

Since the Court's transition to the Phoenix-Financial (FI) system, the Court is no longer reliant on the County for fiscal and administrative support. Specifically, the Court inputs its own purchase requisitions, purchase orders, and invoices as well as utilizes services provided by the AOC's Trial Court Administrative Services (TCAS) including reconciling bank accounts, issuing vendor payments, and uploading journal entries. Additionally, the Phoenix-FI system automatically generates the Court's Quarterly Financial Statement (QFS) reports and the Consolidated Annual Financial Report (CAFR) worksheets.

Not only did the Court's fiscal staff appear very knowledgeable of accounting principles, best practices, and the FIN Manual, but court management has been committed to implementing these practices and has adjusted well since its migration to Phoenix-FI in January 2007. The Fiscal and Accounting Department created detailed desk manuals for all fiscal and accounting related procedures, making frequent updates to the manuals as court policy or legislation changes. We also noted that court-processed transactions were accurate and appropriately supported by underlying financial records and documentation, illustrating the Court's fiscal expertise to create accurate and reliable financial reports.

Ultimately, our review of the Court's fiscal management activities did not identify any reportable issues. We found that the Court's processes and practices in recording financial transactions and preparing financial reports were generally in compliance with the FIN Manual provisions, approved alternative procedures, and California Rules of Court.

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3. Fund Accounting

Through our review, we found that the Court’s fiscal activity is generally accurately recorded and tracked through segregated funds and accounts as well as supported by underlying financial records and documentation. At the end of Fiscal Year 2009-2010, the Court had combined balances from all its funds totaling more than \$8.6 million as recorded in Phoenix-FI as shown below in Table 2—this included approximately \$4.1 million for leases, \$2.4 million for negotiated salary increases, \$561,000 for future court site, and \$251,000 for Phoenix-FI allocations. The remaining monies designated by the Court as restricted related to \$311,000 three-years worth of salary for a future operations manager and \$50,000 related to a criminal file system.

It appears that most of the restricted fund balance follows the 10/29/10 revised Fund Balance Policy which reads “...restricted fund balance included amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation...;” however, abiding by this policy, the \$251,000 Phoenix-FI and \$311,000 operations manager salary allocations under the restricted fund balance should instead be included under the unrestricted-designated (Assigned) fund balance allocations.

Table 2. Court Fund Balances per the Trial Balance, June 30, 2010

G/L Account	Description	Account
552001	FUND BALANCE – RESTRICTED	\$ (7,554,378)
553001	FUND BALANCE - UNREST. - DESIG.	(1,220,877)
	FUND BALANCES TOTAL	\$ (8,775,255)
	NET SOURCES & USES	\$ (0.00)
	ADJUSTED ENDING FUND BALANCE	\$ (8,775,255)

In all, it appears that the Court has a sufficient fund balance to meet its obligations in the event of an emergency or other economic constraint such as a delay in the enactment of the State Budget. Of the \$931,903 the Court reported as unrestricted designated fund balance, more than three-quarters, or \$708,572, is designated as operating and emergency reserve—this level exceeds the minimum operating and emergency fund balance prescribed by the Judicial Council’s Fund Balance Reserve Policy. Specifically, with general fund expenses being \$14,097,740, as reported on the Trial Balance for June 30, 2010, the Court should maintain a minimum emergency reserve of \$663,910 calculated as follows:

- 5 percent of the first \$10,000,000 =====> \$500,000 (5% of \$10,000,000)
 - 4 percent of the next \$40,000,000 =====> \$163,910 (4% of \$4,097,740)
- \$663,910

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4. Accounting Principles and Practices

Since migrating onto the Phoenix-FI system in 2007, the Court has required minimal general ledger accounting, analysis, and reporting support services from the TCAS. Some of the benefits of using Phoenix-FI are consistent application of FIN Manual accounting guidelines and the ability to produce quarterly and annual financial reports directly from the system. Moreover, to ensure trial courts accurately account for the use of public funds in its fiscal records, the FIN Manual specifies various guidelines and requirements related to accounting principles and practices in areas we reviewed such as recording revenues, expenditures, and accruals associated with court operations.

Overall, the Imperial County Superior Court had adequate processes in place to record and report financial activity including accruals and grants. For instance, our testing of a sample of revenue and expenditure accruals for Fiscal Year 2009-2010 revealed that the revenues and expenditures were recorded in the proper period and accrued as required by FIN Manual 5.02. Imperial County Superior Court utilizes a modified accrual basis accounting method and accrues significant expenses (typically over \$7,000) on a monthly basis, as well as at fiscal year-end, related to applicable direct invoices, grant reimbursements, payroll, and MOU expenditures or revenues. By accurately and efficiently processing accruals at year-end, the Court ensures its financial records accurately represent fiscal activities in the correct fiscal year. As such, we have no identifiable issues to report.

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5. Cash Collections

On average, the Court collects approximately \$1.6 million monthly in fee and fine amounts and processes 80,000 case filings annually. The Court handles all case types including criminal, traffic, civil, appeals, family law, small claims, unlawful detainers, and probate cases through the five locations where payments are accepted—two in El Centro (the Main and Valley Plaza Courts) and one each in Brawley, Calexico, and Winterhaven. To process its collections, the Court utilizes SUSTAIN Justice Edition as its case management system (CMS) which has a built-in cashiering component. The Court implemented SUSTAIN in 2002; however, it also still used its previous accounting system—Judicial Data Systems (JDS) Corporation—to apply payments to cases opened prior to 2002.

FIN Manual 10.02 establishes uniform guidelines for trial court employees to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders. Additionally, FIN Manual 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts are required to implement procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments. As a result, we reviewed the Court's compliance with these sections of the FIN Manual, including processes such as:

- Bank deposit preparation;
- Segregation of cash handling duties;
- Accounting for safe access, keys, and security over other court assets;
- Physical and logical access security of cashiering areas and systems; and,
- End-of-day closeout and reconciliation.

Overall, we found the Court employed several controls over cash handling, such as endorsing checks immediately upon receipt, investigating daily collection discrepancies before final close-out, and securing unprocessed payments overnight in a safe. The Court periodically audits the cash handling practices at each court location, including observing whether cash drawer remains locked between customers, receipts provided to customers, the safe log is being used, and manual receipts are tracked. Other good practices include properly segregated incompatible job duties and void approvals through supervisory oversight. However, our review revealed opportunities for improvement as described in the following section.

5.1 Certain Cash Practices Could be Improved

While the Court has many good cash processes and practices, we noted the following areas that should be improved:

- The Court does not regularly review fee waivers for accuracy and appropriateness. While the Accounting Department actively reviews cases in SUSTAIN for financial accuracy, this scrutiny primarily focuses on voids, fine reductions, cases in collections, or cases that have been brought to the Accounting Department's attention by other court staff. According to the Finance Manager, current Accounting Department practice includes reviewing the "Fee Waiver" tab in SUSTAIN to ensure it includes pertinent information from the fee waiver application to justify the fee waiver, notifying the appropriate Court

Clerk and department supervisor if information is missing. However, this review process does not require the Accounting Department to verify information recorded in SUSTAIN is supported by an appropriately approved fee waiver application. Depending on the volume of fee waivers processed each month, the Court should consider a periodic review of a sample of fee waivers for appropriateness and supportability.

- Each court location only designates one person to process mail, and while we found that mail was opened in a visible area in clear view of court staff, FIN Manual Policy 10.02 §6.4 guidelines describe a rotating two-person team approach to the mail opening process as the way to provide the strongest protection of trial court assets.
- While the majority of Imperial County Superior Court locations appropriately restrict access to court safes, at the Brawley Court location all court clerks (as well as the Court Supervisor) are privy to the safe combination.

As a result, court assets may be vulnerable to avoidable loss due to risks associated with unauthorized fee waivers, reduced collections revenue, mishandling of mail payments and payment processing fraud.

Aside from these recommended improvements, it is also prudent to raise an additional opportunity for the Court's consideration. While we found the Court to employ a robust Enhanced Collections Program, it excludes non-adjudicated cases—such as Failures to Appear—from its collection program efforts. This practice may be unnecessarily limiting delinquent collection revenue and diminishing the authority of a judicial order for failures to appear.

Recommendations

To tighten controls surrounding cash collections and the recording of case information into SUSTAIN, as well as deter and detect potentially inappropriate activities, the Court should:

2. Generate fee waiver browse reports from SUSTAIN to verify that waived fees are supported by approved fee waiver applications and orders.
3. Assign two persons to open mail and process cash collections. If not feasible, the Court should continue to ensure that the person assigned open mail does so in a visible area in clear view of other court staff as a small mitigating control against loss or theft.
4. Reaffirm court practice which limits the number of court staff that are privy to the safe combination at each court location.
5. Revisit current practices related to cases submitted into the Court's Enhanced Collections Program to ensure all outstanding amounts owed by defendants are captured for potential revenue recovery.

Superior Court Response

2. The Court agrees with the recommendations.

Subsequent to this audit, the Court has implemented a quarterly audit to compare the physical court fee waiver record to the information recorded in the case management system. Additionally, we will randomly investigate/research fee waivers for accuracy.

3. The Court will continue to ensure that the person assigned to open mail does so in a visible area in clear view of other court staff.
4. Upon learning that the Brawley safe combination had not been appropriately restricted, the Court re-tumbled the safe and implemented the same restrictions as all other Court sites.
5. The Court supports collection efforts that enforce judicial orders and will re-visit adding the failure to appear cases to the collection program.

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6. Information Systems

The Court utilizes a variety of information technology (IT) systems to serve its needs, including SUSTAIN Justice Edition (case management system), Judicial Data Systems (JDS) Corporation, Paychex (payroll system), and Phoenix-FI (fiscal system). The Court operates its own technology (IT) department. The IT Department functions as the primary manager of court information systems; however, the California Court Technology Center (CCTC) maintains the Court's access to the CMS, SUSTAIN, though the Court Technology Manager has the ability to make employee user access changes. They provide the Court with technology services including network administration, access and security, anti-virus support, and system backup. During Fiscal Year 2009-2010, the Court spent approximately \$334,000 on technology related expenses, as detailed by Table H in Appendix B.

As part of our audit, we analyzed various automated controls and processes as well as limited system programming, including:

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

Overall, the Court has several good controls in place over its information systems such as restricted access to the server room, appropriately controlled climate in the server room, and daily remote backup to an offsite location. Several controls were in place over the Court's systems including unique login and password profiles, adequate physical security over system equipment, and effective system backup procedures. At the same time, our audit revealed opportunities for improvement. Specifically, we noted some inaccuracies in the way SUSTAIN calculates the Court's distribution of fine revenue.

6.1 Some Fine Calculations were Incorrectly Assessed and Distributed

To automatically calculate and distribute fees and fines based on the Court's interpretations of applicable laws and the State Controller's *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C*, the Court relies on codes programmed into its SUSTAIN case management system. When legislation changes or modifications are needed, the courts work together with SUSTAIN and the AOC's SUSTAIN user group to make adjustments to the system's assessment and distribution formulas. Before changes become part of the production environment in SUSTAIN, they will first be verified in a test environment to ensure that calculations are accurate—each court tests the changes independently.

During our audit, we selected several different violation types for review as follows:

1. Fish and Game 7145(a)
2. Speeding pursuant to Vehicle Code 22356(b)
3. Red-Light violation pursuant to Vehicle Code 21457(a)
4. Rail Road violation pursuant to Vehicle Code 22451(b)
5. Traffic School for violation of Child Seat Restraint pursuant to Vehicle Code 27360.5(a)
6. Traffic School for violation of Child Seat Restraint pursuant to Vehicle Code 27360.5(b)
7. Driving with a Suspended License pursuant to Vehicle Code 14601.5(a)
8. Traffic School for violation pursuant to Vehicle Code 24250
9. Penal Code 243 (e)(1)
10. Driving Under the Influence pursuant to Vehicle Code 23152(b)
11. Health and Safety Code 11357(b)

In most cases, we found that the Court's SUSTAIN case management system accurately distributed revenue collected through the selected cases. However, we also noted the following four exceptions—one of which resulted from incorrect coding in the SUSTAIN system and three of which resulted from judicial decisions when assessing bail, penalties, and assessments.

- **Court did not apply the 30 percent Red Light Fund deduction to the State Courthouse Construction GC 70372(a) Assessment and Distributed Too Much to the Two Percent State Automation Fund**

We found two cases in which the Court did not properly reduce the Courthouse Construction Fund (GC 70372(a)) by 30 percent pursuant to PC 1463.12. As a result, the Court over-remitted distributions to the Courthouse Construction Fund and under-remitted distributions to the Red Light Fund. In the first case—a rail road violation—the Court over-remitted \$2.94 to the Courthouse Construction Fund and under-remitted by the same amount to the Red Light Fund. In the second case—a red light violation—the Court over-remitted \$2.94 to the Courthouse Construction Fund. Additionally, in this case, \$1.92 was over-remitted to the 2 percent State Automation Fund, which could not be explained by the Court. As a result, in total, \$4.86 was under-remitted to the Red Light Fund.

According to the Court, it has worked with its SUSTAIN contractor to resolve the distribution error for rail road distributions, and planned to resolve the distribution error for the red light distributions in January 2011.

- **Judge did not assess enough bail to fulfill all required distributions**

Typically, the total bail amount is determined by using a base bail amount with added penalties and assessments. In some cases, however, judges will assess a total bail amount in lieu of assessing base bail plus penalties and assessments. When this occurs, the Court may not assess enough monies to distribute the correct amounts to each fund, as required by statute. For instance, in one case tested—a Health and Safety violation—the Judge

assessed a total of \$100, an amount insufficient to cover all mandatory distributions. Unable to distribute the \$100 in accordance with statute, staff must rely on the Judge's direction for guidance; however, the Judge did not specify how the \$100 was to be distributed. According to the Court, because the Judge only assessed \$100, the Court assumed the monies should be distributed to State Restitution pursuant to PC 1202.4.

- **Certain Administrative Fees were not assessed**

Statutes allow certain fees and assessments to be added to the base bail amounts on some criminal violations. For instance, pursuant to PC 1463.07, a \$10 citation processing fee should be collected from each person cited and released or a \$25 administrative screening fee if the person is arrested and released on their own recognizance should be assessed—fees considered by the AOC to be mandatory. However, our testing revealed:

- The \$25 Administrative Screening Fee upon conviction of a criminal offense other than an infraction pursuant to Penal Code 1463.07 was not assessed for one type of the violations tested, and
- The \$10 Citation Processing Fee upon conviction of a criminal offense other than an infraction pursuant to Penal Code 1463.07 was not assessed for one type of the violations tested.

- **Total fine assessed for DUI case was not consistent with the Uniform Bail and Penalty Schedule**

For one DUI case tested, the Judge assessed a total bail amount that was higher than required based on the Uniform Bail and Penalty Schedule. As a result, the Court's SUSTAIN case management system distributed the monies based on a "top down approach." Instead of adding penalties and assessments to a base fine to come up with a total fine amount, judges sometimes order a total fine amount, thus requiring court staff and case management systems to determine base fine and penalty and assessment amounts. Although in this case the CMS distributed the monies appropriately, in many cases, this approach results in penalty and assessment distributions that deviate from statutorily required amounts.

While our testing of the Court's DUI distribution found that its "top down" calculations were materially accurate, we found that the amount ordered was more than the Uniform Bail and Penalty Schedule. This occurred due to the following two factors:

- 1) The Court Room Clerk is responsible for entering all the components of the bail so that the Judge has the total bail amount that is large enough to cover all buckets. In this case, however, the Courtroom Clerk did not include the additional \$50 fee for the Alcohol Abuse Fund pursuant PC 1463.25 in the total bail amount; and
- 2) Per the bail schedule, violations on or after June 10, 2010 are subject to an increase in the amount assessed for DNA pursuant to GC 76104.7 from \$1 per \$10 to \$3 per \$10—applicability of this increase is based on the violation date, not the conviction date. However, in one case tested, we found that the judge

assessed bail based on conviction date (occurring after June 10, 2010) rather than violation date (which was in March 2010). As a result, the increased penalty amount was assessed when the increase was not applicable.

Since the calculation of the total bail amount was \$50 too little due to the failure to include the PC 1463.25 and \$78 too much due to calculation of GC 76104.7, the ending result was a \$28 difference in the bail amount ordered and the bail amount per the Uniform Bail and Penalty Schedule. As a result, the defendant was required to pay more than was intended though ultimately it is the Judge's discretion as to the total amount of bail ordered.

Finally, for one Traffic School Violation tested, the Court did not deduct 2 percent from the City portion of the base fine, because the 2 percent State Automation fee does not apply in traffic school cases. However, as clarified in SCO's Appendix C version 22, the City portion of the base fine amount should be reduced by 2 percent, regardless of whether it is a traffic school case or not. According to VC 42007(c) if the violation is a city arrest, an amount equal to the amount that would have been deposited in the treasury of the appropriate city is deposited with the city. Because the amount that would have normally been deposited with the city would have been net of the 2 percent State Automation deduction, the amount deposited with the city under VC 42007(c) should also be net of this 2 percent State Automation deduction. In Traffic School cases, however, the 2 percent deducted would not be deposited into the State Automation fund. Instead, because it is a traffic school case, the monies would remain on deposit with the County. The Court should work with its case management system administrator to update the distribution tables to reflect this change.

Recommendations:

To ensure appropriate calculation and distribution of fines, fees and penalty assessments, the Court should:

6. Ensure total bail provided to the Judge includes all penalties and assessments applicable to the case.
7. Work with SUSTAIN User Group to program SUSTAIN to ensure the 30 percent deduction for the Red Light Fund is applied to all applicable buckets.
8. Ensure the \$25 O/R Administrative Screening Fee Pursuant to PC 1463.07 or the \$10 Citation Processing Fee pursuant to PC 1463.05 is assessed when applicable. In addition, ensure the SUSTAIN tables for the O/R Administrative Screening Fee are correct in SUSTAIN.
9. Ensure the distribution formulas in SUSTAIN are correct to address the errors noted above and continue to ensure that all fee/fine revenue distributions comply with relevant laws, regulations, and guidance. If necessary, seek clarification and guidance from the AOC on configuring accurate distributions in the SUSTAIN case management system.

Superior Court Response

6. The Court agrees that the total amount of bail ordered is at the Judge's discretion. In the DUI case referred to above, the amount the Judge ordered was in compliance with

legislation. In addition, all the mandatory distributions were included and the revenue that was collected was distributed accurately.

Regarding the Health and Safety violation referred to above, the Accounting department will audit cases that do not have the minimum mandatory fines and do not have minute orders that 1) indicate that credit is being given for time served or 2) indicates the party does not have the ability to pay, or 3) does not indicate how the fine should be distributed. The audit results will be shared with the bench, management and supervisors as needed to better document the reason for any reduced fine.

7. The Administrative Office of the Courts (AOC) manages and funds the implementation of fee schedule changes to the SUSTAIN system. This is done as there are economies in scale for the AOC to manage this process Statewide. The red light distribution was recently clarified by the State Controller and the AOC implemented the change subsequent to this audit finding. The Court does not have control over how quickly the programming changes are made.
8. The Court is working on a process to ensure the \$25 O/R Administrative Screening Fee Pursuant to PC 1463.07 and the \$10 Citation Processing Fee pursuant to PC 1463.05 is assessed.
9. The Administrative Office of the Courts (AOC) manages and funds the implementation of fee schedule changes to the SUSTAIN system. This is done as there are economies in scale for the AOC to manage this process Statewide. The red light distribution was recently clarified by the State Controller and the AOC implemented the change subsequent to this audit finding. The Court does not have control over how quickly the programming changes are made.

Auditor's Response and Clarification

To clarify our position regarding Recommendation No. 6, we recommend that the Court ensure total bail provided to the Judge includes all penalties and assessments because most of the instances in which distributions did not agree to the Uniform Bail and Penalty Schedule were the result of judicial orders and not inaccuracies in SUSTAIN calculations.

This is true of the DUI case referred to in your response. For this case, records reveal that the total fine assessed, including base fine, penalties and assessments, did not agree with the Uniform Bail and Penalty Schedule. The total amount assessed exceeded the minimum assessment required based on the date the violation occurred. According to the Court, the Judge and/or the courtroom clerk relied on an updated Uniform Bail and Penalty Schedule, which included an increased DNA assessment in the amount of \$78 pursuant to GC 76104.7—an assessment that did not apply to this DUI violation. At the same time, the total bail amount calculated by the judge and/or court clerk did not include the standard \$50 Alcohol Abuse penalty pursuant to PC 1463.25. In this particular case, the additional \$78 assessed in error covered the \$50 penalty not assessed, providing SUSTAIN sufficient funds to distribute the minimum amount to all distribution accounts and to spread the excess \$28 among the remaining accounts.

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In future cases, neglecting to include the \$50 assessment will likely result in a shortage that will underfund certain distribution accounts.

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7. Banking and Treasury

Government Code 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the Court’s control. As with other courts, the Imperial County Superior Court relies on the TCAS to provide critical financial support and banking services, including monthly bank reconciliations between bank statements and general ledger information from the Phoenix-FI system as well as providing daily cash reports to the Court. However, any bank accounts outside of the AOC Treasury are the responsibility of the Court who must ensure that those accounts are reconciled and appropriate month-and year-end cash balances are accurately recorded in Phoenix-FI. Although the Court regularly reconciles its bank accounts, our review revealed that the Court should better segregate responsibilities related to its banking activities.

At the end of June 2010, the Court had 12 bank accounts—seven with Bank of America through the AOC, four with Union Bank of California, and one with First American Title—which were all reported to the AOC on the “Report of Bank/Savings and Loan Association Accounts Outside the Treasury System” pursuant to FIN Manual Section 13.01 §6.6.

Table 3: Court’s Bank Accounts

#	Bank Name	Account Number	Purpose	Balance Per Bank FYE 6/30/10
1	Bank of America	XXXXXX7300	Disbursement	\$0
2	Bank of America	XXXXXX5026	Operations	\$0
3	Bank of America	XXXXXX2182	Operations	\$292,670*
4	Bank of America	XXXXXX3531	Payroll	\$20,649
5	Bank of America	XXXXXX5106	Revolving	\$25,000
6	Bank of America	XXXXXX0764	UCF	\$0
7	Bank of America	XXXXXX0301	UCF	\$15,060*
8	Union Bank of California	XXXXXX-20261	Jury	\$25,666
9	Union Bank of California	XXXXXX3788	Trust	\$1,307,273
10	Union Bank of California	XXXXXX3761	Fine Disbursements	\$1,284,577
11	Union Bank of California	XXXXXX2787	Interest-Bearing Trust	\$58,033
12	First American Title	DIV-XXX5973	Escrow Account	\$561,342
Total				\$3,590,270

*Per account balance listed in AOC records as of 6/30/10

Our audit revealed that the Court regularly and sufficiently conducts monthly bank account reconciliations of their local Union Bank accounts as well as reviews the AOC-prepared bank reconciliations for the Bank of America accounts. For the remaining account with First American Title, the Court reviews that escrow account at year end. Court practices require

supervisory review and “sign off” approval on the reconciliation package by the Finance Manager—yet, our review discovered only one of the four Union Bank account reconciliations contained Finance Managers initials indicating approval, although the Court presented detailed and extensive worksheets that reconciled the bank balance to the GL balance. Review of a subsequent month’s Union Bank reconciliations revealed that the Finance Manager initialed three of four reconciliations. Further, we found a weakness in structure that could be improved as described below.

7.1 Segregation of Duties Related to Payroll Responsibilities Could be Improved

While the Court employs generally strong controls over banking and accounting practices, our audit highlighted the need to better segregate conflicting duties related to banking transactions. Specifically, we found that fiscal staff—including the Finance Manager—have the ability to access the payroll system and make changes to the final amount of pay received; the Finance Manager is the final approving authority for the payroll file before it is sent to the Court’s contract vendor, Paychex, for processing, and the Finance Manager controls the payroll check stock. As such, there is heightened risk that fiscal staff could alter their own compensation without detection by court management, and the Finance Manager position could inappropriately create, sign, and issue a payroll check without management’s knowledge. According to the Finance Manager, any changes made by the Accounting Department would be temporary and limited to the single pay period for which the change occurred, reducing the risk of inappropriate changes occurring over long periods of time. Nevertheless, to better detect inappropriate changes, we recommend that the Human Resources Department be responsible for reviewing payroll for fiscal staff and the Finance Manager for appropriateness and accuracy.

Recommendations

To ensure the Court is operating in a strong fiscal control environment related to its bank account activities, the Court should consider the following:

10. Segregate duties related to payroll processing responsibilities to ensure that one position does not hold too much control over incompatible activities. Specifically, the Court could incorporate a practice for the Human Resources Department to regularly review the payroll register of all Fiscal staff and the Finance Manager as a mitigating control against possible inappropriate activity and fraud.
11. Ensure that supervisory review and approval of bank reconciliations are evidenced by the reviewer signatures/initials and dates.

Superior Court Response

10. The Court agrees with the recommendations.

After payroll is processed, but before checks are distributed, Human Resources is given all payroll checks or check stubs. Human Resources reviews the payroll changes and accruals. The Court has implemented the suggested change and Human Resources also specifically reviews fiscal staff checks. In addition, each payroll, the CEO reviews a system generated check reconciliation report that includes each employees name and check amount.

11. Accounting staff prepare bank reconciliations monthly and present them to the Fiscal Manager for signature. The Court reviewed the prior twelve months and subsequent eight months of Union Bank reconciliations and the June reconciliations were the only Union Bank reconciliations that were filed prior to obtaining signature. The Fiscal Manager has reminded Accounting staff that they cannot file bank reconciliations without signature.

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8. Court Security

The Imperial County Sheriff's Office, as well as a private security company, Desert Security Services, provides all security services for the Court's locations. Services provided by the Sheriff's Office include bailiff-related functions when court is in session, building perimeter security, and inmate transport. Desert Security Services provides security screeners for all court locations. As shown in Table J in Appendix B, the Court spent slightly more than \$1.45 million on security related expenditures during Fiscal Year 2009-2010.

We reviewed courtroom and building security measures at four locations (Brawley, Calexico, El Centro-Valley Plaza, and the main courthouse in El Centro), and noted some areas where the Court could improve its physical security. Due to the sensitivity of Court-related security matters, this information will be submitted to the Court under separate cover.

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9. Procurement

Since the Imperial County Superior Court's migration to the Phoenix-FI system in January 2007, the Court assumed conducting its own accounting and fiscal processes, both with Phoenix-FI as well as their own informal purchasing practices for small cost, frequent purchases. The Court created a Fiscal Policies and Procedures Manual which details various aspects of the Court's procurement process, including Contracting, Fuel Card Use and Purchase Order (PO) creation. The manual is available to all fiscal staff as an immediate desk reference to help ensure adherence to proper procurement protocols.

We found the Court had many strong controls in place over its procurement process and generally complied with FIN Manual requirements and best practices. For instance, the Court uses purchase requisitions, purchase orders, and approval of purchase orders prior to the actual purchase being made. Additionally, the Court uses a signature authorization matrix establishing approval protocols for purchase requisitions, travel, direct invoice payment, and check signers. During this audit, however, we noted one area in particular that the Court should improve upon.

9.1 Court Needs to Use or Document Use of Competitive Practices

According to the Finance Manager, the Court follows FIN Manual guidelines for obtaining quotes and informal offers for high value goods/services, requiring copies of quotes be attached to invoices, and a notation place in Phoenix-FI detailing the procurement method used. Yet, in practice, we found improvements needed in the Court's contracting practices.

Fieldwork revealed that the Court did not always provide documentary evidence that purchases made were a result of obtaining multiple quotes or informal bids from vendors for purchases valued between \$500 and \$10,000 or through a competitive bid process for contracts valued over \$10,000. For example, our testing of invoices revealed an instance where procurement documents lacked evidence of quotes or bids. Specifically, an invoice submitted for vehicle repairs totaling \$872 did not contain evidence that the Court was obtaining multiple quotes or bids before ultimate vendor selection. Without documenting the rationale for vendor selection through soliciting multiple quotes or competitive bids, the Court cannot illustrate a fair selection process to stakeholders and ensure the Court receives the best value for goods and services procured.

Recommendation

To ensure court contracting practices are compliant with the FIN Manual 7.01 and protect the Court's interests, the Court should:

12. Reinforce importance of consistently following court and FIN Manual practices to obtain and document competitive bids as appropriate to ensure the Court is receiving the best value and best quality for the services and products it procures.

Superior Court Response

12. The Court agrees with the recommendation. Upon review of the tire purchase, the manager did obtain competitive quotes, but the quotes were not attached to the purchase order. The Fiscal Manager has reminded Accounting staff to attach the quotes to the purchase order.

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10. Contracts

At the time of our review, the Imperial County Superior Court had approximately 65 contracts in place, including MOUs with the Imperial County Sheriff's Department for security services as well as the County Public Defender's office for Juvenile Dependency counsel, and contracts with vendors for services such as maintenance of the case management system and professional legal consulting.

10.1 Court Contracting Practices Could be Improved

In general, most of the contracts we reviewed contained the appropriate elements related to cost, schedule, scope, and general terms and conditions. The Court has been diligent in ensuring that its relationships with other governmental organizations and private entities are memorialized in formal contractual agreements. As a result, the Court is well positioned to ensure its interests are protected, it receives agreed-upon goods and services, and that parties can be held accountable for non-compliance with agreed-upon provision. However, we found improvements could be made to the Court's contracting practices as described below.

- While the MOUs and Plan of Cooperation between the Court and the County appropriately detail the agreed-upon services and rates, as required by FIN Manual 7.02, §6.5, some of the equipment listed in the MOU may be in question. Specifically, flashlights, raincoats, and equipment bags could be considered allowable if part of the Court's Disaster Recovery/Emergency Plan in accordance with FIN Manual Section 14.01 Court Security.

Recommendation

To ensure court contracting practices are compliant with the FIN Manual 7.01 and protect the Court's interests, the Court should:

13. Work with the Sheriff to obtain additional information about the use and allowability of certain equipment listed in the MOU.

Superior Court Response

13. The Court agrees with the recommendation.

If the Court is given an opportunity to negotiate bailiff services in the future, we will consider the use and allowability of certain equipment listed in the MOU.

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11. Accounts Payable

During Fiscal Year 2009-2010, the Court expended more than \$14.1 million on court operational activities. Next to salary and benefit costs totaling approximately \$8.25 million, the Court's largest operating expense category was contracted services for general consultants, administrative services, interpreters, reporters, and other court-ordered professional services totaling more than \$1.73 million. The other significant expenditure category was related to security services at \$1.45 million for Fiscal Year 2009-2010.

As a "self input" court, the Imperial County Superior Court processes its own expenditures in Phoenix-FI, while TCAS issues checks. Our audit revealed that the Court generally utilizes good practices over its accounts payable functions, including appropriate segregation of duties, adequate levels of supervisory review, and proper document handling. For most of the 30 invoices we tested, the Court appears to consistently follow their established procedures and practices in place, with only a few exceptions. Specifically, the Court consistently verified that supporting documents agreed with amounts invoiced and confirmed that good/services were received as part of a "three-point-match as required by FIN Manual 8.01 to ensure the procurement of services and goods are properly authorized, supported by approved purchase orders or contracts, invoice rates charged are consistent with agree-upon rates in purchase orders or contracts, and goods and services invoiced were delivered to the Court's satisfaction. While the Court appears to have adequate expenditure processing policies including having appropriate system controls in place which should mitigate acts of fraud or unintentional, inappropriate claims payment, there are some areas where improvements can be made.

11.1 Court Accounts Payable Practices Could be Improved

Based on our assessment of the Court's compliance with invoice and claim processing requirements specified in the FIN Manual as well as with policy provisions related to court reporter transcripts and contract interpreter claims, we found some areas where improvements are needed over the accounts payable practices as described below:

- Our testing revealed two instances where invoices were not appropriately approved by fiscal staff. In both instances, the claimant was also the person who reviewed and authorized payment of the invoice. In the first instance, the Finance Manager submitted and subsequently approved her claim for a professional association membership renewal purchase (totaling \$195) made on her American Express card; in the second instance, the Court Facility Manager authorized invoice payment on vehicle repair bill (totaling \$872) made with his American Express card.
- One of the five contract invoices we tested lacked support or details for the staffing hours invoiced by the vendor—Desert Service, Inc—for entrance screening services. Further, there was no written verification, approval, or okay-to-pay from the Court.
- According to Government Code §69950, payments for court transcript claims should be on a fixed fee per 100-word (folio) basis. To verify the accuracy of reporter invoices, the court clerk counts and notes the number of pages delivered on the reporters' invoice, while the supervisor compares the number of folios invoiced to the number of pages noted by the court clerk. However, neither is responsible for assessing the

reasonableness of the claimed folios when compared to the density or sparseness of the actual pages provided. We believe the Court could improve its process of verifying the accuracy of reporter invoices by evaluating the number of folios invoiced for reasonableness instead of only documenting the number of pages submitted as part of the Court transcripts delivered by the reporter.

- While the jury invoices tested contained appropriate support and review of juror payroll report and verification of services, one invoice did not contain support indicating jurors waived their fees or was ineligible to collect juror pay due to their employment by a federal, state, or local government entity—although multiple jurors did not receive compensation on the invoice tested.
- One of the four travel claims selected for our testing appeared to lack adherence to the Court’s guidelines for travel claim reimbursements. Specifically, an international travel request was not pre-approved, which goes against established court policy requiring all out-of-state and international travel claims be approved in writing (FIN 8.03 §6.1.1) by the Presiding Judge.
- One expenditure claim selected contained insufficient evidence that the Court verified the invoice submitted against the related purchase agreement. For most invoices, fiscal staff attach the purchase agreement to the invoice demonstrating that the goods and costs are consistent with the agreement. For contracts, however, fiscal staff only occasionally asserts on the invoice that the goods and costs comport with the contract terms; in other cases, no documentation is provided to demonstrate that fiscal staff performed this aspect of the three point match. According to the Finance Manager, this is because fiscal staff were sufficiently familiar with the contract terms and thus did not include evidence that verification had occurred—this process is understandable, but the lack of contemporaneous documentation makes it impossible for a third-party reviewer to verify that the full three-point match had occurred.

Recommendations

To ensure proper controls over payments of invoices as well as to minimize the risk of unauthorized purchases, the Court should:

14. To guard against the possibility of someone with invoice approval authorization approving their own inappropriate purchases, the Court should establish guidelines which restrict those with this type of authority from approving their own claims. Instead, claims should be reviewed by another manager with invoice approval authority or the claim should be reviewed and approved by the CEO.
15. Strengthen practices and consistency over accounts payable by reaffirming the following good practices and ensuring court staff are adhering to the processes:
 - a. Ensuring all supporting invoice detail is obtained, attached, and verified prior to expenditure approval;
 - b. Documenting the approval of expenditures once reviewed;

- c. Ensure that folios submitted by in-court transcript service providers are assessed for reasonableness;
- d. Creating a formal written practice for juror fee waivers that is maintained with the jury payroll files; and,
- e. Ensuring pre-approval is obtained and documented on all international travel.
- f. Documenting reviews of invoice and support for verification with contractual terms.

Superior Court Response

Effective in 2010, the Court implemented processes that all invoices, including, American Express, could not be solely approved by the Manager, even if the amount was within the manager's approval limit. This process had already been implemented prior to the audit. The auditor reviewed an invoice that occurred prior to the policy change.

The Court will initiate audits of invoices to determine if the issues identified in this section are rectified or continuing. Additional training and reminders have been given to staff. Training will continue until the Court has assurance that the items revealed in this area are rectified.

The Finance Policy does require that a three point match occur. In the last invoice discussed above, the invoice was paid per the contract, appropriately authorized, and paid in a timely fashion. Finance policy requirements were met.

Auditor Response and Clarification

To clarify, we do not contend that the invoice was not paid per the contract, that it was not authorized, or that it was not paid in a timely fashion. Rather, the lack of documentary evidence on the invoice makes it impossible for a third-party reviewer to verify that Finance Policy requirements were met, that the 3-point match was indeed performed by an independent reviewer, and that the purchasing, receiving, and invoice processing activities were appropriately segregated.

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12. Fixed Assets Management

With Fiscal Year 2009-2010 fixed assets valued at approximately \$726,000 according to its Consolidated Annual Financial Report (CAFR) worksheets and FY 2009-2010 purchases of approximately \$205,000 per Phoenix-FI records shown in Table L in Appendix B and Table 4 below, the Court exhibited good controls over its fixed assets.

Table 4. Fixed Assets Management General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
922601	MINOR OFFICE EQUIPMENT/MACHINES	\$ 2,821.13	
922601	MINOR OFFICE EQUIPMENT	\$ 2,821.13	
922603	OFFICE FURNITURE – MINOR	6,352.64	
922605	MODULAR FURNITURE - MINOR	1,369.19	
922606	NON-OFFICE FURNITURE	2,675.09	
922610	COMPUTER ACCESSORIES	4,974.15	
922612	PRINTERS	82.98	
912699	MINOR EQUIPMENT – UNDER \$5,000	3,397.20	
922600	MINOR EQUIPMENT – UNDER \$5,000		\$ 21,672.38
945207	SECURITY SURVEILLANCE	\$ 3,700.63	
946601	MAJOR EQUIPMENT – IT	179,646.25	
945200	MAJOR EQUIPMENT – OVER \$5,000		\$ 183,346.88
TOTAL EQUIPMENT			\$ 205,019.26

For instance, the Court tracks items such as furniture and computer equipment as well as all items with a value of \$500 or greater. These items are assigned an inventory number and recorded in a spreadsheet along with other critical asset data such as description, location, purchase price, and date of purchase. In addition, the Court conducts annual inventories of these assets in accordance with FIN Manual 9.01 §6.2.2. As such, we have no issues to report in this area.

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13. Audits

There are many legal requirements and restrictions surrounding the use of public resources that can lead to audits of trial court operations and finances. Courts must, as part of its standard management practice, conduct operations and account for resources in a transparent manner that will withstand audit scrutiny. Moreover, courts must demonstrate accountability, efficient use of public resources, compliance with requirements, and timely correction of audit findings. In 2007, the AOC's Internal Audit Services (IAS) issued an audit report entitled "Audit of the Superior Court of California, County of Imperial." The objectives of this prior audit included determining the extent to which the Court:

- Complied with the Trial Court Financial Policies and Procedures Manual;
- Designed and implemented an effective internal control structure over financial reporting and the safeguarding of assets and funds;
- Established internal controls to ensure compliance with laws and regulations over grants and contracts; and,
- Established internal controls to limit access to computer systems, records, and assets.

As a result, several observations were presented in 2007 to the Court that required management attention and correction. Our current audit revealed many prior audit issues had been resolved both by management and the Court's transition onto the Phoenix-FI system. For instance, the Court has addressed many audit recommendations, including:

- ✓ Improving financial recording and reporting practices over accruals;
- ✓ Creating procedures for processing cash collection shortages and overages;
- ✓ Adopting stronger password policies for access to court automated systems;
- ✓ Formalizing and approving a system disaster recovery plan assuring the continuation of essential information system functions in the event of a catastrophic event;
- ✓ Strengthening controls over physical security by adopting a formal disaster plan and conducting and documenting periodic evacuation test drills;
- ✓ Installing panic buttons at cashiering stations and establishing a schedule assuring regular testing; and,
- ✓ Updating expired memorandums of understanding with the County.

However, our current audit found only one issue from the 2007 audit for the current period reviewed as described throughout this report and, thus, it remains a concern in 2011 as well. Specifically, Domestic Violence Fee/Fine guidelines were not always accurately assessed. As a result, the Court should continue working with the bench to address this issue.

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14. Records Retention

According to FIN Manual 12.01, §3.0, “it is the policy of the trial courts to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, the trial court shall employ sound business practices that best serve the interests of the Court.” Moreover, the Courts are required to apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records. This policy applies to all trial court officials and employees who create, handle, file, and reproduce accounting and financial records in the course of their official responsibilities.

Currently, the Imperial County Superior Court stores case files, financial records, and procurement documentation at the Main courthouse for the current fiscal year and previous fiscal year. Older case files and fiscal records are stored offsite.

In compliance with FIN Manual 12.01, the Court keeps financial and business records for at least five years. However, the Court has not begun the destruction process for older fiscal records.

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15. Domestic Violence

In June 2003, the California Legislature requested IAS to audit court-ordered fines and fees in specified domestic violence cases in California. As part of this effort, IAS agreed to test the assessment of fees and fines in domestic violence cases on an on-going basis. Associated with misdemeanor or felony domestic violence convictions are a number of fees and fines dictated by Penal Code (PC). Specifically, PC 1202.4 (b)(1) requires a mandatory state restitution fine of a minimum \$100 be assessed on misdemeanor convictions and a \$200 fine on felony convictions. Additionally, if the defendant was granted formal probation, the Court is required to assess a domestic violence fee of \$400 pursuant to PC 1203.097(a)(5).

As part of our audit, we tested a sample of 20 domestic violence cases for Fiscal Years 2008-2009 and 2009-2010. Although the Court mostly assessed the appropriate State Restitution fines in almost all cases sampled, the Court did not assess the appropriate domestic violence fund fees in more than half of the cases selected as discussed in the section below. This same issue was reported in the audit of the Court issued in 2007 as well where we found that nearly all of the cases we tested that year also were not assessed the proper fine amounts for domestic violence charges and associated State Restitution fines.

15.1 Domestic Violence Fees Were Not Always Assessed In Accordance with Statute

While the Court assessed the correct mandatory state restitution fines pursuant to Penal Code 1202.4(b)(1) in 18 of the 20 cases tested, the Court did not always correctly assess fees in accordance with statutes. Specifically:

- Although all 20 cases were granted Summary Probation (in 9 cases) or Formal Probation (in 11 cases), the Court did not assess the entire \$400 mandatory Domestic Violence Fund fee Penal Code 1203.95 (a)(5) in 12 of the 20 cases (in 5 cases, fees of less than \$400 were assessed; in the remaining 7 cases, no assessment was ordered at all).
- As mentioned above, in 2 of the 20 cases selected, the Court did not assess the appropriate State Restitution fine amount pursuant to Penal Code 1202.4(b)(1).

Penal Code 1203.95(a)(5) does allow the Court to reduce or waive the fee if the Court finds that the defendant does not have the ability to pay after a hearing in court on the record. According to the Courtroom Clerk Supervisor, if the defendant is placed on Formal Probation, the County Probation Department will evaluate the defendant's ability to pay and make a recommendation to the Court for the judge's consideration and order. Although court policy requires courtroom clerks to notate a judge's assessment of the ability to pay evaluation in case files, we found that minute orders lacked any notation of the defendant's ability to pay in 13 of the 14 cases we tested with less than full fee/fines assessments.

Since the State uses these monies to fund domestic violence shelters, it is imperative that courts ensure the full probation fee amounts are always properly assessed. As such, the Court should ensure staff is knowledgeable of current legislation and assesses the statutorily mandated amounts.

According to the Finance Manager, the Court recently implemented internal “audits” of domestic violence cases to review the appropriateness of fee and fine assessments. The Court stated that it will use its audit results as a training tool to assist courtroom clerks in improving properly notating minute orders and communicating with Judges on applicable fee/fine assessments to cases.

Recommendations

To ensure all statutory fees and fines are consistently and correctly assessed on domestic violence convictions, the Court should:

16. Provide training to court staff to reinforce the importance of verifying mandatory fine and fees related to domestic violence convictions are correctly assessed.
17. Require written evaluations of the defendant’s inability to pay before judicial officers grant waivers or reductions in fines or fees assessments.
18. Continue recently implemented process of conducting internal “audits” of domestic violence cases to review the appropriateness of fee and fine assessments.

Superior Court Response

The Court agrees with the recommendations.

The Court continues to audit domestic violence fee orders every six months. Management is working with the Probation department, and the Supervisor team, to ensure that sentencing forms are updated to indicate the domestic violence fee, or by a finding by the bench officer that the party does not have the ability to pay. In addition, the Court is in the early stages of creating a process to uniformly evaluate a party’s ability to pay.

16. Exhibits

When exhibits are presented in criminal and civil cases, trial courts are responsible for properly handling, safeguarding, and transferring these exhibits as guided by statutes. Trial court and security personnel assigned these responsibilities should exercise different levels of caution depending on the types of exhibits presented. 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. Further, because exhibit rooms maintained at courts can house precious and sensitive case data, unique court evidence could be compromised, lost, or stolen without the proper controls in place—all with potentially significant impacts to the outcome of a court case.

The Imperial County Superior Court accepts and stores exhibits at three of its court locations—El Centro-Main (Main), Brawley, and Calexico Courthouses. The El Centro-Main location is the Court’s permanent exhibit storage location, excluding exhibits presented for capital cases which are stored in a secured cell at the old County Jail. However, these exhibit rooms do not hold sensitive exhibits related to drugs. Rather, it is court policy to request that the District Attorney’s office stipulate to the amount/volume of drugs introduced as evidence with those exhibits given back to originating parties for storage.

While our review of the Court’s exhibit handling processes revealed that controls designed to safeguard exhibits are in place at the Imperial County Superior Court, we noted some improvement that could be made to exhibit room practices.

16.1 Improvements Can be Incorporated into Exhibit Room Practices

Overall, we found that the Court has good exhibit room policies and procedures, destruction protocols, and tracking and inventory processes in place. However, we found areas for improvement as noted below:

- The Court relies heavily on manual recording and tracking of exhibits with no report generation capabilities of the exhibit data entered into the SUSTAIN case management system. Though the Court enters some exhibit details into their automated system, court staff informed us that the SUSTAIN system cannot compile an “inventory” report because exhibit details are listed in a ‘note’ field. As a result, the Court cannot identify the volume or content of the exhibits held by the Court at any given point in time. Without a tracking mechanism in place, the Court is at greater risk of exhibits being misplaced, lost, or stolen and would not be able to detect that an item was missing.
- Upon further review of the Court’s system, we discovered possible options for entering exhibits into the system that may enable report generation. Specifically, there is a separate ‘Exhibits’ function tab within each case in SUSTAIN that would allow court clerks to enter details such as exhibit type, description, submitting party, date marked, responsible clerk, notice to return/destroy, and destruction date into separate fields. While initial review of report generation capabilities using these fields remains unclear, this may be a future option for the Court to improve its evidence tracking capabilities.

- Additionally, the Court does not conduct annual inventories or periodic inspections of its exhibit rooms. Although the Imperial County Superior Court has implemented detailed policies and procedures regarding the acceptance, transfer, and storage of exhibits, the Court should conduct periodic inventories of exhibit rooms to better safeguard exhibits. Given that the exhibit room at the El Centro-Main courthouse holds sensitive exhibits such as weapons and jewelry in its secured safe, periodic inventories would reduce the risk of theft or possible mismanagement or loss of exhibit inventory.

Recommendations

To strengthen practices and controls over the safeguarding of exhibits, the Court should:

19. Continue exploring options with the use of SUSTAIN to record and track exhibits.
20. Implement the FIN Manual recommended exhibit inventory controls, such as conducting physical inventory audits of exhibits at least annually to ensure that exhibits are appropriately accounted.

Superior Court Response

The Court agrees with the recommendations.

The Civil Supervisor has been delegated the task of performing evidence audits at least annually to ensure that exhibits are accounted for appropriately. In addition, the Court will consider if SUSTAIN can help improve the tracking and recording of exhibits.

17. Facilities

The Trial Court Facilities Act of 2002 (SB 1732) established the governance structure and procedures for transferring responsibilities over trial court facilities from counties to the State. Currently, the Imperial County Superior Court has the following seven court locations (including the Jail Court located at the El Centro County Jail):

- El Centro Courthouse – 939 West Main Street, El Centro, CA 92243
- El Centro Infractions Court – 1625 West Main Street, El Centro, CA 92243
- Brawley Courthouse – 220 Main Street, Brawley, CA 92227
- Calexico Courthouse – 415 East 4th Street, Calexico, CA 92231
- Jail Court – 328 Applestill Road, El Centro, CA 92243
- Juvenile Court – 324 Applestill Road, El Centro, CA 92243
- Winterhaven Court – 2124 Winterhaven Drive, Winterhaven, CA 92283

According to the AOC’s Office of Court Construction and Management’s *Completed Transfer Agreements* report as of December 29, 2009, the State assumed responsibility and title for the following Imperial Court locations in late 2008: Calexico, Winterhaven, Brawley (excluding title), and El Centro (Main). Additionally, in late 2008, the State assumed responsibility, under a limited use agreement, for the Jail Court and Juvenile Court.

Moreover, the Court has been funded for the construction of a new, state-owned family courthouse in the city of El Centro. They are now in the process of selecting a site for the courthouse—slated for completion in late 2014. The new four-courtroom, 53,983 square-foot courthouse will consolidate all family and juvenile court functions into one facility—a change from the current family court structure which separates family, juvenile, and child support functions between two facilities. Construction of the new family court should improve administration of justice efficiencies for the public as well as for court staff.

As shown in Table 5, the Court spent slightly more than \$777,000 on facility related operations during Fiscal Year 2009-2010 per Phoenix-FI records; however, the vast majority of these expenditures related to the Court’s rent/storage facilities. A high-level review of facility expenses revealed no issues.

Table 5. Fiscal Year 2009-2010 Facility-Related Expenses

G/L Account	Description	Account Balance
935200	RENT/STORAGE	\$ 551,985
935300	JANITORIAL SERVICES	\$ 202,988
935400	MAINTENANCE AND SUPPLIES	\$ 18,970
935600	ALTERATIONS	\$ 3,230
935700	OTHER FACILITY COSTS-GOODS	\$ 220
FACILITY OPERATION TOTAL		\$ 777,393

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APPENDIX A: FINANCIAL STATEMENTS

According to the Governmental Accounting Standards Board (GASB), the paramount objective of financial reporting is accountability. GASB identified and defined one component of accountability—namely fiscal accountability, which 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 monies in the short term (usually one budgetary cycle or one year).

Focus on Accountability

Consistent with the mission statement of the Judicial Council, the *Strategic Plan for California's Judicial Branch 2006 – 2012* entitled *Justice in Focus* that established a guiding principle that “Accountability is a duty of public service” with 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.” Two of the detailed policies include the following:

1. Establish fiscal and operational accountability standards for the judicial branch to ensure the achievement of and adherence to these standards throughout the branch.
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.

Toward this end, 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.”

Imperial County Superior Court Financial Statements

To assist in the fiscal accountability requirements of the branch, the statewide fiscal infrastructure system, Phoenix-FI, was established and implemented at the Court in January 2007 with fiscal data processed through Trial Court Administrative Services in Sacramento for the Court using Phoenix-FI for general ledger activities. The fiscal data on the following pages are from these systems and are presented in unaudited financial statements of the Trial Court Operations Fund for the Court for the last two fiscal years. Specifically, the three financial statements are as follows:

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

While the Fiscal Year 2008-2009 information is summarized into a total funds column that does not include individual fund detail, total columns for each year are provided only for “information

purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial information is un-audited, but is presumed to be presented, as required, on a modified accrual basis of accounting, recognizing 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 categories available for courts to use: Government, Proprietary and Fiduciary. In Fiscal Year 2009-2010, the Imperial County Superior Court used the following categories and types with the classifications.

Governmental Funds

General – Used as the primary operating fund to account for all financial resources except those required to be accounted for in a separate fund. Specifically, the Court operates two general funds—Operating Fund TCTF (110001) and Operating Fund NTCTF (120001).

Special Revenue – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received) or restricted in use. Court funds are as follows:

Special Revenue

1. Donations (120002)
2. Small Claims Advisory (120003)
3. Enhanced Collections (120007)
4. Other County Services (120009)
5. Traffic Violator School (120012)

Grants

1. 1058 Family Law Facilitator Program (1910581)
2. 1058 Child Support Commissioner Program (1910591)

Fiduciary Funds

Trust – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”¹ Fiduciary funds include several different types including 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.” Court monies included here involve activities such as deposits for criminal bail trust, civil interpleader, and eminent domain cases and are all recorded in one 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 resources to individuals, private organizations, or other governments. Accordingly, all assets

¹ GASB Statement No. 34, paragraph 69.

reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held.

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. While this practice is appropriate for internal accounting purposes, GAAP expressly limits the use of fiduciary funds for external financial reporting purposes to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide financial statements.² However, they are reported as part of the basic fund financial statements to ensure fiscal accountability.

Sometimes, a government entity such as the Imperial County Superior Court will hold escheat resources on behalf of another government. In that case, the use of an agency fund would be appropriate. The Court uses two agency funds—the Civil Filing Fees Fund (450000) and the Distribution Fund (400000).

² GASB No. 34, paragraph 12.

Imperial Superior Court
 Trial Court Operations Fund
 Balance Sheet
 (Unaudited)

For the month ended June								
Fiscal Year 2009/10								2008/09
	Governmental Funds				Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue		Capital Project				
		Non-Grant	Grant					
ASSETS								
Operations	-82,052	309	0			15,060	-66,683	214,562
Payroll	15,000	0					15,000	11,137
Jury	5,940						5,940	
Revolving	25,000						25,000	25,000
Other								
Distribution								
Civil Filing Fees						0	0	215,562
Trust								
Credit Card								
Cash on Hand	2,343		0				2,343	2,450
Cash with County	561,342					2,186,021	2,747,363	3,589,236
Total Cash	527,573	309	0			2,201,081	2,728,963	4,057,947
Short Term Investment	8,048,174	10				212,400	8,260,583	7,938,899
Investment in Financial Institution								
Total Investments	8,048,174	10				212,400	8,260,583	7,938,899
Accrued Revenue	49,041	168,244					217,285	579,202
Accounts Receivable - General								
Dishonored Checks								
Due From Employee								
Civil Jury Fees								
Trust								
Due From Other Funds	375,572						375,572	319,628
Due From Other Governments	8,752	224,252					233,004	0
Due From Other Courts								
Due From State	439,234	370	46,097				485,701	368,268
Trust Due To/From								
Distribution Due To/From								
Civil Filing Fee Due To/From								
General Due To/From								
Total Receivables	872,598	392,867	46,097				1,311,562	1,267,098
Prepaid Expenses - General	39,566						39,566	80,545
Salary and Travel Advances								
Counties								
Total Prepaid Expenses	39,566						39,566	80,545
Other Assets								
Total Other Assets								
Total Assets	9,487,910	393,185	46,097			2,413,481	12,340,673	13,344,488
LIABILITIES AND FUND BALANCES								
Accrued Liabilities	143,756	44,474					188,230	249,344
Accounts Payable - General	0	0	0			0	0	0
Due to Other Funds	0	329,475	46,097				375,572	319,628
Due to Other Courts								
Due to State	42,178	3,600					45,778	44,635
TC145 Liability						227,448	227,448	215,562
Due to Other Governments	142,804						142,804	107,561
AB145 Due to Other Government Agency								0
Due to Other Public Agencies								
Sales and Use Tax	606	0					606	2,237
Interest						12	12	0
Miscellaneous Accts. Pay. and Accrued Liab.								
Total Accounts Payable and Accrued Liab.	329,345	377,549	46,097			227,460	980,450	938,967
Civil								
Criminal								
Unreconciled - Civil and Criminal								
Trust Held Outside of the AOC						2,186,021	2,186,021	3,037,694
Trust Interest Payable								
Miscellaneous Trust								
Total Trust Deposits						2,186,021	2,186,021	3,037,694
Accrued Payroll	288,567	0					288,567	251,320
Benefits Payable	2,132						2,132	118
Deferred Compensation Payable								
Deductions Payable								0
Payroll Clearing	234,594	15,319					249,913	0
Total Payroll Liabilities	525,294	15,319					540,612	251,438
Revenue Collected in Advance	0						0	10,934
Liabilities For Deposits	7,236						7,236	
Jury Fees - Non-Interest								
Fees - Partial Payment & Overpayment								
Uncleared Collections								
Other Miscellaneous Liabilities	0	0					0	330,200
Total Other Liabilities	7,236	0					7,236	341,134
Total Liabilities	861,874	392,867	46,097			2,413,481	3,714,320	4,569,233
Fund Balance - Restricted	7,553,431	947					7,554,378	6,188,363
Fund Balance - Unrestricted								
Designated	1,220,878						1,220,878	2,582,351
Undesignated	0	0	0				0	3,916
C/Y Excess (Deficit) of Rev. Over Expenses	-148,273	-629	0				-148,902	625
Total Fund Balance	8,626,036	318	0				8,626,354	8,775,256
Total Liabilities and Fund Balance	9,487,910	393,185	46,097			2,413,481	12,340,673	13,344,488

Source: Phoenix Financial System and 4th Quarter Financial Statements

Imperial Superior Court
Trial Court Operations Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
(Unaudited)

	For the month ended Jun									
	Fiscal Year 2009/10							2008/09		
	Governmental Funds				Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue		Capital Projects						
Non-Grant		Grant								
REVENUES										
State Financing Sources										
Trial Court Trust Fund	9,952,006						9,952,006	9,960,512	10,933,812	10,781,316
Trial Court Improvement Fund	45,092						45,092	42,408	55,968	29,840
Judicial Administration Efficiency & Mod									1,566	10,000
Judges' Compensation (45.25)	22,500						22,500	67,500	60,801	67,500
Court Interpreter (45.45)	604,836						604,836	671,953	627,997	630,000
Civil Coordination Reimbursement (45.55)										
MOU Reimbursements (45.10 and General)	1,133,421	0					1,133,421	1,098,474	1,155,020	1,050,303
Other Miscellaneous								24,961	33,656	71,422
	11,757,854	0					11,757,854	11,865,808	12,868,820	12,640,381
Grants										
AB 1058 Commissioner/Facilitator			280,723				280,723	253,683	256,746	266,132
Other AOC Grants										
Non-AOC Grants										
			280,723				280,723	253,683	256,746	266,132
Other Financing Sources										
Interest Income	51,986	0					51,987	71,507	155,624	220,000
Investment Income										
Donations		92					92	147	139	
Local Fees	173,869	64,425					238,294	255,247	283,607	223,077
Non-Fee Revenues	56,077						56,077	38,091	42,323	47,763
Enhanced Collections		1,150,016					1,150,016	1,067,499	1,033,279	558,358
Escheatment										
Prior Year Revenue										
County Program - Restricted	58,503	213,136					271,639	207,096	192,257	164,701
Reimbursement Other	134,895						134,895	8,752	20,205	18,624
Sale of Fixed Assets										
Other Miscellaneous	7,261						7,261	2,603	2,892	
	482,591	1,427,670					1,910,261	1,650,942	1,721,793	1,232,523
Total Revenues	12,240,445	1,427,670	280,723				13,948,839	13,770,433	14,847,359	14,139,036
EXPENDITURES										
Personal Services										
Salaries - Permanent	5,106,472	424,012	188,916				5,719,400	6,323,782	5,919,830	5,797,144
Temp Help										18,720
Overtime	5,270	83					5,353		175,897	185,660
Staff Benefits	2,116,912	248,506	90,905				2,456,322	2,807,304	2,309,090	2,842,334
	7,228,653	672,600	279,821				8,181,075	9,131,086	8,404,816	8,843,858
Operating Expenses and Equipment										
General Expense	370,644	2,399	0				373,043	456,696	469,534	370,104
Printing	120,111	842					120,953	98,943	69,411	114,473
Telecommunications	44,859	312					45,171	103,586	147,708	123,048
Postage	139,180	6,476					145,656	143,577	139,213	177,233
Insurance	9,245						9,245	10,400	9,584	40,631
In-State Travel	16,724		2,066				18,790	34,185	45,796	46,807
Out-of-State Travel	222						222	1,675	3,633	4,697
Training	1,020		1,405				2,425	3,351	3,724	7,969
Security Services	1,421,158	0	29,343				1,450,501	1,522,674	1,485,235	1,469,066
Facility Operations	735,117	42,275					777,392	779,391	423,543	533,229
Utilities	25,834	2,815					28,649	38,500	5,196	26,000
Contracted Services	1,703,793	552,657	11,958				2,268,408	2,259,781	2,744,986	2,345,912
Consulting and Professional Services	8,429						8,429	7,363	63,382	53,505
Information Technology	314,285	19,735					334,020	299,273	254,624	258,339
Major Equipment	146,932	36,415					183,347	213,281	466,740	666,169
Other Items of Expense	7,319		67				7,386	12,197	11,273	11,032
	5,064,872	663,925	44,838				5,773,636	5,984,873	6,343,584	6,248,214
Special Items of Expense										
Grand Jury										
Jury Costs	114,898						114,898	98,334	98,334	99,258
Judgements, Settlements and Claims										
Debt Service										
Other	28,132						28,132		0	0
Internal Cost Recovery	-184,919	128,954	55,964				0	-1	0	0
Prior Year Expense Adjustment	884		-884				0		0	
	-41,005	128,954	55,080				143,030	98,333	98,334	99,258
Total Expenditures	12,252,520	1,465,480	379,740				14,097,741	15,214,292	14,846,734	15,191,330
Excess (Deficit) of Revenues Over	-12,075	-37,810	-99,017				-148,902	-1,443,859	625	-1,052,294
Operating Transfers In (Out)	136,198	-37,181	-99,017				0	0	0	-44,092
Fund Balance (Deficit)										
Beginning Balance (Deficit)	8,774,309	947	0				8,775,256	8,775,256	8,774,631	8,774,631
Ending Balance (Deficit)	8,626,036	318	0				8,626,354	7,331,397	8,775,256	7,766,429

Source: Phoenix Financial System

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Appendix B: Phoenix-FI Account Detail, Fiscal Year 2009-2010

Report Section 1: Accounts Related to Court Administration

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. Guidelines and requirements concerning court governance are specified in California Rules of Court (CRC) and the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), as established under Government Code Section 77009(i) and proceduralized under CRC 10.707. Yet, within the boundaries established by the Judicial Council, each trial court has the authority and is responsible for managing its own operations. All employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity, and professionalism. All employees shall also operate within the specific levels of authority that may be established by the trial court for their positions.

Table A reflects the Court’s Fiscal Year 2009-2010 expenditures primarily reviewed in this section of the audit IAS considers these accounts primarily related with the Court’s administrative decisions and governance responsibilities and associated with this section of the report.

Table A. Court Administration

G/L Account	Description	Sub-Account	Account Balance
Expenditures			
900300	SALARIES – PERMANENT		\$ 5,507,364.94
906303	SALARIES – COMMISSIONERS	123,498.77	\$
906304	SALARIES – REFEREES & HEARING OFFICERS	72,689.65	
906311	SALARIES – SUPERIOR COURT	15,846.17	
906300	SALARIES - JUDICIAL OFFICERS		\$ 212,034.59
920500	DUES AND MEMBERSHIPS		\$ 377.33
933102	TUITION REIMBURSEMENT	225.00	\$
933103	REGISTRATION FEES - TRAINING	2,200.00	
933100	TRAINING		\$ 2,425.00

Report Section 2: Accounts Related to Fiscal Management and Reporting

Trial courts must employ sound business, financial, and accounting practices to conduct its fiscal operations. To operate within the limitations of the funding approved and appropriated in the State Budget Act, courts should establish budgetary controls to monitor its budget on an ongoing basis to assure that actual expenditures do not exceed budgeted amounts. As personnel services costs generally account for approximately 75 percent or more of many trial courts’ budgets, courts must establish a position management system that includes, at a minimum, a current and

updated position roster, a process for abolishing vacant positions, and procedures for requesting, evaluating, and approving new and reclassified positions.

In Tables B and C below are Fiscal Year 2009-2010 balances from the Court's general ledger that IAS considers primarily associated with fiscal management and reporting section of the audit report.

Table B. Salary and Benefit Liabilities

G/L Account	Description	Amount Balance
374001	PAYROLL CLEARING ACCOUNT	\$ (249,912.68)
374702	BENEFITS PAYABLE-MEDICAL	(1,900.98)
374705	BENEFITS PAYABLE-LIFE EE & ER	(15.84)
374707	BENEFITS PAYABLE – LTD EE & ER	(215.59)
376001	ACCRUED LEAVE TIME	(288,567.32)
TOTAL		\$ (540,612.41)

Table C. Salary and Benefit Expenditures

G/L Account	Description	Sub-Account	Account Balance
900300	SALARIES - PERMANENT		\$ 5,507,364.94
903300	TEMPORARY HELP		\$ 316,283.65
906303	SALARIES - COMMISSIONERS	\$ 123,498.77	
906304	SALARIES – REFEREES & HEA	72,689.65	
906311	SALARIES - SUPERIOR COURT	15,846.17	
906300	SALARIES - JUDICIAL OFFICERS		\$ 212,034.59
908300	OVERTIME		\$ 5,352.83
	SALARIES		\$ 6,041,036.01
910302	MEDICARE TAX	\$ 76,596.66	
910300	TAX		\$ 76,596.66
910401	DENTAL INSURANCE	\$ 13,942.27	
910501	MEDICAL INSURANCE	790,836.11	
910400	HEALTH INSURANCE		\$ 804,778.38
910601	RETIREMENT (NON-JUDICIAL)	\$ 1,346,233.26	
912301	RETIREMENT (SUBORDINATE & JUDICIAL OFFICERS)	33,054.66	
910600	RETIREMENT		\$ 1,379,287.92
912401	DEFERRED COMPENSATION – 401K EMPLOYER	\$ 4,418.72	

G/L Account	Description	Sub-Account	Account Balance
912402	DEFERRED COMPENSATION – 401K EMPLOYEE	3,000.00	
912400	DEFERRED COMPENSATION		\$ 7,418.72
912500	WORKERS' COMPENSATION		\$ 153,742.91
913301	UNEMPLOYMENT INSURANCE	\$ 19,617.55	
913501	LIFE INSURANCE	9,176.01	
913601	VISION CARE INSURANCE	138.48	
913699	OTHER INSURANCE	266.94	
912700	OTHER INSURANCE		\$ 29,198.98
913899	OTHER BENEFITS		\$ 5,298.75
	STAFF BENEFITS TOTAL		\$ 2,456,322.32
	PERSONAL SERVICES TOTAL		\$ 8,497,358.33

Report Section 3: Accounts Related to Fund Accounting

According to FIN Manual 3.01, Section 3.0, trial courts shall establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the Court’s financial operations. Section 6.1.1 defines a “fund” as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. A set of governmental, fiduciary, and proprietary funds has been set up in Phoenix-FI to serve this purpose.

Furthermore, the Judicial Council has approved a fund balance policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and provide uniform standards for fund balance reporting. Table D below, reflects the Court’s Fiscal Year 2009-2010 fund balances— additionally, there were no transfers in or out recorded in the system.

Table D. Fund Balances and Operating Transfers

G/L Account	Description	Sub-Account	Account Balance *
552001	FUND BALANCE – RESTRICTED	\$ (7,554,378.00)	
553001	FUND BALANCE – UNRESTRICTED	\$ (1,220,877.61)	
	TOTAL FUND BALANCE		\$ (8,775,255.61)
701100	OPERATING TRANSFERS IN		\$ (136,197.58)
701200	OPERATING TRANSFERS OUT		\$ 136,197.58

* Fund Balances shown are post-close/ending fund balance with FY 2009-2010 revenues and expenditures

Report Section 4: Accounts Related to Accounting Principles and Practices

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

In Tables E and F below are Fiscal Year 2009-2010 balances from the Court's general ledger that IAS has primarily associated with accounting principles and practices section of the audit report.

Table E. Court Accounts Receivables, Payables, and Other Current Liabilities

G/L Account	Description	Sub-Account	Account Balance
130001	A/R - ACCRUED REVENUE	\$ 217,284.89	
140001	A/R - DUE FROM OTHER FUNDS	375,571.61	
150001	A/R - DUE FROM OTHER GOVERNMENTS	233,004.04	
152000	A/R - DUE FROM STATE	485,700.97	
Total Receivables			\$ 1,311,561.51
172001	PREPAID EXPENSES		\$ 39,565.58
311401	A/P - DUE TO OTHER FUNDS	\$ (375,571.61)	
321501	A/P - DUE TO STATE	(45,778.00)	
321600	A/P - TC145 LIABILITY	(227,447.84)	
322001	A/P - DUE TO OTHER GOVERNMENTS	(142,804.40)	
323001	A/P - SALES & USE TAX	(606.00)	
323010	TREASURY INTEREST PAYABLE	(12.20)	
330001	A/P - ACCRUED LIABILITIES	(188,230.26)	
Total Accounts Payables			\$ (980,450.31)
351001	LIABILITIES FOR DEPOSITS	\$ (7,235.88)	
353090	FUNDS HELD OUTSIDE OF THE AOC	(2,186,020.93)	
374001	PAYROLL CLEARING ACCOUNT	\$ (249,912.68)	
374702	BENEFITS PAYABLE-MEDICAL	(1,900.98)	
374705	BENEFITS PAYABLE-LIFE EE & ER	(15.84)	
374707	BENEFITS PAYABLE - LTD EE & ER	(215.59)	
376001	ACCRUED LEAVE TIME	(288,567.32)	
Total Current Liabilities			\$ (2,733,869.22)

Table F. Court Revenue Sources and Prior Year Adjustments

G/L Account	Description	Sub-Account	Account Balance
812110	TCTF-PROGRAM 45.10 – OPERATIONS	\$ (8,969,475.00)	
812140	TCTF-PROGRAM 45.10 – SMALL CLAIMS – SERVICE BY MAIL	(1,044.00)	
812141	TCTF-PROGRAM 45.10 – ADMIN CHRGR RETURNED CHECK	(253.00)	
812144	TCTF-PROGRAM 45.10 – CLERKS TRANSCRIPT ON APPEAL	(79,615.02)	
812146	TCTF-PROGRAM 45.10 – COPY PREPARATION	(32,430.00)	
812148	TCTF-PROGRAM 45.10 – MANUAL SEARCH OF RECORDS	(50,289.00)	
812149	TCIF-PROGRAM 45.10 – REIMBURSEMENT OF OTHER COSTS	(14,710.00)	
812151	TCTF-PROGRAM 45.10-CUSTODY/VISITATION – MEDIATION	(2,948.00)	
812152	TCTF-PROGRAM 45.10 – RETURN CHECK	(2,543.00)	
812153	TCTF-PROGRAM 45.10 –GUARDIANSHIP INVESTIGATION	(1,311.00)	
812154	TCTF-PROGRAM 45.10 – INFO PACKAGE FOR CONSERVATORS	(59.00)	
812155	TCTF-PROGRAM 45.10 – CONSERVATORSHIP INVESTIGATION	(1,205.00)	
812158	TCTF-45.10-CUSTODY/VISITATION – FAMILY LAW FACILITATORS	(1,967.00)	
812159	TCTF-PROGRAM 45.10 – CIVIL ASSESSMENT	(780,389.00)	
812160	TCTF-PROGRAM 45.10 – MICROGRAPHICS	(13,368.00)	
812165	TCTF -PROGRAM 45.10 – STEP PARE	(400.00)	
812100	TCTF - PGM 10 OPERATIONS		\$ (9,952,006.02)
821122	LOCAL FEE 2	\$ (17.00)	
821123	LOCAL FEE 3	(100.00)	
821124	LOCAL FEE 4	(4,384.50)	
821170	GC26840.3 MARRIAGE LICENSE	(6,267.80)	
821181	PC1205d INSTALLMENT FEE	(98,402.26)	
821183	PC1463.22A INSURANCE CONVICTION	(16,351.77)	
821190	VC11205m TRAFFIC SCHOOL	(64,425.27)	
821191	VC40508.6 DMV HISTORY/PRIOR	(48,345.44)	
821000	LOCAL FEES REVENUE		\$ (238,294.04)
821200	ENHANCED COLLECTIONS - REVENUE		\$ (1,150,016.43)
822000	LOCAL NON-FEES REVENUE		\$ (56,077.05)
823000	OTHER - REVENUE		\$ (7,352.46)
825000	INTEREST INCOME		\$ (51,986.84)

G/L Account	Description	Sub-Account	Account Balance
<i>SUB-TOTAL TRIAL COURTS REVENUE SOURCES</i>			<i>\$(11,455,732.84)</i>
831000	GENERAL FUND - MOU/REIMBURSEMENTS		\$ (224,762.32)
832010	TCTF GENERAL MOU REIMBURSEMENTS	\$ (90,388.00)	
832011	TCTF-PGM 45.10- JURY	(102,206.56)	
832012	TCTF-PGM 45.10- CAC	(711,809.00)	
832013	TCTF-PGM 45.10-ELDER ABUSE	(4,255.00)	
832000	PROGRAM 45.10 - MOU/REIMBURSEMENTS		\$ (908,658.56)
833000	PROGRAM 45.25 – JUDGES SALARIES REIMBURSEMENTS		\$ (22,500.00)
834000	PROGRAM 45.45 – COURT INTERPRETER REIMBURSEMENTS		\$ (604,835.52)
837000	IMPROVEMENT FUND – REIMBURSEMENTS		\$ (45,091.81)
838000	AOC GRANTS – REIMBURSEMENTS		\$ (280,723.27)
840000	COUNTY PROGRAM – RESTRICTED		\$ (271,639.42)
860000	REIMBURSEMENTS – OTHER		\$ (134,894.97)
<i>SUB-TOTAL TRIAL COURTS REIMBURSEMENTS</i>			<i>\$ (2,493,105.87)</i>
<i>REVENUE TOTAL</i>			<i>\$(13,948,838.71)</i>

Report Section 5: Accounts Related to Cash Collections

The FIN Manual Section 10.02 was established to provide uniform guidelines for trial court employees to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders.

Additionally, FIN 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts should institute procedures and internal controls that assure safe and secure collection, as well as accurate accounting of all payments.

In Table G below, are balances from the Court’s general ledger for Fiscal Year 2009-2010 that IAS considers to be primarily associated with this audit report section.

Table G. Cash Collections Accounts

G/L Account	Description	Account Balance
100000	POOLED CASH	\$ 307,730.33
100025	DISBURSEMENT CHECK – OPERATIONS	(374,035.67)
111100	CASH-OPERATIONS CLEARING	(377.60)
113000	CASH-JURY FUND	5,939.73
114000	CASH-REVOLVING	25,000.00
116000	CASH-PAYROLL	15,000.00
119001	CASH ON HAND – CHANGE FUND	2,200.00
119002	CASH ON HAND – PETTY CASH	143.33
120001	CASH WITH COUNTY	561,341.80

G/L Account	Description	Account Balance
120002	CASH OUTSIDE OF AOC	2,186,020.93
120050	SHORT TERM INVESTMENTS-LA	7,938,184.85
120051	SHORT TERM INVESTMENTS-CA	322,398.48
Cash and Cash Equivalents		\$ 10,989,546.18
952599	CASHIER SHORTAGES	\$ 175.30

Report Section 6: Accounts Related to Information Systems

Information systems used by the Court include the SUSTAIN Justice Edition Case Management System (CMS) that has an integrated cashiering module, Judicial Data Systems case management system (used to maintain cases established prior to 2002), Jury 2000 PLUS and iJuror for jury management, attendance and payroll, Paychex for employee payroll processing, QuickBooks Pro 2007 to manage check writing from the revolving account and upload data from Paychex, and Phoenix-FI for the recording of financial transactions. In Table H are balances from the Court’s general ledger that IAS considers to be primarily associated with the information systems section of the audit report.

Table H. Information Technology General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
943200	IT MAINTENANCE & SOFTWARE		\$ 144,251.61
943400	IT INTER-JURISDICTIONAL		\$ 100.00
943501	IT REPAIRS & SUPPLIES	\$ 8,192.96	
943502	IT SOFTWARE & LICENSING FEES	164,568.05	
943503	COMPUTER SOFTWARE	10,169.94	
943505	SERVER SOFTWARE	6,286.68	
943599	IT REPAIRS/SUPPLIES/LICENCES	(0.14)	
943500	IT REPAIRS/SUPPLIES/LICENCES		\$ 189,217.49
943700	IT OTHER		\$ 450.48
INFORMATION TECHNOLOGY (IT) TOTAL			\$ 334,019.58

Report Section 7: Accounts Related to Banking and Treasury

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the Courts’ control. FIN 13.01 establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. The Court deposits its daily collections (including fees, fines, and forfeitures and delinquent collections) into their revenue disbursements account, excluding monies collected in trust (such as bail or civil jury collections) which go into the trust account (trust monies are deposited into the interest bearing trust account by depositor’s request or judge’s order only). The Court

deposits Civil Filing Fees into their Revenue Disbursement on a daily basis as well, waiting to transfer these monies into the Bank of America UCF account during the Court's monthly close out.

Table I. Banking and Treasury General Ledger Line Items

G/L Account	Description	Account Balance
100000	POOLED CASH	\$ 307,730.33
100025	DISBURSEMENT CHECK – OPERATIONS	(374,035.67)
111100	CASH-OPERATIONS CLEARING	(377.60)
113000	CASH-JURY FUND	5,939.73
114000	CASH-REVOLVING	25,000.00
116000	CASH-PAYROLL	15,000.00
119001	CASH ON HAND – CHANGE FUND	2,200.00
119002	CASH ON HAND – PETTY CASH	143.33
120001	CASH WITH COUNTY	561,341.80
120002	CASH OUTSIDE OF AOC	2,186,020.93
120050	SHORT TERM INVESTMENTS-LA	7,938,184.85
120051	SHORT TERM INVESTMENTS-CA	322,398.48
Cash and Cash Equivalents		\$ 10,989,546.18
825000	INTEREST INCOME	\$ (51,986.84)
Revenues		\$ (51,986.84)
920302	BANK FEES	\$ 44,362.19
Expenditures		\$ 44,362.19

Report Section 8: Accounts Related to Court Security

Appropriate law enforcement services are essential to trial court operations and public safety. Like almost all other trial courts in the State, the Imperial County Superior Court contracts with the County Sheriff for court security services. Table J presents balances from the Court's general ledger that IAS considers to be associated with this section.

Table J. Court Security General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
934504	PERIMETER SECURITY – CONTRACT (OT)	\$ 349,177.60	
934510	COURTROOM SECURITY – SHERIFF	1,100,424.24	
934512	ALARM SERVICE	899.40	
934500	SECURITY		\$ 1,450,501.24
941101	SHERIFF – REIMBURSEMENTS	\$ 8,366.00	

Report Section 9, 10, &11: Accounts Related to Procurement, Contracts, and Accounts Payable

The FIN Manual provides uniform guidelines for trial courts to use in procuring necessary goods and services and documenting procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and documents approval by an authorized individual. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases.

Policy Number FIN 7.01 establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors as well as Memorandums of Understanding with other government entities. Not only should trial courts issue a contract when entering into agreements for services or complex procurements of goods, but also it is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the Court.

All trial court vendor, supplier, consultant, and contractor invoices and claims shall be routed to the trial court accounts payable department for processing. The accounts payable staff shall process the invoices and claims in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices and claims 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.

Table K provides balances from the Court’s general ledger that IAS considers to be primarily associated with procurement, contracting, and payable activity of the audit report sections.

Table K. Procurement, Contracts, and Accounts Payable General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
920200	LABORATORY EXPENSE		\$ 1,720.00
920300	FEES/PERMITS		\$ 159,900.47
920601	MISCELLANEOUS OFFICE SUPPLIES	\$ 55,525.10	
920602	PAPER PRODUCTS	5.42	
920605	TONER – MICROFILM EQUIPMENT	222.33	
920608	TONER	309.90	
920613	RUBBER STAMP	1,290.50	
920614	BATTERIES	342.09	
920615	BOTTLED WATER	4,492.73	
920624	MICROFILM/MICROFICHE	523.96	

G/L Account	Description	Sub-Account	Account Balance
920625	STORAGE BOXES	44.26	
920627	MISC TOOLS	1,805.03	
920628	BADGES/ID CARDS SUPPLY	128.48	
920632	AWARDS (SERVICE RECOGNITION)	81.45	
920699	OFFICE EXPENSE	34.50	
920600	OFFICE EXPENSE		\$ 64,805.75
921500	ADVERTISING		\$ 9,116.91
921700	MEETINGS, CONFERENCES, EXHIBITS		\$ 4,549.21
922300	LIBRARY PURCHASES AND SUPPLIES		\$ 72,565.49
922500	PHOTOGRAPHY		\$ 3,179.60
922601	MINOR OFFICE EQUIPMENT/MACHINES	\$ 2,821.13	
922603	OFFICE FURNITURE – MINOR	6,352.64	
922605	MODULAR FURNITURE - MINOR	1,369.19	
922606	NON-OFFICE FURNITURE	2,675.09	
922610	COMPUTER ACCESSORIES	4,974.15	
922612	PRINTERS	82.98	
922699	MINOR EQUIPMENT – UNDER \$5,000	3,397.20	
922600	MINOR EQUIPMENT – UNDER \$5,000		\$ 21,672.38
922700	EQUIPMENT RENTAL/LEASE		\$ 9,591.12
922800	EQUIPMENT MAINTENANCE		\$ 23,587.58
922900	EQUIPMENT-REPAIRS		\$ 321.03
923900	GENERAL EXPENSE - SERVICE		\$ 1,656.13
924500	PRINTING TOTAL		\$ 120,953.20
925100	TELECOMMUNICATIONS TOTAL		\$ 45,170.86
926200	STAMPS, STAMPED ENVELOPE AND DELIVERY		\$ 145,476.27
926300	POSTAGE METER		\$ 180.00
928800	INSURANCE		\$ 9,245.34
929200	TRAVEL IN-STATE		\$ 18,790.01
931100	TRAVEL OUT-OF-STATE		\$ 221.64
933100	TRAINING TOTAL		\$ 2,425.00
935200	RENT/LEASE/STORAGE		\$ 551,985.42
935300	JANITORIAL TOTAL		\$ 202,987.55
935400	MAINTENANCE AND SUPPLIES TOTAL		\$ 18,969.51
935600	ALTERATION		\$ 3,229.80
935700	OTHER FACILITY COSTS - GOODS		\$ 219.62
	FACILITY OPERATION TOTAL		\$ 1,492,519.89

G/L Account	Description	Sub-Account	Account Balance
936100	UTILITIES TOTAL		\$ 28,649.00
938200	CONSULTING SERVICES - TEMP		\$ 49,731.40
938401	GENERAL CONSULTANTS & PROFESSIONALS	\$ 69,657.02	
938403	PAYROLL SERVICE	15,498.28	
938404	ADMINISTRATIVE SERVICE	294,517.00	
938411	TRAFFIC SCHOOL MONITORING	67,157.08	
938421	GENERAL CONSULTANTS – MIL	1,217.75	
938400	GENERAL CONSULTANT & PROFESSIONALS		\$ 448,047.13
938502	COURT INTERPRETER TRAVEL	\$ 20,106.60	
938503	COURT INTERPRETER - REGISTERED	260.70	
938504	COURT INTERPRETER – CERTIFIED	157,582.77	
938509	COURT INTERPRETER - MILEAGE	46,381.87	
938511	COURT INTERPRETER - LODGING	715.00	
938500	COURT INTERPRETER SERVICES		\$ 225,046.94
938600	COURT REPORTER SERVICES		\$ 169,208.99
938700	COURT TRANSCRIPTS		\$ 51,148.87
938801	DEPENDENCY COUNSEL CHARGES FOR CHILDREN	\$ 334,566.78	
938802	DEPENDENCY COUNSEL CHARGES FOR PARENTS	442,167.69	
938800	COURT APPOINTED COUNSEL		\$ 776,734.47
938900	INVESTIGATIVE SERVICES		\$ 37,913.00
939000	COURT ORDERED PROFESSIONAL SERVICES		\$ 23,945.80
939100	MEDIATORS/ARBITRATORS		\$ 900.00
939200	COLLECTION SERVICES		\$ 467,113.85
939700	BANKING AND INVESTMENT SERVICES		\$ 18,617.12
	CONTRACTED SERVICES TOTAL		\$ 2,268,407.57
952400	VEHICLE OPERATIONS		\$ 7,210.45
942100	COUNTY PROVIDED SERVICES TOTAL (EDP)		\$ 62.80
965101	JURORS - FEES	\$ 70,999.24	
965102	JURORS - MILEAGE	43,899.00	
965100	JURY COSTS TOTAL		\$ 114,898.24
971000	OTHER-SPECIAL ITEMS OF EXPENSE		\$ 28,131.62

Report Section 12: Accounts Related to Fixed Assets Management

FIN Manual Section 9.01 states that the trial court shall establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report 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.

Table L provides balances from the Court’s general ledger that IAS considers to be primarily associated with fixed assets audit report section.

Table L. Fixed Assets Management General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
922601	MINOR OFFICE EQUIPMENT/MACHINES	\$ 2,821.13	
922603	OFFICE FURNITURE – MINOR	6,352.64	
922605	MODULAR FURNITURE - MINOR	1,369.19	
922606	NON-OFFICE FURNITURE	2,675.09	
922610	COMPUTER ACCESSORIES	4,974.15	
922612	PRINTERS	82.98	
922699	MINOR EQUIPMENT – UNDER \$5,000	3,397.20	
922600	MINOR EQUIPMENT – UNDER \$5,000		\$ 21,672.38
945207	SECURITY SURVEILLANCE	\$ 3,700.63	
946601	MAJOR EQUIPMENT – IT	179,646.25	
945200	MAJOR EQUIPMENT – OVER \$5,000		\$ 183,346.88
	EQUIPMENT TOTAL		\$ 205,019.26

Appendix C: Issues Control Log

Appendix C

**Superior Court of California,
County of Imperial**

Issue Control Log

Note:

The Issue Control Log contains all 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 that are complete at the end of the audit are indicated by the 'C' in the column labeled C. Issues that remain open at the end of the audit have an 'I' for incomplete in the column labeled I and have an Estimated Completion Date.

Internal Audit Services will periodically contact the Court to monitor the status of the correction efforts indicated by the Court. Those issues with a "_" in the Report No. column are only listed in this appendix. Additionally, there are issues that were not significant enough to be included in this report. They were discussed with the court management as 'informational' issues.

August 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1	Court Administration	1.1	Certain Administrative Practices Related to CEO Compensation Could be Improved					
			Court does not have a formally documented process for modifying CEO compensation or for conducting periodic performance evaluations.	I		The Court will create a written policy to address CEO compensation, CEO evaluations, and CEO compensation and benefit changes.	Cindy Tengler HR Manager	January 2012
2	Fiscal Management and Reporting							
			No issues identified warranting a response.					
3	Fund Accounting							
			No issues identified warranting a response.					
4	Accounting Principles and Practices							
			No issues identified warranting a response.					
5	Cash Collections	5.1	Certain Cash Practices Could be Improved					
			The Court does not regularly review approved fee waivers for accuracy and appropriateness.		C	Court recently implemented a quarterly audit to compare the physical Court fee waiver record against information recorded in the case management system.	Terri Darr Finance Manager	August 2011
			Each court location only designates one person to process mail.		C	The Court will ensure that person assigned to open mail does so in a visible area in clear view of other court staff.	Terri Darr Finance Manager and Court Supervisors	July 2011
			All Court Clerks at the Brawley Court location are privy to their location's safe combination.		C	The Court has changed the safe combination and restricted its access to limited court staff.	Kristine Kussman CEO	April 2011
			The Court excludes non-adjudicated cases—such as Failures to Appear—from its collection program efforts.	I		The Court will re-visit adding failure to appear cases to the collection program in the future.	Terri Darr Finance Manager	November 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
6	Information Systems	6.1	Some Fine Calculations were Incorrectly Assessed and Distributed					
			Court did not apply the 30 percent Red Light Fund deduction to the State Courthouse Construction GC 70372(a) Assessment, pursuant to PC 1463.12.		C	The Court recently corrected the red light distribution in its system.	Terri Darr Finance Manager	January 2011
			Judge did not assess enough bail to fulfill all required distributions.		C	The Accounting department will audit cases that do not have the minimum mandatory fines and do not have minute orders that 1) indicate that credit is being given for time served or 2) indicates the party does not have the ability to pay, or 3) does not indicate how the fine should be distributed. The audit results will be shared with the bench, management and supervisors as needed to better document the reason for any reduced fine.	Kristine Kussman CEO Terri Darr Finance Manager	August 2011
			The \$25 Administrative Screening Fee upon conviction of a criminal offense other than an infraction pursuant to Penal Code 1463.07 was not assessed for one type of the violations tested, and the \$10 Citation Processing Fee upon conviction of a criminal offense other than an infraction pursuant to Penal Code 1463.07 was not assessed for another of the violations tested.		C	The Court is working on a process to ensure the \$25 Administrative Screening Fee and the \$10 Citation Processing Fee is appropriately assessed.	Kristine Kussman CEO	August 2011
			Total fine assessed for DUI cases was not consistent with the Uniform Bail and Penalty	I		The Court claims that the amount the Judge ordered was in compliance with	Not Applicable, Court disagrees	-

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Schedule.			legislation, all mandatory distributions were included, and the revenue that was collected was distributed accurately	with audit issue identified	
7	Banking and Treasury	7.1	Segregation of Duties Related to Payroll Responsibilities Could be Improved					
			Fiscal staff has the ability to access to the payroll system and make changes to their own pay rates.		C	Human Resources will specifically review fiscal staff checks and the CEO will review system generated check reconciliation report listing each employee's name and check amount.	Kristine Kussman CEO and Human Resources	April 2011
			Selected bank reconciliations did not have evidence of supervisory review and approval		C	The Finance Manager has reminded Accounting staff to not file reconciliations without signature.	Terri Darr Finance Manager	April 2011
8	Court Security							
			No issues identified in Report.					
9	Procurement	9.1	Court Needs to Use or Document Use of Competitive Practices					
			Court did not always provide documentary evidence that purchases made were a result of a obtaining multiple quotes or informal bids from vendors for purchases valued between \$500 and \$10,000.		C	The Fiscal Manager has reminded Accounting staff to attach quotes to the purchase order.	Terri Darr Finance Manager	April 2011
10	Contracts	10.1	Contracting Practices Could Be Improved					
			While the MOU between the Court and the Sheriff's Department appropriately detail the agreed-upon services and rates, some of the equipment listed in the MOU may be in question.		C	The Court will consider the use and allowability of equipment listed in the MOU during next the contract negotiation opportunity.	Not Applicable. The Court no longer contracts with the County for Bailiff	June 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
							services	
11	Accounts Payable	11.1	Court Accounts Payable Practices Could Be Improved					
			Claimants reviewed and authorized payment of their own invoices.		C	Prior to the beginning of this audit, the Court implemented a policy in 2010 which prohibits managers from authorizing payment on their own claim/invoice, even if amount was within managers' approval limits.	Kristi Kussman CEO	2010
			Invoice lacked support or details for amount claimed by the vendor.		C	The Court will initiate audits of invoices to determine if issues identified in this section are rectified or continuing. Additional training and reminders have been given to staff. Court will continue training until items revealed in this section are rectified.	Terri Darr Finance Manager and Kristine Kussman CEO	April 2011
			Court does not assess the reasonableness of the claimed folios for Court Transcripts					
			Jury payroll claim did not contain support indicating jurors waived their fees or was ineligible to collect juror pay due to their employment by a federal, state, or local government entity.					
			International travel request not pre-approved, in writing, by the Presiding Judge.					
			Expenditure claim contained insufficient evidence that the Court verified the invoice submitted against the related purchase agreement.		C	The Court advised that the invoice was paid according to Finance Policy requirements. The Finance Manager advised that her signature is evidence that invoice agrees to contract; however, the Court may consider also adding writing/stamping 'agrees to contract' on	Terri Darr Finance Manager	April 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						all applicable invoices.		
12	Fixed Assets Management							
			No issues identified warranting a response.					
13	Audits							
			No issues identified warranting a response.					
14	Records Retention							
			No issues identified warranting a response.					
15	Domestic Violence	15.1	Domestic Violence Fees Were Not Always Assessed In Accordance with Statute					
			Court did not always correctly assess fines and fees in accordance with statutes.		C	The Court will continue to audit cases and work with Managers, Supervisors, and the Probation Department to ensure sentencing forms are updated to indicate domestic violence fee or an inability to pay.	Kristine Kussman CEO	July 2011
			Minute orders lacked any notation of the defendant's ability to pay fines and/or fees.		C	The Court will create a process to uniformly evaluate a party's ability to pay.	Kristine Kussman CEO and Terri Darr Finance Manager	July 2011
16	Exhibits	16.1	Improvements Can be Incorporated into Exhibit Room Practices					
			Court relies heavily on manual recording and tracking of exhibits. Though the Court enters some exhibit details into their automated system, the Court cannot identify the volume or content of the exhibits held by the Court at any given point in time.		I	The Court will consider if their case management system can help improve the tracking and recording of exhibits.	Kristine Kussman CEO	November 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court does not conduct annual inventories or periodic inspections of its exhibit rooms.	I		The Court has implemented a policy to conduct annual inventories of its exhibit rooms.	Lydia Antunez Civil Supervisor	December 2011
17	Facilities							
			No issues identified warranting a response.					

I = Incomplete; Court response and/or corrective action plan does not fully address issue and thus, remains incomplete.

C = Complete; Court response and/or corrective action plan addresses issue and is considered completed.

Appendix D: Court's Full Response

Court Responses to Audit of the Superior Court of California, County of Imperial

1.1 Certain Administrative Practices Related to CEO Compensation Could be Improved

Recommendation:

To tighten general court administrative practices, the Court should:

1. Develop a formal written process for setting and approving, including performance evaluations, to ensure changes made to the compensation package are appropriate and authorized, and made in a fiscally responsible manner.

Superior Court Response:

The Court agrees with the recommendation.

Human Resources carefully collected and evaluated information on Court Executive salary and benefits. Using this extensive information, the Executive Committee of the Bench approved the salary and benefits for the CEO. The Court needs to further create a policy to document its process in writing related to CEO compensation, CEO evaluations and CEO compensation and benefit changes.

5.1 Certain Cash Practices Could be Improved

To tighten controls surrounding cash collections and the recording of case information into SUSTAIN, as well as deter and detect potentially inappropriate activities, the Court should:

Recommendation:

2. Generate fee waiver browse reports from SUSTAIN to verify that waived fees are supported by approved fee waiver applications and orders.

Superior Court Response:

The Court agrees with the recommendations.

Subsequent to this audit, the Court has implemented a quarterly audit to compare the physical Court fee waiver record to the information recorded in the case management system. Additionally, we will randomly investigate/research fee waivers for accuracy.

Recommendation:

3. Assign two persons to open mail and process cash collections. If not feasible, the Court should continue to ensure that the person assigned open mail does so in a visible area in clear view of other court staff as a small mitigating control against loss or theft.

Superior Court Response:

The Court will continue to ensure that the person assigned to open mail does so in a visible area in clear view of other court staff.

Recommendation:

4. Reaffirm court practice which limits the number of court staff that are privy to the safe combination at each court location.

Superior Court Response:

Upon learning that the Brawley safe combination had not been appropriately restricted, the Court re-tumbled the safe and implemented the same restrictions as all other Court sites.

Recommendation:

5. Revisit current practices related to cases submitted into the Court's Enhanced Collections Program to ensure all outstanding amounts owed by defendants are captured for potential revenue recovery.

Superior Court Response:

The Court supports collection efforts that enforce judicial orders and will re-visit adding the failure to appear cases to the collection program.

6.1 Some Fine Calculations were Incorrectly Assessed and Distributed

To ensure appropriate calculation and distribution of fines, fees and penalty assessments, the Court should:

Recommendation:

6. Ensure total bail provided to the Judge includes all penalties and assessments.

Superior Court Response:

The Court agrees that the total amount of bail ordered is at the Judge's discretion. In the DUI case referred to above, the amount the Judge ordered was in compliance with legislation. In addition, all the mandatory distributions were included and the revenue that was collected was distributed accurately.

Regarding the Health and Safety violation referred to above, the Accounting department will audit cases that do not have the minimum mandatory fines and do not have minute orders that 1) indicate that credit is being given for time served or 2) indicates the party does not have the ability to pay, or 3) does not indicate how the fine should be distributed. The audit results will be shared with the bench, management and supervisors as needed to better document the reason for any reduced fine.

Recommendation:

7. Work with SUSTAIN User Group to program SUSTAIN to ensure the 30 percent deduction for the Red Light Fund is applied to all applicable buckets.

Superior Court Response:

The Administrative Office of the Courts (AOC) manages and funds the implementation of fee schedule changes to the SUSTAIN system. This is done as there are economies in scale for the AOC to manage this process Statewide. The red light distribution was recently clarified by the State Controller and the AOC implemented the change subsequent to this audit finding. The Court does not have control over how quickly the programming changes are made.

Recommendation:

8. Ensure the \$25 O/R Administrative Screening Fee Pursuant to PC 1463.07 or the \$10 Citation Processing Fee pursuant to PC 1463.05 is assessed when applicable. In addition, ensure the SUSTAIN tables for the O/R Administrative Screening Fee are correct in SUSTAIN.

Superior Court Response:

The Court is working on a process to ensure the \$25 O/R Administrative Screening Fee Pursuant to PC 1463.07 and the \$10 Citation Processing Fee pursuant to PC 1463.05 is assessed.

Recommendation:

9. Ensure the distribution formulas in SUSTAIN are correct to address the errors noted above and continue to ensure that all fee/fine revenue distributions comply with relevant laws, regulations, and guidance. If necessary, seek clarification and guidance from the AOC on configuring accurate distributions in the SUSTAIN case management system.

Superior Court Response:

The Administrative Office of the Courts (AOC) manages and funds the implementation of fee schedule changes to the SUSTAIN system. This is done as there are economies in scale for the AOC to manage this process Statewide. The red light distribution was recently clarified by the State Controller and the AOC implemented the change subsequent to this audit finding. The Court does not have control over how quickly the programming changes are made.

7.1 Segregation of Duties Related to Payroll Responsibilities Could be Improved

To ensure the Court is operating in a strong fiscal control environment related to its bank account activities, the Court should consider the following:

Recommendation:

10. Segregate duties related to payroll processing responsibilities to ensure that one position does not hold too much control over incompatible activities. Specifically, the Court could incorporate a practice for the Human Resources Department to regularly review the payroll register of all Fiscal staff and the Finance Manager as a mitigating control against possible inappropriate activity and fraud.

Superior Court Response:

The Court agrees with the recommendations.

After payroll is processed, but before checks are distributed, Human Resources is given all payroll checks or check stubs. Human Resources reviews the payroll changes and accruals. The Court has implemented the suggested change and Human Resources also specifically reviews fiscal staff checks. In addition, each payroll, the CEO reviews a system generated check reconciliation report that includes each employees name and check amount.

Recommendation:

11. Ensure that supervisory review and approval of bank reconciliations are evidenced by the reviewer signatures/initials and dates.

Superior Court Response:

Accounting staff prepare bank reconciliations monthly and present them to the Fiscal Manager for signature. The Court reviewed the prior twelve months and subsequent eight months of Union Bank reconciliations and the June reconciliations were the only Union Bank reconciliations that were filed prior to obtaining signature. The Fiscal Manager has reminded Accounting staff that they cannot file bank reconciliations without signature.

8. Court Should Continue Efforts to Improve Court Security

Recommendation:

To continue strengthening security at its facilities, the Court should work with the AOC and the Imperial County Sheriff's Office to determine additional security measures that could be implemented.

Superior Court Response:

The Court agrees with the recommendation.

9.1 Court Needs to Use or Document Use of Competitive Practices

Recommendation:

To ensure court contracting practices are compliant with the FIN Manual 7.01 and protect the Court's interests, the Court should:

12. Reinforce importance of consistently following court and FIN Manual practices to obtain and document competitive bids as appropriate to ensure the Court is receiving the best value and best quality for the services and products it procures.

Superior Court Response:

The Court agrees with the recommendation.

Upon review of the tire purchase, the manager did obtain competitive quotes, but the quotes were not attached to the purchase order. The Fiscal Manager has reminded Accounting staff to attach the quotes to the purchase order.

10.1 Court Contracting Practices Could be Improved

Recommendation:

To ensure court contracting practices are compliant with the FIN Manual 7.01 and protect the Court's interests, the Court should:

13. Work with the Sheriff to obtain additional information about the use and allowability of certain equipment listed in the MOU.

Superior Court Response:

The Court agrees with the recommendation.

If the Court is given an opportunity to negotiate bailiff services in the future, we will consider the use and allowability of certain equipment listed in the MOU.

11.1 Court Accounts Payable Practices Could be Improved

To ensure proper controls over payments of invoices as well as to minimize the risk of unauthorized purchases, the Court should:

Recommendation:

14. To guard against the possibility of someone with invoice approval authorization approving their own inappropriate purchases, the Court should establish guidelines which restrict those with this type of authority from approving their own claims. Instead, claims should be reviewed by another manager with invoice approval authority or the claim should be reviewed and approved by the CEO.

Superior Court Response:

Effective in 2010, the Court implemented processes that all invoices, including, American Express, could not be solely approved by the manager, even if the amount was within the managers approval limit. This process had already been implemented prior to the audit. The auditor reviewed an invoice that occurred prior to the policy change.

Recommendation:

15. Strengthen practices and consistency over accounts payable by reaffirming the following good practices and ensuring court staff are adhering to the processes:

- a. Ensuring all supporting invoice detail is obtained, attached, and verified prior to expenditure approval;
- b. Documenting the approval of expenditures once reviewed;
- c. Ensure that folios submitted by in-court transcript service providers are assessed for reasonableness;

- d. Creating a formal written practice for juror fee waivers that is maintained with the jury payroll files; and,
- e. Ensuring pre-approval is obtained and documented on all international travel.
- f. Documenting reviews of invoice and support for verification with contractual terms.

Superior Court Response:

The Court will initiate audits of invoices to determine if the issues identified in this section are rectified or continuing. Additional training and reminders have been given to staff. Training will continue until the Court has assurance that the items revealed in this area are rectified.

The Finance Policy does require that a three point match occur. In the last invoice discussed above, the invoice was paid per the contract, appropriately authorized, and paid in a timely fashion. Finance policy requirements were met.

15.1 Domestic Violence Fees Were Not Always Assessed In Accordance with Statute

Recommendations:

To ensure all statutory fees and fines are consistently and correctly assessed on domestic violence convictions, the Court should:

- 16. Provide training to court staff to reinforce the importance of verifying mandatory fine and fees related to domestic violence convictions are correctly assessed.
- 17. Require written evaluations of the defendant's inability to pay before judicial officers grant waivers or reductions in fines or fees assessments.
- 18. Continue recently implemented process of conducting internal — audits of domestic violence cases to review the appropriateness of fee and fine assessments.

Superior Court Response:

The Court agrees with the recommendations.

The Court continues to audit domestic violence fee orders every six months. Management is working with the Probation department, and the Supervisor team, to ensure that sentencing forms are updated to indicate the domestic violence fee, or by a finding by the bench officer that the party does not have the ability to pay. In addition, the Court is in the early stages of creating a process to uniformly evaluate a party's ability to pay.

16.1 Improvements Can be Incorporated into Exhibit Room Practices

Recommendations:

To strengthen practices and controls over the safeguarding of exhibits, the Court should:

19. Continue exploring options with the use of SUSTAIN to record and track exhibits.
20. Implement the FIN Manual recommended exhibit inventory controls, such as conducting physical inventory audits of exhibits at least annually to ensure that exhibits are appropriately accounted.

Superior Court Response:

The Court agrees with the recommendations.

The Civil Supervisor has been delegated the task of performing evidence audits at least annually to ensure that exhibits are accounted for appropriately. In addition, the Court will consider if SUSTAIN can help improve the tracking and recording of exhibits.