



Audit of the
Superior Court Of California,
County of Del Norte

REPORT OF
INTERNAL AUDIT SERVICES

SEPTEMBER 2012



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

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Superior Court of California, County of Del Norte

Table of Contents

MANAGEMENT SUMMARY i

STATISTICS v

FINANCIAL STATEMENTS..... vii

PURPOSE AND SCOPE..... xiii

TIMING AND REVIEWS WITH MANAGEMENT xiv

ISSUES AND MANAGEMENT RESPONSES

- 1. Court Administration 1
 - Trial Court Organization
 - Responsibilities and Authority
 - Internal Controls
- 2. Fiscal Management and Budgets 2
 - Financial Management
 - Payroll & Timekeeping
- 3. Fund Accounting..... 4
- 4. Accounting Practices 5
 - Accounting Principles
 - General Ledger
 - Grant Accounting and Administration
- 5. Cash Collections 9
 - Cash Handling
 - Enhanced Collections
 - Revenue Collection and Distribution
- 6. Information Systems 16
 - Business Continuity Planning
 - Logical and Physical Access Security
- 7. Banking and Treasury 27
- 8. Court Security 29
- 9. Procurement 30
- 10. Contracts 34
 - Contracts
 - Memorandums of Understanding
 - Contract Administration
- 11. Accounts Payable..... 39
 - Vendor Invoice and Claim Processing
 - Judge and Employee Travel Expense Reimbursement

- Business Meal Expense Guidelines
- Petty Cash

12. Fixed Assets Management	20
13. Audits	22
14. Records Retention	23
15. Domestic Violence	54
16. Exhibits	55
17. Bail	26

APPENDIX

Issue Control Log.....	57
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MANAGEMENT SUMMARY

Introduction

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

IAS initiated the audit of the Superior Court of California, County of Del Norte (Court) in May 2012. Depending on the size of the court, the audit process typically involves three or four audit cycles to fully review a court and they encompass the following primary areas:

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

IAS audits cover all four of the above areas. The audit process involves the review of the Court's compliance with California statute, California Rules of Court (CRC), the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. In 2007, IAS conducted an audit of the Court that encompassed the above four primary areas and assessed the Court's fiscal readiness for implementing the Phoenix Financial System. We provided the audit report to the Court in March 2008. IAS also contracted with Sjoberg Evashenk Consulting (SEC) to conduct an Agreed-Upon Procedures Review (AUPR) in 2002, and SEC issued its Consolidated Agreed-Upon Procedures Report and Consolidated Management Letter Comment Report in July 2003. IAS followed up on issues identified in the 2007 audit and 2002 AUPR to determine whether the Court adequately resolved previous issues.

Compliance with the Financial Integrity and State Manager's Accountability Act (FISMA) is also an integral part of the audit process. The primary focus of a FISMA review is to evaluate the Court's internal control structure and processes. IAS understands that FISMA represents good public policy and conducts internal audits incorporating the following FISMA concepts relating to internal control:

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

IAS believes that this audit provides the Court with a review that also accomplishes what FISMA requires.

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

Audit Issues Overview

This internal audit identified 90 issues identified that were consolidated into the reportable issues included in the body of the report (52 issues and recommendations), as well as other areas of noncompliance that IAS did not consider significant enough to include in the body of the report, but were nonetheless communicated to court management (38 issues and recommendations). IAS provided the Court with opportunities to respond to all the issues identified in this report and included these responses in the report to provide the Court's perspective. The Court has indicated that it has addressed approximately 50% (43 of the 90) of the recommendations of this report. IAS did not perform additional work to verify the implementation of the corrective measures asserted by the Court in its responses.

While there are six issues repeated from the last audit in 2007, only four of these are important enough for the Court to ensure corrective action is taken and maintained. One area is the payment for items by the Court as an "employee incentive." (This is a log item in Appendix A: Accounts Payable) Under incentive programs that recognize certain employees based on performance or some established criteria, this could be considered appropriate. The purchase of County fair tickets for all employees as an employee incentive is deemed to be inappropriate. The contract area contains three repeat issues that are found in many small courts but must be monitored by Court management as they are important practices. (Report section 10, issue 10.1) These include the maintenance of required contract documents in the contract files, contract performance monitoring practices relating to vendor reviews and evaluations, and ensuring required contract terms and conditions are in all contracts.

Although the audit identified numerous reportable issues, the following issues are highlighted for Court management's attention. Specifically, the Court needs to improve and refine certain procedures and practices to ensure compliance with statewide policies and procedures and/or best practices. These issues are summarized below:

Cash handling procedures could be strengthened (5.1)

To strengthen cash handling practices the Court should ensure:

- The proper control of the beginning-of-day issuance and end-of-day submission of cash bags.
- Appropriate control and accounting of cash bags during daily closeout.
- Performance of a secondary review of the daily bank deposits.

- Security over the cashiers' cash drawers.
- Periodic performance of surprise cash counts.

The Court has corrected or will shortly correct most of the concerns we have in this area.

Calculations and distributions of Court collections need to improve (6.1)

In total, we reviewed the following 13 case types:

- **Traffic Infraction (8 total)** – Speeding (2), Red Light (2), Child Restraint (2), Proof of Insurance/ Financial Responsibility (1), and Proof of Correction (1).
- **Non-Traffic Infraction (1 total)** – Fish & Game (1)
- **Misdemeanor/Felony (4 total)** – DUI (1), Reckless Driving (1), Domestic Violence (1), and Health & Safety (1)

Our review disclosed twelve issues of errors or problems in the identification, calculation, and distribution of the collections concerning these case types. The Court is awaiting specific direction and training for most of the issues identified to ensure that their system is corrected after they fully understand the nature of the issues.

Procurement and contracting practices need to improve (9.1)

The procurement and contracting practices of the Court need specific attention and enhancement to ensure compliance with the requirements of the new Judicial Branch Contract Manual (JBCM). This is especially important in light of the new audits to be conducted by the Bureau of State Audits. For a small court it is going to be a challenge to comply with all of the requirements but certain basic practices must be complied with. These include:

- Preparation of a Local Contracting Manual with an updated authorization matrix.
- Completion of purchase requisitions and orders for their procurements.
- Proper use of the purchase card which includes enforcement of limits and disallowance of its use for personal travel expenses.
- Follow the competitive procurement practices provided in the JBCM.
- All five contract reviewed were missing certain required provisions.

The court agrees that there is much improvement to be done in the areas of procurement, contracting, and contract monitoring practices. The CEO and Accountant will work together to clean up the issues and put practices in place to better procure services, prepare contracts, and monitor contracts in the future. The Court will work to have all contracts for the fiscal year 2012-13 meet the requirements of the contracting manual.

Improve compliance with certain travel reimbursement invoice and claim payment processing and approval controls and practices (11.1 and 11.2)

A review of travel expenditures and claims identified non-compliance with established policies and procedures including:

- Lack of pre-approval of Travel Authorization Forms.

- Lodging and meal and incidental expenses which exceeded the maximum allowable amounts.
- Submission of receipts for all expenditures requiring them.
- Receipting documentation in file supporting the receipt of goods and services acquired.
- Written agreements for interpreters to ensure expenditures coincide with both parties understanding.

The Court is working on addressing all of the issues through preparation of new documentation, and increased attention to documentation and policy requirements.

STATISTICS

The Court has three judges and one commissioner who handled 8,956 case filings in fiscal year 2009–2010 at the main courthouse and a courtroom in the Sheriff’s Office in Crescent City. Further, the Court employed approximately 28 full-time equivalent staff to fulfill its administrative and operational activities, and incurred total trial court expenditures of approximately \$3.8 million for the fiscal year that ended June 30, 2011.

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

During fiscal year 2010–2011, the Court received various services from the County of Del Norte (County). For instance, the Court received court security services under a Memorandum of Understanding (MOU) with the County Sheriff. The Court also received various administrative services including, but not limited to information technology and fiscal services that were not covered by a current MOU with the County.

The charts that follow contain general Court statistical information.

County Population (Estimated as of January 1, 2012)	28,429
Source: California Department of Finance	
Number of Court Locations	2
Number of Courtrooms	3
Source: Superior Court of California, County of Del Norte	
Number of Case Filings in fiscal year 2009–2010:	
Criminal Filings:	
▪ Felonies	311
▪ Non-Traffic Misdemeanor	429
▪ Non-Traffic Infractions	105
▪ Traffic Misdemeanors	794
▪ Traffic Infractions	5,307
Civil Filings:	
▪ Civil Unlimited	450
▪ Limited Civil	305
▪ Small Claims	122
Family Law and Juvenile Filings:	

<ul style="list-style-type: none"> ▪ Family Law ▪ Juvenile Delinquency ▪ Juvenile Dependency 	559 173 60
<p>Probate, Mental Health, Appeals, and Habeas Corpus Filings:</p> <ul style="list-style-type: none"> ▪ Probate ▪ Mental Health ▪ Appeals ▪ Habeas Corpus 	72 172 3 94
<p>Source: Judicial Council of California's 2011 Court Statistics Report</p>	
<p>Judicial Officers as of June 30, 2010:</p>	
Authorized Judgeships	3
Authorized Subordinate Judicial Officers (SJO)	0.8
<p>Source: Judicial Council of California's 2011 Court Statistics Report</p>	
<p>Court Staff (including SJO):</p>	
Total Authorized FTE Positions	31.25
Total Filled FTE Positions	28.25
<p>Source: FY 2011-2012 Schedule 7A</p>	
<p>Average Daily Collections</p>	8,041
<p>Source: Superior Court of California, County of Del Norte</p>	

FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

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

1. Balance Sheet (statement of position);

2. Statement of Revenues, Expenditures, and Changes in Fund Balances (statement of activities); and
3. Statement of Program Expenditures (could be considered “product line” statement).

The fiscal year 2010–2011 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for “information purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

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

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

¹ GASB Statement No. 34, paragraph 69.

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

- Distribution – Fund 400000
- Civil Filing Fees Fund – 450000

² GASB Statement No. 34, paragraph 12.

Del Norte Superior Court
 Trial Court Operations Fund
 Balance Sheet
 (Unaudited)

For the month ended Jun										
Fiscal Year 2010/11										
	Governmental Funds						Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	2009/10 Total Funds (Info. Purposes Only)
	General	Special Revenue		Capital Project	Debt Service					
		Non-Grant	Grant							
ASSETS										
Operations	\$ (102,647)	\$ 125	\$ 0				\$ 939	\$ (101,583)	\$ 140,848	
Payroll	\$ 0							\$ 0	\$ 0	
Jury Revolving	\$ 10,000							\$ 10,000	\$ 10,000	
Other Distribution							\$ 28,353	\$ 28,353	\$ 21,689	
Civil Filing Fees							\$ 0	\$ 0	\$ 32,740	
Trust Credit Card							\$ 257,991	\$ 257,991	\$ 243,030	
Cash on Hand										
Cash with County	\$ 0							\$ 0	\$ 0	
Cash Outside of the AOC										
Total Cash	\$ (92,647)	\$ 125	\$ 0				\$ 287,284	\$ 194,762	\$ 448,307	
Short Term Investment	\$ 4,294,777	\$ 0					\$ 165,777	\$ 4,460,553	\$ 4,452,932	
Investment in Financial Institution										
Total Investments	\$ 4,294,777	\$ 0					\$ 165,777	\$ 4,460,553	\$ 4,452,932	
Accrued Revenue	\$ 5,093	\$ 0					\$ 0	\$ 5,093	\$ 5,994	
Accounts Receivable - General										
Dishonored Checks	\$ 15,722							\$ 15,722	\$ 16,616	
Due From Employee									\$ 0	
Civil Jury Fees										
Trust										
Due From Other Funds	\$ 124,197						\$ 0	\$ 124,197	\$ 106,330	
Due From Other Governments	\$ 0						\$ 0	\$ 0	\$ 7,901	
Due From Other Courts	\$ 0						\$ 0	\$ 0	\$ 0	
Due From State	\$ 74,114		\$ 132,197					\$ 206,311	\$ 92,468	
Trust Due To/From							\$ 3,391	\$ 3,391		
Distribution Due To/From							\$ 4,920	\$ 4,920		
Civil Filing Fee Due To/From										
General Due To/From	\$ 114							\$ 114		
Total Receivables	\$ 219,239	\$ 0	\$ 132,197				\$ 8,311	\$ 359,748	\$ 229,309	
Prepaid Expenses - General	\$ 0							\$ 0	\$ 0	
Salary and Travel Advances	\$ 0							\$ 0	\$ 0	
Counties										
Total Prepaid Expenses	\$ 0							\$ 0	\$ 0	
Other Assets										
Total Other Assets										
Total Assets	\$ 4,421,369	\$ 125	\$ 132,197				\$ 461,372	\$ 5,015,063	\$ 5,130,548	
LIABILITIES AND FUND BALANCES										
Accrued Liabilities	\$ 57,641		\$ 0					\$ 57,641	\$ 84,055	
Accounts Payable - General	\$ 0	\$ 0	\$ 0				\$ 0	\$ 0	\$ 181	
Due to Other Funds	\$ 0		\$ 124,197				\$ 8,425	\$ 132,622	\$ 106,330	
Due to Other Courts	\$ 0							\$ 0		
Due to State										
TC145 Liability							\$ 46,279	\$ 46,279	\$ 32,740	
Due to Other Governments	\$ 0		\$ 8,000				\$ 8,000	\$ 8,000	\$ 0	
AB145 Due to Other Government Agency							\$ 28,110	\$ 28,110	\$ 41,854	
Due to Other Public Agencies										
Sales and Use Tax	\$ 0							\$ 0		
Interest							\$ 3	\$ 3	\$ 0	
Miscellaneous Accts. Pay. and Accrued Liab.	\$ 0							\$ 0		
Total Accounts Payable and Accrued Liab.	\$ 57,641	\$ 0	\$ 132,197				\$ 82,816	\$ 272,654	\$ 265,159	
Civil							\$ 236,087	\$ 236,087	\$ 282,471	
Criminal							\$ 129,389	\$ 129,389	\$ 141,998	
Unreconciled - Civil and Criminal							\$ 300	\$ 300	\$ 300	
Trust Held Outside of the AOC										
Trust Interest Payable							\$ 4,639	\$ 4,639	\$ 4,252	
Miscellaneous Trust										
Total Trust Deposits							\$ 370,415	\$ 370,415	\$ 429,020	
Accrued Payroll	\$ 51,660							\$ 51,660	\$ 46,775	
Benefits Payable	\$ (42,601)							\$ (42,601)	\$ (38,819)	
Deferred Compensation Payable	\$ 0							\$ 0	\$ 1,395	
Deductions Payable	\$ (8)							\$ (8)	\$ 1,523	
Payroll Clearing	\$ 0							\$ 0	\$ 37,862	
Total Payroll Liabilities	\$ 9,050							\$ 9,050	\$ 48,737	
Revenue Collected in Advance	\$ 0							\$ 0	\$ 0	
Liabilities For Deposits	\$ 1,334						\$ 5,741	\$ 7,074	\$ 1,916	
Jury Fees - Non-Interest							\$ 2,400	\$ 2,400	\$ 450	
Fees - Partial Payment & Overpayment										
Uncleared Collections	\$ 0						\$ 0	\$ 0	\$ 150	
Other Miscellaneous Liabilities	\$ 0							\$ 0		
Total Other Liabilities	\$ 1,334						\$ 8,141	\$ 9,474	\$ 2,516	
Total Liabilities	\$ 68,025	\$ 0	\$ 132,197				\$ 461,372	\$ 661,594	\$ 745,432	
Fund Balance - Nonspendable										
Fund Balance - Restricted	\$ 1,449,128	\$ 0						\$ 1,449,128	\$ 1,584,654	
Fund Balance - Committed										
Fund Balance - Assigned	\$ 2,935,988							\$ 2,935,988	\$ 2,879,956	
Fund Balance - Unassigned	\$ 0	\$ 0	\$ 0					\$ 0	\$ 0	
Excess (Deficit) of Rev. Over Expenses/Op. Transfers	\$ (31,772)	\$ 125	\$ 0					\$ (31,647)	\$ (79,494)	
Total Fund Balance	\$ 4,353,344	\$ 125	\$ 0					\$ 4,353,469	\$ 4,385,116	
Total Liabilities and Fund Balance	\$ 4,421,369	\$ 125	\$ 132,197				\$ 461,372	\$ 5,015,063	\$ 5,130,548	

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

For the month ended Jun											
Fiscal Year 2010/11										2009/10	
	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	Debt Service						
		Non-Grant	Grant								
REVENUES											
State Financing Sources											
Trial Court Trust Fund	\$ 3,248,650						\$ 3,248,650	\$ 3,279,538	\$ 3,053,734	\$ 2,877,299	
Trial Court Improvement Fund								\$ 3,927			
Judicial Administration Efficiency & Mod Fund											
Judges' Compensation (45.25)											
Court Interpreter (45.45)	\$ 26,969						\$ 26,969	\$ 64,714	\$ 60,260	\$ 54,000	
Civil Coordination Reimbursement (45.55)											
MOU Reimbursements (45.10 and General)	\$ 314,104						\$ 314,104	\$ 266,937	\$ 214,886	\$ 208,005	
Other Miscellaneous										\$ 10,600	
	\$ 3,589,723						\$ 3,589,723	\$ 3,615,116	\$ 3,328,880	\$ 3,149,904	
Grants											
AB 1058 Commissioner/Facilitator			\$ 116,582				\$ 116,582	\$ 116,737	\$ 114,046	\$ 117,335	
Other AOC Grants			\$ 16,000				\$ 16,000	\$ 12,000	\$ 11,670	\$ 12,000	
Non-AOC Grants											
			\$ 132,582				\$ 132,582	\$ 128,737	\$ 125,716	\$ 129,335	
Other Financing Sources											
Interest Income	\$ 21,708	\$ 0					\$ 21,708	\$ 32,000	\$ 32,240	\$ 77,000	
Investment Income											
Donations											
Local Fees	\$ 31,751						\$ 31,751	\$ 32,175	\$ 32,072	\$ 28,600	
Non-Fee Revenues	\$ 2,464						\$ 2,464	\$ 5,000	\$ 4,724	\$ 4,700	
Enhanced Collections	\$ 53,716						\$ 53,716				
Escheatment											
Prior Year Revenue	\$ (46,497)		\$ (1)				\$ (46,498)		\$ (3,893)		
County Program - Restricted		\$ 441					\$ 441	\$ 350	\$ 343	\$ 800	
Reimbursement Other	\$ 5,381						\$ 5,381			\$ 2,739	
Sale of Fixed Assets											
Other Miscellaneous	\$ 2,000						\$ 2,000	\$ 1,000	\$ 995	\$ 2,500	
	\$ 70,523	\$ 441	\$ (1)				\$ 70,963	\$ 70,525	\$ 66,482	\$ 116,339	
Total Revenues	\$ 3,660,246	\$ 441	\$ 132,582				\$ 3,793,269	\$ 3,814,378	\$ 3,521,078	\$ 3,395,578	
EXPENDITURES											
Personal Services											
Salaries - Permanent	\$ 1,533,230		\$ 33,172				\$ 1,566,402	\$ 1,514,809	\$ 1,403,809	\$ 1,780,726	
Temp Help											
Overtime	\$ 3,013						\$ 3,013		\$ 1,615		
Staff Benefits	\$ 825,807		\$ 19,687				\$ 845,495	\$ 1,121,400	\$ 782,459	\$ 1,053,842	
	\$ 2,362,050		\$ 52,860				\$ 2,414,910	\$ 2,636,209	\$ 2,187,883	\$ 2,834,568	
Operating Expenses and Equipment											
General Expense	\$ 159,771		\$ 438				\$ 160,209	\$ 167,422	\$ 192,648	\$ 202,260	
Printing	\$ 11,580		\$ 29				\$ 11,609	\$ 13,584	\$ 13,619	\$ 8,722	
Telecommunications	\$ 21,917						\$ 21,917	\$ 17,887	\$ 66,311	\$ 65,414	
Postage	\$ 13,619		\$ 84				\$ 13,704	\$ 65,176	\$ 16,790	\$ 14,631	
Insurance	\$ 722						\$ 722	\$ 698	\$ 698	\$ 865	
In-State Travel	\$ 4,709		\$ 45				\$ 4,754	\$ 5,653	\$ 5,294	\$ 17,246	
Out-of-State Travel										\$ 87	
Training	\$ 878		\$ 275				\$ 1,153	\$ 1,059	\$ 2,884	\$ 3,324	
Security Services	\$ 318,000		\$ 7,680				\$ 325,680	\$ 296,383	\$ 296,383	\$ 268,680	
Facility Operations	\$ 7,338						\$ 7,338	\$ 9,384	\$ 27,173	\$ 32,889	
Utilities											
Contracted Services	\$ 592,062	\$ 316	\$ 80,700				\$ 673,078	\$ 597,423	\$ 524,633	\$ 571,404	
Consulting and Professional Services	\$ 56,575		\$ 16,000				\$ 72,575	\$ 60,900	\$ 60,570	\$ 15,390	
Information Technology	\$ 108,921						\$ 108,921	\$ 150,691	\$ 150,692	\$ 105,507	
Major Equipment								\$ 5,678	\$ 5,678		
Other Items of Expense	\$ 412						\$ 412		\$ 31	\$ 50	
	\$ 1,296,505	\$ 316	\$ 105,251				\$ 1,402,071	\$ 1,391,938	\$ 1,363,404	\$ 1,306,469	
Special Items of Expense											
Grand Jury											
Jury Costs	\$ 6,009						\$ 6,009	\$ 2,995	\$ 2,995	\$ 4,719	
Judgements, Settlements and Claims											
Debt Service											
Other											
Capital Costs											
Internal Cost Recovery											
Prior Year Expense Adjustment	\$ 1,898		\$ 28				\$ 1,926		\$ 46,290		
	\$ 7,906		\$ 28				\$ 7,935	\$ 2,995	\$ 49,285	\$ 4,719	
Total Expenditures	\$ 3,666,461	\$ 316	\$ 158,139				\$ 3,824,916	\$ 4,031,142	\$ 3,600,572	\$ 4,145,756	
Excess (Deficit) of Revenues Over Expenditures	\$ (6,215)	\$ 125	\$ (25,557)				\$ (31,647)	\$ (216,764)	\$ (79,494)	\$ (750,178)	
Operating Transfers In (Out)	\$ (25,557)		\$ 25,557				\$ 0	\$ 0	\$ 0		
Fund Balance (Deficit)											
Beginning Balance (Deficit)	\$ 4,385,116	\$ 0	\$ 0				\$ 4,385,116	\$ 4,385,116	\$ 4,464,610	\$ 4,464,610	
Ending Balance (Deficit)	\$ 4,353,344	\$ 125	\$ 0				\$ 4,353,469	\$ 4,168,352	\$ 4,385,116	\$ 3,714,432	

Del Norte Superior Court
Trial Court Operations Fund
Statement of Program Expenditures
(Unaudited)

	For the month ended Jun									
	Fiscal Year 2010/11								2009/10	
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Capital Costs	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
PROGRAM EXPENDITURES:										
Judges & Courtroom Support	\$ 442,782	\$ 183,130				\$ 0	\$ 625,912	\$ 811,834	\$ 507,528	\$ 890,462
Traffic & Other Infractions	\$ 172,407	\$ 7,922				\$ 0	\$ 180,329	\$ 341,388	\$ 198,775	\$ 244,782
Other Criminal Cases	\$ 393,423	\$ 36,597				\$ 0	\$ 430,020	\$ 188,701	\$ 358,317	\$ 260,016
Civil	\$ 121,009	\$ 16,485				\$ 0	\$ 137,494	\$ 50,627	\$ 135,090	\$ 89,805
Family & Children Services	\$ 364,547	\$ 163,982				\$ 0	\$ 528,528	\$ 504,053	\$ 493,137	\$ 481,478
Probate, Guardianship & Mental Health Services	\$ 29,356	\$ 16,454				\$ 0	\$ 45,810	\$ 74,552	\$ 38,498	\$ 38,920
Juvenile Dependency Services	\$ 37,704	\$ 228,952				\$ 0	\$ 266,656	\$ 220,496	\$ 236,550	\$ 220,115
Juvenile Delinquency Services	\$ 32,508	\$ 1,044				\$ 0	\$ 33,551	\$ 32,680	\$ 34,728	\$ 82,691
Other Court Operations	\$ 264,747	\$ 55,367					\$ 320,114	\$ 397,238	\$ 317,015	\$ 418,736
Court Interpreters	\$ 4,120	\$ 39,363				\$ 0	\$ 43,484	\$ 64,595	\$ 62,578	\$ 61,061
Jury Services	\$ 515	\$ 9,661	\$ 6,009				\$ 16,184	\$ 23,359	\$ 10,962	\$ 25,967
Security		\$ 329,740					\$ 329,740	\$ 301,522	\$ 315,791	\$ 278,535
Trial Court Operations Program	\$ 1,863,117	\$ 1,088,696	\$ 6,009			\$ 0	\$ 2,957,822	\$ 3,011,045	\$ 2,708,969	\$ 3,092,568
Enhanced Collections		\$ 86,457					\$ 86,457	\$ 50,000		\$ 1,267
Other Non-Court Operations		\$ 6,563					\$ 6,563	\$ 900	\$ 303	\$ 900
Non-Court Operations Program		\$ 93,019					\$ 93,019	\$ 50,900	\$ 303	\$ 2,167
Executive Office	\$ 173,363	\$ 5,818					\$ 179,181	\$ 233,696	\$ 183,988	\$ 331,098
Fiscal Services	\$ 257,306	\$ 34,848				\$ 1,926	\$ 294,080	\$ 336,816	\$ 335,813	\$ 417,976
Human Resources	\$ 121,124	\$ 5,001					\$ 126,124	\$ 151,675	\$ 124,213	\$ 153,580
Business & Facilities Services		\$ 45,572					\$ 45,572	\$ 45,000	\$ 45,000	
Information Technology		\$ 129,117					\$ 129,117	\$ 202,010	\$ 202,286	\$ 148,367
Court Administration Program	\$ 551,792	\$ 220,356				\$ 1,926	\$ 774,075	\$ 969,197	\$ 891,300	\$ 1,051,021
Expenditures Not Distributed or Posted to a Program	\$ 0	\$ 0					\$ 0		\$ 0	
Prior Year Adjustments Not Posted to a Program										
Total	\$ 2,414,910	\$ 1,402,071	\$ 6,009			\$ 1,926	\$ 3,824,916	\$ 4,031,142	\$ 3,600,572	\$ 4,145,756

PURPOSE AND SCOPE

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

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

The scope of audit work included reviews of the Court's major functional areas, including but not limited to: cash collections, contracting and procurement, accounts payable, financial accounting and reporting, payroll processing, fixed assets management, information technology, and exhibits handling. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2010–2011.

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

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on March 28, 2012.

The entrance meeting was held with the Court on May 7, 2012.

Audit fieldwork commenced on May 7, 2012.

Fieldwork was completed in September 2012.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary review of the audit results was held on October 11, 2012, with the following:

- Sandra Linderman, Court Executive Officer
- Lesley Plunkett, Human Resources Manager
- Cheyenne Schaad, Court Accountant
- Denise Cooper, Court Accountant

IAS received the Court's final management responses to the IAS recommendations on October 1, 2012. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the audit report for its review and comment on October 5, 2012. On October 11, 2012 the Court provided its final comments and suggestions concerning its review of the audit report and did not consider another review of the report necessary before IAS issued the final audit report.

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Background

The Judicial Council established rules and policies to promote efficiency and uniformity in trial court management. It adopted Rules of Court under Government Code Section (GC) 77001 and the FIN Manual under CRC 10.804 to provide requirements and guidelines concerning court governance. Within the boundaries established by the Judicial Council, each trial court has the authority and responsibility for managing its own operations. All trial court employees shall fulfill at least the minimum requirements of their positions; conduct themselves with honesty, integrity, and professionalism; and operate within the specific levels of authority.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with court administrative decisions. A description of these accounts and audit procedures we performed to review court administration follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Expenditures				
* 920500 - DUES AND MEMBERSHIPS	829	1,429	(600)	-42.0%
933102 TUITION REIMBURSEMENT (NO		1,350	(1,350)	-100.0%
933103 REGISTRATION FEES - TRAIN	520	1,059	(539)	-50.9%
933104 TUITION AND REGISTRATION	525	475	50	10.5%
933107 TRAINING MEDIA	108		108	-
* 933100 - TRAINING	1,153	2,884	(1,731)	-60.0%

We assessed the Court's compliance with CRC and FIN Manual requirements for trial court management through a series of self-assessment questionnaires. We also performed testing to evaluate compliance with the following:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch*, including professional association dues and membership payments for individuals making over \$100,000 a year.
- Rules for taking cases under submission.
- FIN Manual procedures for training approval.

We also reviewed Court personnel's cash handling and fiscal responsibilities for appropriate management oversight and segregation of duties.

There were only minor lower risk issues identified in this section and they are listed in Appendix A.

2. Fiscal Management and Budgets

Background

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

The table below presents year-end general ledger account balances from the Court that we consider to be associated with fiscal management and budgeting practices. A description of these accounts and audit procedures we performed to review fiscal management and budgeting practices follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Liabilities				
374001 PAYROLL CLEARING ACCOUNT		(37,862)	(37,862)	-100.0%
374101 RETIREMENT CONTRIBUTIONS		15,792	(15,792)	-100.0%
374201 VOLUNTARY DEDUCTIONS EE		(307)	(307)	-100.0%
374301 PAYROLL TAXES EE & ER	8	(16,744)	(16,752)	-100.0%
374603 UNION DUES		(265)	(265)	-100.0%
374701 HEALTH BENEFITS PAYABLE E	46,800	41,801	(4,999)	-12.0%
374705 BENEFITS PAYABLE-LIFE EE	(2,327)	(1,227)	1,099	89.6%
374707 BENEFITS PAYABLE-LTD EE A	(1,872)	(964)	907	94.1%
374709 BENEFITS PAYABLE-SUPP INS		(791)	(791)	-100.0%
374801 DEFERRED COMPENSATION PAY		(1,395)	(1,395)	-100.0%
375001 ACCRUED PAYROLL	(51,660)	(46,775)	4,885	10.4%
Expenditures				
900301 SALARIES - PERMANENT	1,566,402	1,402,424	163,978	11.7%
900350 FURLOUGH & SALARY REDUCTI		(1,991)	1,991	-100.0%
900351 FURLOUGH CLOSURE (NON-JUD		3,375	(3,375)	-100.0%
908301 OVERTIME	3,013	1,615	1,398	86.5%
** SALARIES TOTAL	1,569,415	1,405,424	163,991	11.7%
910301 SOCIAL SECURITY INS & MED	94,225	84,416	9,810	11.6%
910302 MEDICARE TAX	22,264	20,054	2,210	11.0%
910401 DENTAL INSURANCE	32,097	28,796	3,301	11.5%
910501 MEDICAL INSURANCE	346,546	315,390	31,156	9.9%
910601 RETIREMENT (NON-JUDICIAL	289,144	245,294	43,850	17.9%
912501 STATUTORY WORKERS COMP	37,742	64,045	(26,303)	-41.1%

General Ledger Account	Fiscal Year Ended June 30,	Increase/ (Decrease)	Percent Change	General Ledger Account
913301 UNEMPLOYMENT INSURANCE	1,845	3,437	(1,592)	-46.3%
913501 LIFE INSURANCE	2,433	2,339	94	4.0%
913502 LONG-TERM DISABILITY	1,895	1,773	122	6.9%
913601 VISION CARE INSURANCE	8,018	7,518	501	6.7%
913699 OTHER INSURANCE	742	764	(22)	-2.9%
913899 OTHER BENEFITS	8,543	8,633	(90)	-1.0%
** STAFF BENEFITS TOTAL	845,495	782,459	63,036	8.1%
*** PERSONAL SERVICES TOTAL	2,414,910	2,187,883	227,027	10.4%

We assessed the adequacy of the Court’s budget monitoring procedures, including procedures for comparing budgeted and actual revenue and expenditures, and making changes to its projections.

To evaluate the Court’s management of personnel costs, we compared budgeted and actual personal services expenditures, performed a trend analysis of these expenditures, followed up on any significant expenditure changes we identified, and reviewed procedures for approving timesheets and controlling overtime costs.

We also evaluated the Court’s payroll processing controls, such as reviewing staff responsibilities for sufficient segregation of duties, and reconciliation activities to ensure it accurately accounted for and reported its payroll costs. We reviewed sample payroll payments, deductions, and withholdings for a recent pay period to determine whether they were correctly calculated and supported by appropriate personnel records.

The following issues were considered significant enough to bring to management’s attention. Additional minor issues may be contained in Appendix A.

2.1 The Court Does Not Perform Monthly Budget to Actual Comparisons

Background

Trial courts are required to manage their operations in a fiscally prudent manner by ensuring that expenditures do not exceed their approved budgets. The FIN Manual, FIN 4.02 provides uniform guidelines for courts to monitor and control their annual budgets and to help ensure responsible management of available resources.

For example, Section 6.2 (1) requires courts to prepare and review a comparison of actual expenditures with the approved budget that provides the following information for each program element and budget line item of expenditure:

- a. Actual expenditures incurred for the previous month.
- b. Expenditures incurred for the fiscal year-to-date.
- c. The variance between actual and budgeted expenditures.
- d. The remaining balance for each program element and object.

Section 6.2 (2) also recommends courts to analyze their cash flow needs for the current month and project their cash flows for the remainder of the fiscal year. Section 6.2 (3) requires courts to perform individual budget line item reviews rather than analysis focused on bottom line amounts in order to provide greater degree of budgetary control.

Issue

The Court does not prepare and review monthly line item budget-to-actual reports that includes, at a minimum, previous month actual expenditures, fiscal year-to-date expenditures, variance between budgeted and year-to-date expenditures, and remaining balance. Although the Court reviews its quarterly financial reports to monitor its budget, these reports do not provide sufficient detail for adequate budgetary control. We identified a similar issue in our 2007 audit.

Recommendation

The Court should improve its budget monitoring controls by timely preparing and reviewing monthly line item budget-to-actual reports. The Court may generate such budget comparison reports from the Phoenix Financial System, or create its own report template.

Superior Court Response By: Cheyenne Schaad Date: 09/27/2012

Date of Corrective Action: 10/20/2012

Responsible Person(s): Cheyenne Schaad, Sandra Linderman

Beginning with the fiscal month of September 2012, the Court Accountant will prepare the above referenced budget to actual reports for review by the CEO. These reports will be delivered to the CEO no later than October 20, 2012. For each month following, the Court Accountant will prepare and deliver said reports to the CEO no later than 15 business days after the close of the fiscal month.

3. Fund Accounting

Background

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

The table below presents year-end general ledger account balances from the Court that we consider to be associated with fund accounting. A description of these accounts and audit procedures we performed to review the Court’s fund accounting practices follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Fund Balance				
552001 FUND BALANCE - RESTRICTED	(1,449,128)	(1,584,654)	(135,526)	-8.6%
553001 FUND BALANCE - ASSIGNED	(2,935,988)	(2,879,956)	56,032	1.9%
*** Fund Balances	(4,385,116)	(4,464,610)	(79,494)	-1.8%
***** NET BALANCE SHEET	(31,647)	(79,494)	(47,847)	-60.2%

We reviewed the Court’s year-end trial balance by fund report and other financial reports to determine whether it separately accounted for restricted funding sources and expenditures. We also reviewed its year-end fund balance reserves to determine whether it complied with Judicial Council approved policy.

There were only minor lower risk issues identified in this section and they are listed in Appendix A.

4. Accounting Principles and Practices

Background

Trial courts must accurately account for its use of public funds, and demonstrate 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. These guidelines also require courts to prepare various external financial reports to the AOC, and internal financial reports for monitoring purposes.

Since migrating onto the Phoenix Financial System, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services Division (TCAS). Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines and automated generation of financial report.

The Court receives various federal and state grants the AOC and the County allocates to it. The Court must follow use restrictions and other requirements provided in grant agreements. For instance, most grants are reimbursement type grants that require it to initially pay for personnel and operating costs with general fund, and then submit detailed invoices to obtain grant funding to reimburse its general fund. To demonstrate that expenditures qualify for grant funding, it must maintain detailed records to support these expenditures. Additionally, it must separately track and account for grant funding and expenditures to demonstrate that it used grant funds to pay for allowable costs. As a part of the annual single audit of the State performed by the Bureau of State Audits, the AOC requests courts to list and report the federal grant awards it received.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with general ledger accounting and grant administration. A description of these accounts and audit procedures we performed to review the Court's accounting practices follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Assets				
130001 A/R-ACCRUED REVENUE	5,093	5,994	(901)	-15.0%
131601 A/R - DUE FROM EMPLOYEE	15,722	16,616	(895)	-5.4%
140001 BLOCK A/R - DUE FROM OTHE		106,330	(106,330)	-100.0%
140002 TRUST-DUE FROM DISTRIBUTI	3,391		3,391	-
140005 DISTRIBUTION-DUE FROM TRU	4,920		4,920	-
140011 OPERATIONS-DUE FROM TRUST	100		100	-
140012 OPERATIONS-DUE FROM DISTR	14		14	-
140014 GENERAL-DUE FROM SPECIAL	124,197		124,197	-
150001 A/R - DUE FROM OTHER GOVE		7,901	(7,901)	-100.0%
152000 A/R-DUE FROM STATE	206,311	92,468	113,843	123.1%

** Receivables	359,748	229,309	130,439	56.9%
Liabilities				
301001 A/P - GENERAL		(181)	(181)	-100.0%
311401 BLOCK A/P - DUE TO OTHER		(106,330)	(106,330)	-100.0%
314002 DISTRIBUTION-DUE TO TRUST	(3,391)		3,391	-
314005 TRUST-DUE TO DISTRIBUTION	(4,920)		4,920	-
314011 TRUST-DUE TO OPERATIONS	(100)		100	-
314012 DISTRIBUTION-DUE TO OPERA	(14)		14	-
314014 SPECIAL REVENUE-DUE TO GE	(124,197)		124,197	-
321600 A/P - TC145 LIABILITY	(46,279)	(32,740)	13,539	41.4%
322001 A/P - DUE TO OTHER GOVERN	(8,000)		8,000	-
323010 TREASURY INTEREST PAYABLE	(3)		3	-
330001 A/P - ACCRUED LIABILITIES	(57,641)	(84,055)	(26,414)	-31.4%
*** Accounts Payable	(244,545)	(223,306)	21,239	9.5%
351001 BLOCK LIABILITIES FOR DEP		(1,916)	(1,916)	-100.0%
351003 LIABILITIES FOR DEPOSITS	(1,334)		1,334	-
353002 CIVIL TRUST-CONDEMNATION	(236,207)	(275,418)	(39,212)	-14.2%
353003 CIVIL TRUST-OTHER(RPRTR	120	(200)	(320)	-160.0%
353004 JURY FEES- NON-INTEREST B	(2,400)	(450)	1,950	433.3%
353005 TRAFFIC	(7,202)	(5,769)	1,433	24.8%
353021 CIVIL TRUST - INTERPLEADE		(6,852)	(6,852)	-100.0%
353039 UNRECONCILED TRUST - CIVI	(300)	(300)	-	0.0%
353050 AB145 DUE TO OTHER GOVERN	(28,110)	(41,854)	(13,744)	-32.8%
353051 CRIMINAL FINES DUE TO OTH	(122,187)	(136,229)	(14,041)	-10.3%
353080 LIABILITIES FOR DEPOSITS	(5,741)		5,741	-
353999 TRUST INTEREST PAYABLE	(4,639)	(4,252)	387	9.1%
Revenues				
** 812100-TCTF - PGM 10 OPERATIONS	(3,248,650)	(3,053,734)	194,917	6.4%
** 821000-LOCAL FEES REVENUE	(31,751)	(32,072)	(321)	-1.0%
** 822000-LOCAL NON-FEES REVENUE		(4,724)	(4,724)	-100.0%
** 821200-ENHANCED COLLECTIONS - REV	(53,716)		53,716	-
** 822000-LOCAL NON-FEES REVENUE	(2,464)		2,464	-
823001 MISCELLANEOUS REVENUE	(1,975)	(993)	982	98.8%
** 831000-GENERAL FUND - MOU/REIMBUR	(4,685)	(3,630)	1,055	29.1%
** 832000-PROGRAM 45.10 - MOU/REIMBU	(309,419)	(211,256)	98,163	46.5%
** 834000-PROGRAM 45.45 - REIMBURSEM	(26,969)	(60,260)	(33,291)	-55.2%
** 840000-COUNTY PROGRAM - RESTRICTE	(441)	(343)	98	28.4%
** 860000-REIMBURSEMENTS - OTHER	(5,381)		5,381	-

Revenues – Grants

838010 AB1058 GRANTS	(116,582)	(114,046)	2,537	2.2%
838020 OTHER AOC GRANTS	(16,000)	(11,670)	4,330	37.1%
** 838000-AOC GRANTS - REIMBURSEMENT	(132,582)	(125,716)	6,867	5.5%

Revenues - Adjustments

899910 PRIOR YEAR ADJUSTMENTS -	46,498	3,893	(42,605)	-1094.5%
** 890000-PRIOR YEAR REVENUE	46,498	3,893	(42,605)	-1094.5%

Expenditure

999910 PRIOR YEAR ADJUSTMENTS -	1,926	46,290	(44,364)	-95.8%
* 999900 -PRIOR YEAR EXPENSE ADJUST	1,926	46,290	(44,364)	-95.8%

We reviewed the year-end general ledger account balances for the prior two fiscal years and followed up on material account categories that changed significantly between the two years. To determine whether the Court has sufficient controls to monitor funds it holds in trust, we reviewed its procedures for depositing, disbursing, reconciling, and reporting trust accounts. We also reviewed various accounting transactions and in the prior fiscal year and supporting documentation to assess the Court's compliance with FIN Manual procedures for revenue and expenditure recognition, encumbrance, year-end accrual, and other accounting practices. Additionally, we reviewed a sample of grants received in the prior fiscal year to determine whether the Court properly accounted for grant activity and complied with grant requirements.

There were only minor lower risk issues identified in this section and they are listed in Appendix A.

5. Cash Collections

Background

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

The Court has one location that accepts in-person payments and process mailed-in payments. It also has an automated telephone and internet system to accept credit card payments on traffic citations. Furthermore, the Court contracts with the County to monitor and collection on delinquent accounts. It records payments in its case management system (CMS), JALAN, and uses JALAN to calculate the amounts it needs to distribute to State and local entities.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with cash collection. A description of these accounts and audit procedures we performed to review the Court's cash handling procedures follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Assets				
117000 CASH DISTRIBUTION ACCOUNT	28,353	21,689	6,665	30.7%
117500 BLOCK CASH CIVIL FILING F		32,740	(32,740)	-100.0%
Liabilities				
373001 UNCLEARED COLLECTIONS		(150)	(150)	-100.0%
Revenue				
823004 CASHIER OVERAGES	(25)	(2)	23	1150.0%
Expenditure				
952599 CASHIER SHORTAGES	412	31	381	1243.0%
939299 COLLECTION SERVICE	92,935		92,935	-
* 939200 - COLLECTION SERVICES	92,935		92,935	-

We assessed the Court's cash handling controls and practices through interviews with management, observation of practices, and review of documentation. Specific controls and practices reviewed include, but are not limited to, the following:

- Beginning-of-day opening.
- Payment processing.
- End-of-day closeout, balancing, and reconciliation.
- Bank deposit preparation.

- Segregation of cash handling duties.
- Security of cash and other court assets
- Physical and logical security of cashiering areas and information systems.

Additionally, we reviewed sample payment entries, adjustments, and reversals in the CMS to determine whether they were properly approved, supported by sufficient documentation or complied with applicable statutory requirements or policies.

Furthermore, we reviewed the Court's comprehensive collection program to assess its collection activity controls and compliance with statutory requirements. Specifically, we reviewed the Court's procedures for identifying and referring delinquent accounts to the County, notifying the Department of Motor Vehicles (DMV), recording the County's collection activity in the CMS, and tracking and recovering enhanced collections costs.

Lastly, we reviewed automated calculation and distribution of fees, fines, forfeitures, restitutions, penalties, and assessments for sample criminal and traffic violations to determine whether the Court correctly distributed funds to the appropriate government entities.

The following issues were considered significant enough to bring to management's attention. Additional minor issues may be contained in Appendix A.

5.1 The Court Could Strengthen Some of Its Cash Handling Procedures

Background

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

For instance, FIN 10.02, 6.3.1 identifies controls over change funds. The change fund must not be co-mingled with any other fund and must only be used for making change for customers who tender cash. A court may only establish a change fund in excess of \$100 if it has a safe, vault, or cash box that is adequate to safeguard the cash; and must appoint a change fund custodian for funds in excess of \$500. The change fund custodian must verify the change fund money in the presence of a court manager at the end of each day. Furthermore, a court employee other than the Change Fund Custodian should count the change fund periodically, where the frequency of the count depends on the fund size.

FIN 10.02, 6.3.2 requires cashiers to verify receipt of their beginning cash funds with their supervisor, evidenced in a log signed by the cashier and supervisor for each such receipt. Any beginning cash drawer/bag cash discrepancies must be resolved before the cashier starts his or her daily cash collections duties.

In addition, FIN 10.02, 6.3.10, states that all cashiers must balance their own cash drawer or register at the end of the workday. Cashiers may not leave the premises nor transact new business until the daily balancing and closeout processes are complete, including completing and signing the daily report, attaching a calculator tape for checks, turning in the daily report with money collected to the supervisor, and verifying their daily balancing and closeout reports, money collected, and change fund with their supervisor.

Further, FIN 10.02, 6.3.12, requires trial court supervisors, managers, or fiscal officers who do not have direct responsibility for processing payments to conduct periodic surprise cash counts on all trial court staff that handle payments in the normal course of their duties to assure that payment processing errors and irregularities do not go undetected.

As part of the process of depositing daily collections, FIN 13.01, 6.3 requires, in part, that the coin and paper currency portion of any bank deposit be counted by one person and verified and initialed by a second person. Additionally, the policy requires an employee other than the person who prepares the bank deposit (preferably a supervisor or higher level of management) to sign and date a voucher verifying the cash receipts have been deposited in total.

Issues

Our review of the Court's cash handling practices and associated documents found that the Court could strengthen its procedures in the following areas:

1. Beginning cash funds – The Court does not properly control the beginning-of-day issuance and end-of-day submission of beginning cash bags. The individual who issues each cashier's beginning cash bag in the morning leaves the bags on an unattended table next to a court manager's workstation for cashiers to pick up. At the end of the day, cashiers return their beginning cash bags and collections to the same location. Although the court manager performs surprise counts of each cashier's beginning cash funds periodically, the Court does not require cashiers to pick up and count their beginning cash funds with a court manager each morning and therefore cannot ensure that discrepancies may be immediately identified and resolved.
2. Daily closeout process – Since cashiers place their beginning cash bags and collections bags on a table at the end of the day for retrieval as noted above, cashiers do not verify their cash and balancing and closeout reports with a court manager before they leave for the day. Therefore, the Court cannot ensure that responsible cashiers are present to identify and acknowledge any discrepancies and take immediate action to address and resolve these discrepancies.
3. Bank deposits – An individual who did not prepare the deposit does not perform a secondary review of the deposit each day before it is delivered to the bank. This creates the risk that errors and irregularities in the deposit preparation process go undetected. Additionally, we observed the court accountant left the prior day's collections at her desk unattended for a couple of minutes while preparing the deposit.

4. Change fund – Although the change fund custodian counts the change fund each morning, she does not perform this verification with a court manager. Furthermore, the Court does not maintain documentation to support that someone other than the change fund custodian counts the change fund at least annually to demonstrate management oversight of the change fund.
5. Cash drawers – Cashiers do not secure their cash in locking cash drawers because, according to one cashier, the drawers under the counter are hard to reach and difficult to use. As a result, we observed that a cashier left her cash at the counter unattended for a couple of minutes on two occasions.
6. Surprise cash counts – The court manager periodically verifies each cashier's beginning cash fund unannounced, but does not verify the cashier's collections at that point in time against the CMS till report. Therefore, the Court's surprise cash counts are incomplete and inadequate to ensure cashiers are correctly processing all payment transactions.
7. Payment entry – Court clerks have the ability to change the payment date to a past or future day when entering the payment into the CMS, yet the court managers do not believe there is a Court business need for cashiers to change the payment date. Additionally, the CMS till report does not identify transactions entered that day with augmented payment dates, creating a risk for irregularities and errors to go undetected.

Recommendations

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

1. Require cashiers to pick up their beginning cash funds from a court manager or accountant and count the fund with the manager or accountant so that cash discrepancies may be resolved before the cashier starts his or her daily cash collections duties.
2. Require court managers to verify each cashier's beginning cash funds and collections against their balancing and closeout reports with the cashier immediately after the cashier has balanced his or her till.
3. Implement a secondary review process of the daily bank deposit. The secondary review should include a verification of the currency and coins to be deposited against the deposit slip and reports, and having the deposit preparer, reviewer, and the individual who picked up or delivered the deposit to sign the deposit slip.
4. Require the change fund custodian to verify the change fund with a court manager at the end of each day. Additionally, establish a process for a court employee other than the change fund custodian to count the change fund in accordance with the schedule provided in FIN 10.02, 6.3.1(7).
5. Require cashiers to secure their cash in the locking cash drawer or in a locking cabinet at their workstation when they step away from the counter.

6. Establish a process for court managers or accountants to perform periodic surprise cash counts of all cashiers at least quarterly. The court manager or accountant should verify the each cashier's beginning cash fund and collections to transactions processed into the CMS at that point in time, and to document the results of the count for audit and management purposes.
7. Determine whether the CMS may be configured to prohibit court users from changing the payment date to a past or future date.

Superior Court Response By: Sandra Linderman Date: 7/9/12

1. Effective immediately the Court will require all employees using a money bag to check out their bags through the accounting office each morning, with their beginning balances being verified and signed off by accounting.
2. Effective immediately the Court will require all employees using a money bag to check back in their bags with a manager and that manager will sign off on their till report at the end of their shift.
3. Effective immediately the preparer and depositor of the deposits will verify and sign the deposit slip. Because of the small size of this court, we are requesting an omission of the second reviewer. The preparer and the person taking the deposit to the bank will verify the deposit and sign the deposit slip.
4. Effective immediately the change fund custodian will count the change fund each morning and initial off on such verification. At the end of the day a court manager will also verify the change fund and initial off on such verification with the change fund custodian. The CEO does surprise counts of the change fund randomly.
5. Within two months the court will mount the locking cash drawers under the counter for the counter clerks to lock their fund in.
6. Effective immediately the court manager will do surprise audits of clerk's cash bags, verifying their beginning cash bag balance as well as their till reports.
7. Within the next two months the Court will determine from our CMS vendor whether or not the CMS may be configured to prohibit court users from changing the payment date to a past or future date.

5.2 The Court Can Improve Its Comprehensive Collection Program

Background

The uniform imposition and enforcement of court-ordered debts are recognized as an important element of California's judicial system. Prompt, efficient, and effective imposition and collection of court-ordered fees, fines, forfeitures, penalties, restitution, and assessments ensure the appropriate respect for court orders. Various statutes provide courts with means to assist in the collection of court-ordered amounts. For instance, if an individual violates a written promise, continuance of a written promise, or court order to appear in court, VC 40509.5 allows courts to report to the Department of Motor Vehicle (DMV) the individual's failure to appear (FTA). The court may also report to the DMV an individual's failure to pay (FTP) if the person willfully fails to pay a lawfully imposed fine within the time authorized by the court. Furthermore, under VC

40508, the court may find a defendant to be guilty of a misdemeanor for a failure to appear in court or pay fines. Additionally, PC 1214.1 authorizes courts to impose a civil assessment of up to \$300 against any defendant who fails, after notice and without good cause, to appear in court for any proceeding authorized by law or to pay all or any portion of a fine ordered by the court or an installment of bail as agreed under VC 40510.5. PC 1463.007 also authorizes a court or county to recover the costs of operating a comprehensive collection program from the collection of delinquent court-ordered fees, fines, forfeitures, penalties, and assessments if it meets certain requirements. The Judicial Council has issued guidelines and standards to assist courts with their cost recovery process.

Issues

The Court has established a comprehensive collection program with the County, and uses a number of means allowed by statute to aid in the collection of court-ordered debt. Specifically, in cases where a defendant fails to appear in court or fails to pay a fine by the due date, the Court imposes an additional fine for violation of VC 40508, a VC 40508.5 assessment of \$15, and a civil assessment. It also notifies the DMV of the FTA or FTP. Additionally, it contracts with a collections agency to collect on delinquent accounts. Although the Court has made significant efforts to collect court-ordered debt, we identified the following areas where it can improve its comprehensive collections program:

1. The Court does not recover its costs for operating its comprehensive collection program from the collection of delinquent accounts. For instance, it may recover commissions it paid to its collections services provider, which according to its fiscal records totaled nearly \$93,000 in fiscal year 2011-2012. The Court may also recover personnel services costs for staff time spent on operating the comprehensive collection program, but it does not track these costs.
2. For 20 FTP cases selected for review, the Court did not always timely refer accounts to its collections services provider or notify DMV. Specifically, for 6 of 20 FTP cases reviewed, the Court took between 112 days and 311 days, or 168 days on average, to refer these criminal felony and misdemeanor cases to its collections services provider. Such delays in referrals may cause the delinquent cases to become more difficult to collect.
 - Additionally, for 3 of the 20 FTP cases reviewed, the Court did not send the FTP notice to the DMV. Therefore, the DMV would not have issued a hold on the individual's driver's license in order to encourage payment on the delinquent account.
3. For 27 of 30 delinquent FTA and FTP cases reviewed, the Court imposed base fine, penalty assessments, and surcharge totaling \$190 for violation of VC 40508, a misdemeanor conviction, but did not assess the PC 1465.8 - Court Operations Assessment (formerly Court Security Fee) of \$40, GC 70373 - Criminal Conviction Assessment of \$30, and GC 76000.10(c) - Emergency Medical Air Transportation (EMAT) Penalty Assessment of \$4 as part of the conviction. According to these three

statutory code sections, these assessments are to be imposed for every conviction of a violation, which would have increased the total fine for violation of VC 40508 to \$264.

Recommendations

To ensure that the Court properly uses the available means allowed by statute to collect on court-ordered debt and to operate its comprehensive collections program, we recommend that it does the following:

1. Implement procedures to recover its costs for operating its comprehensive collections program. As part of this process, the Court should track staff time devoted to operating the comprehensive collections program and maintain sufficient documentation to support these personnel services expenditures. It may refer to the cost recovery guidelines and standards issued by the Judicial Council and obtain assistance from the AOC Enhanced Collections Unit if needed.
2. Reevaluate its monitoring, referral, and notification procedures to ensure that it timely refers FTP cases to its collections services providers, and notifies the DMV of if the defendant fails to pay by the specified due date.
3. Impose the \$40 Court Operations Assessment, \$35 Criminal Conviction Assessment, and \$4 EMAT Penalty Assessment whenever it imposes fines, penalties and surcharges associated with violation of VC 40508 for FTA and FTP cases.

Superior Court Response By: Sandra Linderman, Date: 7/9/12

1. The court will investigate the possibility of cost recovery if able. Date of planned corrective action is December 1, 2012.
2. The court will re-evaluate its monitoring, referral and notification process. The court believes that these are isolated cases and our process in place at this time will remedy this problem. Date of planned corrective action is immediate.
3. The court was unaware of this process at the time of the audit, however, this was remedied while the auditors were here.

6. Information Systems

Background

Courts make wide use of information technology (IT) to support their operations. For example, courts use IT services to operate and maintain automated case management systems, accounting systems, and local area networks. Since information systems are integral to daily court operations, courts must maintain their systems in proper working order, protect their systems from interruptions, and establish a systems recovery plan should it experience an unexpected system mishap. Courts must also implement controls to prevent unauthorized access to sensitive and confidential information, and to protect the integrity of its information.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with information systems. A description of these accounts and audit procedures we performed to review the Court's information systems controls follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Expenditures				
943201 IT MAINTENANCE	840	339	501	147.8%
943203 IT MAINTENANCE - SOFTWARE	22,354	42,341	(19,988)	-47.2%
* 943200 - IT MAINTENANCE	23,194	42,680	(19,487)	-45.7%
943301 IT COMMERCIAL CONTRACTS	62,400	62,400	-	0.0%
* 943300 - IT COMMERCIAL CONTRACT	62,400	62,400	-	0.0%
943401 IT INTER-JURISDICTIONAL C	5,500	7,727	(2,227)	-28.8%
* 943400 - IT INTER-JURISDICTIONAL	5,500	7,727	(2,227)	-28.8%
943501 IT REPAIRS & SUPPLIES	1,740	132	1,607	1215.4%
943502 IT SOFTWARE & LICENSING F	1,746	8,430	(6,684)	-79.3%
943505 SERVER SOFTWARE	1,181	12,174	(10,993)	-90.3%
943506 SECURITY SOFTWARE	5,771		5,771	-
943509 MAINFRAME ACCESSORIES AND	7,221		7,221	-
* 943500 - IT REPAIRS/SUPPLIES/LICE	17,659	20,736	(3,077)	-14.8%
943701 IT OTHER	168	17,148	(16,980)	-99.0%
* 943700 - IT OTHER	168	17,148	(16,980)	-99.0%
** INFORMATION TECHNOLOGY (IT)	108,921	150,692	(41,771)	-27.7%
TOTAL				

We reviewed various IT controls through interviews with Court management, inspection of the server room, and review of documents. Some of the primary reviews and tests include:

- Systems backup and data storage procedures.
- Continuity and recovery procedures in case of natural disasters and other disruptions to Court operations.
- Logical access controls, such as user account management.
- Physical security controls, such as server room access.

- Controls over access to DMV records.

The following issues were considered significant enough to bring to management's attention. Additional minor issues may be contained in Appendix A.

6.1 The Court Needs to Improve Its Calculations and Distributions of Court Collections

Background

State statutes and local ordinances govern the distribution of the fines, penalties, fees, and other assessments that courts collect. Courts rely on the *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C* issued by the State Controller's Office (SCO Appendix C) and the *Uniform Bail and Penalty Schedule (UBS)* issued by the Judicial Council to calculate and distribute these court collections to the appropriate State and local funds. Courts use either an automated system, manual process, or a combination of both to perform the often complex calculations and distributions required by law.

Issues

To determine whether the Court correctly calculated and distributed collections, we reviewed the distributions calculated by the Court's CMS, Sustain, of selected violations. In total, we reviewed the following 13 case types:

- **Traffic Infraction (8 total)** – Speeding (2), Red Light (2), Child Restraint (2), Proof of Insurance/ Financial Responsibility (1), and Proof of Correction (1).
- **Non-Traffic Infraction (1 total)** – Fish & Game (1)
- **Misdemeanor/Felony (4 total)** – DUI (1), Reckless Driving (1), Domestic Violence (1), and Health & Safety (1)

Our review of the calculated distributions noted the following calculation and distribution errors:

1. The Court did not apply the GC 68090.8 – 2% deposit for automation to the following assessments and, as a result, understated its associated distribution to the State Trial Court Improvement Fund:
 - The GC 76000.10(c) – emergency medical air transportation (EMAT) penalty assessment for all seven vehicle violations reviewed that were disposed as bail forfeitures.
 - The PC 1202.4 – state restitution fine for all three misdemeanor and felony cases reviewed.
2. For 5 of 13 cases selected for review, the penalty assessments and surcharge were not distributed in proportion to the base fine. These five cases include the Reckless Driving, Red Light bail forfeiture, Proof of Insurance/ Financial Responsibility, Health & Safety, and Fish & Game violations selected for review.

3. For the DUI and Reckless Driving cases reviewed, we identified the following distribution errors:
 - The PC 1463.14(a) – lab fee of \$50 and PC 1463.16 – alcohol programs and services fee of \$50 in the DUI and Reckless Driving cases, and the PC 1463.18 – indemnification of victims fee of \$20 in the DUI case were incorrectly distributed as percentages of the total base fine and penalties rather than as flat dollar amounts reduced from the base fine. Additionally, the Court incorrectly calculated the percentage distributions for these fees and, as a result, overstated its distribution to these fees.
 - The Court also incorrectly included in these two cases percentage distributions for PC 1203.04 to the state restitution fund, but PC 1203.04 was repealed in 1995. Additionally, the two cases already included distributions to PC 1202.4 - state restitution fine, so it overstated total distributions to the State Restitution Fund.
 - For the DUI case, the Court incorrectly distributed the PC 1463.25 - alcohol education penalty assessment of \$50 as a percentage of the total base fine and penalties rather than as flat dollar amount.

4. For the Red Light bail forfeiture case reviewed, the Court did not allocate 30 percent of the base fine, PC 1464 – state and county penalty, GC 76101 – county criminal justice penalty, GC 76104 – county emergency medical services (EMS) penalty, GC 70372(a) – state court facilities construction penalty, and state EMAT penalty to the arresting agency’s general fund as required by PC 1463.11. It also did not apply the 2% deposit for automation distribution to the GC 76000.5 – county Maddy EMS penalty. As a result distributions for the various state and county penalty assessments are overstated, and distributions to the arresting agency’s general fund and State Trial Court Improvement Fund are understated.

5. The Court incorrectly distributed three traffic school cases reviewed for Speeding, Red Light, and Child Restraint violations in the following manner:
 - For all three cases reviewed, the Court incorrectly set up its CMS to distribute the VC 11208(c) – DMV administrative fee after the percentage allocations for base fine and penalty assessments instead of distributing the fee before any percentage allocations. As a result, system did not distribute the DMV administrative fee at all.
 - For the standard and Red Light traffic school cases reviewed, the Court incorrectly distributed the \$1 to the GC 76101 – County Criminal Justice Facilities Construction Fund as a percentage of total base fine and penalties rather than as a flat dollar amount.
 - For the standard traffic school case reviewed, the Court incorrectly distributed the EMAT penalty assessment to the State EMAT Fund instead of to the County General Fund in accordance to VC 42007.
 - The Court distributed the Red Light traffic school case in the same manner as a standard traffic school case. As a result, it did not allocate 30 percent of the base fine and penalty assessments (except 20 percent surcharge) to the arresting agency’s general fund as required by VC 42007.3. The Court also did not

distribute the EMAT penalty assessment – net of 30 percent – to the County General Fund pursuant to VC 42007, but instead distributed to the State EMAT Fund.

- The Court incorrectly distributed the Child Restraint traffic school case in the same manner as a standard traffic school case. However, statute specifies that the fine is not considered part of traffic fee and therefore requires a Child Restraint traffic school case be distributed in the same manner as a Child Restraint bail forfeiture case, but with traffic school fees added.
6. The Court distributed the Child Restraint bail forfeiture case reviewed as a standard vehicle code violation. As a result, it did not distribute the base fine in accordance with VC 27360, which requires that 60 percent be allocated to the County Health Department for a child restraint community education program, 25 percent to the County to administer the program, and the remaining 15 percent to the appropriate local entity where the violation occurred.
 7. For the Proof of Insurance/ Financial Responsibility case selected for review, the Court incorrectly distributed the three PC 1463.22 base fine reductions totaling \$30.50 as percentage allocations of total base fine and penalties rather than flat dollar amounts reduced from the base fine. Additionally, the Court incorrectly calculated the percentage distributions for these fees and, as a result, understated distributions to these base fine reductions.
 8. For the Proof of Correction (POC) case reviewed with multiple correctible offenses, the Court incorrectly distributed the subsequent POC fees in the same manner as the initial POC fee. However, VC 40611 requires the entire portion of any subsequent POC fees to be distributed to the State Immediate and Critical Needs Account (ICNA). As a result, it overstated its distributions to local general funds and State Penalty Fund, and understated distributions to the State ICNA Fund.
 9. For the Health & Safety case selected for review, the Court did not impose as base fine enhancements the HS 11372.5 - criminal lab analysis fee of \$50 and the HS 11372.7 - drug program fee of up to \$150. It also incorrectly calculated the base fine percentage allocations. Specifically, HS 11502 requires 75 percent of the base fine to be distributed to the State General Fund and 25 percent to the appropriate local government entity. However, it overstated its base fine distribution to the State and understated its base fine distribution to the County.
 10. For the Domestic Violence (DV) case selected for review, the Court incorrectly distributed the PC 1203.097(a)(5) – DV fee of \$400 as 2/3 to the State and 1/3 to the County, instead of 1/3 to the State and 2/3 to the County. Additionally, the State portion is distributed to one fund rather than split evenly among the DV Restraining Order Reimbursement Fund and DV Training and Education Fund.
 11. The Court incorrectly calculated the base fine percentage allocations for the Fish & Game case selected for review. Specifically, FG 13003 requires the base fine to be distributed

in the following manner: 50 percent to the State Fish and Game Preservation Fund and 50 percent to the County Fish and Game Propagation Fund. However, the Court distributed more of than 50 percent of the base fine to the State. Additionally, it did not assess the FG 12021 – additional penalty to the State Fish and Game Preservation Fund to support the Department of Fish and Game’s secret witness program.

12. The VC 40508(a) – promise to appear fee of \$200 assessed by the Court for cases reviewed where the defendant failed to appear in Court when required incorrectly included a percentage allocation to the VC 40508.5 – County FTA Fund. Since the Court already assessed a separate \$15 County FTA fee for these cases, distributions to the County were overstated.

Recommendations

To improve the accuracy of its calculations and distributions of Court collections, the it should consider the following:

1. Configure its CMS to apply the 2% automation distribution to the EMAT penalty assessment for all bail forfeiture dispositions and the alcohol abuse education and prevention assessment for DUI cases.
2. Analyze its distribution tables for the Reckless Driving, Red Light bail forfeiture, Proof of Insurance/ Financial Responsibility, Health & Safety, and Fish & Game violations to ensure that the percentage allocations for penalty assessments and surcharges are proportional to the base fine amount.
3. Review and correct the distribution tables for DUI and Reckless Driving cases to do the following:
 - Distribute the lab fee and alcohol programs and services fee in the DUI and Reckless Driving cases, and the indemnification of victims fee in the DUI case as flat dollar amounts reduced from the base fine.
 - Eliminate the PC 1203.04 distribution to the state restitution fund in both the DUI and Reckless Driving cases.
 - Distribute the alcohol education penalty assessment as flat dollar amounts. Since the fee is subject to the 2% automation distribution, \$49 should be allocated to the County Alcohol Abuse and Prevention Fund and \$1 should be allocated to the State Trial Court Improvement Fund.
4. For Red Light bail forfeiture cases, configure the CMS to allocate 30 percent of the base fine, state and county penalty, county criminal justice penalty, county EMS penalty, state court facilities construction penalty, and state EMAT penalty to the arresting agency’s general fund. Additionally, configure the CMS to apply the 2% deposit for automation distribution to the county Maddy EMS penalty assessment.
5. Review and correct the distribution tables for traffic school cases to do the following:

- Allocate the \$3 DMV administrative fee before the various base fine, penalties, and surcharge percentage allocations.
 - For standard and Red Light traffic school cases, allocate \$1 to the county criminal justice facilities fund as a flat dollar amount. This amount should also be distributed before the various base fine, penalties, and surcharge percentage allocations.
 - For standard traffic school cases, distribute the EMAT penalty assessment to the County General Fund as part of the VC 42007 – TVS fee.
 - For Red Light traffic school cases, allocate 30 percent of the base fine and penalty assessments (except 20 percent surcharge) to the arresting agency's general fund. Additionally, allocate 30 percent of the EMAT penalty assessment to the arresting agency's general fund, and the remaining balance to the County General Fund.
 - Distribute Child Restraint traffic school cases in the same manner as Child Restraint bail forfeiture cases, but with traffic school fees added (\$49 traffic school fee and \$3 DMV administrative fee).
6. Configure the CMS to distribute the base fine amount of Child Restraint cases in the following manner: 60 percent to the County Health Department for a child restraint community education program, 25 percent to the County to administer the program, and the remaining 15 percent to the appropriate local entity where the violation occurred.
 7. Modify the distribution table for Proof of Insurance/ Financial Responsibility cases to distribute the \$30.50 base fine reductions (\$17.50 to the County Special Account, \$3 to the Motor Vehicle Account in the State Transportation Fund, and \$10 to the State General Fund) as flat dollar amounts reduced from the base fine.
 8. Configure the CMS to distribute subsequent Proof of Correction fees for cases with multiple correctible offenses to the State ICNA Fund.
 9. For specified Health & Safety violations, add distributions for the HS 11372.5 - criminal lab analysis fee of \$50 and the HS 11372.7 - drug program fee of up to \$150 to the base fine amount. Additionally, for any violation between HS 11000 through HS 11651, distribute 75 percent of the base fine to the State General Fund and 25 percent to the appropriate local entity depending on where the arrest occurred.
 10. Adjust the distribution table for Domestic Violence cases to allocate the \$400 DV fee in the following manner: 2/3 to the County DV Programs Special Fund, 1/6 to the State DV Restraining Order Reimbursement Fund, and 1/6 to the State DV Training and Education Fund.
 11. Analyze the distribution percentages for Fish & Game cases to ensure that the base fine is distributed in the following manner: 50 percent to the State Fish and Game Preservation Fund and 50 percent to the County Fish and Game Propagation Fund. Additionally, add the \$15 additional penalty distribution to the State Fish and Game Preservation Fund.

12. Eliminate the VC 40508.5 percentage allocation from the distribution table for VC 40508(a) – promise to appear fee of \$200.

Superior Court Response By: Sandra Linderman Date: 10/4/12

We have discussed this issue memo with the AOC and agree that we will complete it in February 2013. There will be training on distribution tables and instructions from the AOC after the first of the year and while we disagree with some of the issues and their recommendations, we will complete after February, 2013 when more information is revealed.

6.2 The Court Could Strengthen Its Procedures for Controlling Access to Sensitive Electronic Data Records

Background

The California Department of Motor Vehicles (DMV) and California Superior Courts agree to cooperate and share information when each court enters into a mutually beneficial Memorandum of Understanding (MOU) with DMV. For example, courts need certain DMV data to assist them in determining appropriate judgments in traffic cases. Similarly, DMV needs certain traffic case information from each court to assist it in carrying out its motor vehicle and driver license program responsibilities. MOUs provide courts with the ability to access and update DMV data on-line, such as data in the DMV vehicle registration and driver license files.

Before DMV allows courts to access and update sensitive and confidential DMV data, DMV requires each court to agree to certain conditions in an MOU, such as the following:

- Maintain a current list of individuals who are authorized to access electronic DMV files.
- Allow audits or inspections by DMV authorized employees at court premises for the purpose of determining compliance with the terms of the MOU.
- Establish security procedures to protect DMV access information, including ensuring that each employee having access to DMV records signs an individual security statement which must be re-certified annually.
- Electronically log and store all DMV record access information for a period of two-years from the date of the transaction. The log information must be preserved for audit purposes and must include, at a minimum, the following: (a) transaction and information codes, (b) court code, (c) record identifiers, (d) individual user identifiers, and (e) date and time of transaction.

Additionally, MOUs may include a condition that allows DMV to immediately cancel the MOU and terminate court access to DMV data if a court, for example, negligently or intentionally misuses DMV data.

Issues

Court users who have update access in the CMS may look up and update DMV records on-line. During our review of the Court's controls over electronic access to DMV records, we identified the following areas that need improvement:

1. The Court does not adequately restrict inquiry and update access to DMV data only to those employees who require such access to perform their job duties. According to the CEO, all users with update access to the CMS may look up DMV records on an emulator screen in the CMS, and electronically update DMV records with such events as sentencing, failure to appear, and failure to pay. The Court only trained certain users on how to navigate the DMV emulator screen and only provided these users with the shared Court requestor number that is required to be entered to look up an individual's driving record. However, there is still a potential for inappropriate access and misuse of DMV data, such as by those users who have been trained but no longer need access due to change in job responsibilities.
2. The Court does not maintain an electronic log of inquiries and updates on DMV records, including the user who performed the transaction, date and time of the transaction, the type of transaction made (e.g. look up by name or driver's license search), the information entered, and the DMV information retrieved. However, the Court does not know whether its CMS has the capability to log these activities.
 - Since the Court does not maintain an electronic log of access to DMV records, it does not produce exception reports that identifies potentially inappropriate activity for management review to prevent or detect misuse of sensitive DMV data.

Recommendations

To ensure it takes responsible steps to secure and protect sensitive DMV data, the Court should consider the following:

1. Investigate the feasibility of using CMS access controls to restrict access to DMV inquiry screens and update transactions only to those Court users who require such access to perform their job functions.
2. Investigate the feasibility of logging DMV inquiry and update transactions on its CMS, or using transaction logging software. If logging is possible, the Court should develop and implement a process for monitoring unusual staff activity in the DMV system to ensure this access to sensitive DMV data is for a valid Court business purpose.

Superior Court Response By: Sandra Linderman Date: 7/9/12

1. The court believes each and every employee should have access to DMV and at any time during the course of their business each employee may be and are asked for information from DMV, either by a Judge in the courtroom or in the course of their everyday business. If ever there is a suspicion of misuse of DMV it is possible through DMV to investigate such misuse.
2. Again, this information is available through DMV upon request in the event of any suspicion. The court will investigate the possibility of software that would allow local monitoring.

6.3 The Court Could Strengthen Its Controls for Securing and Safeguarding Court Data

Background

Similar to other government agencies, courts maintain information systems that contain sensitive and confidential data that they are responsible for securing and safeguarding from unauthorized access. For example, court information systems contain or access sensitive criminal information and confidential personal information that court employees access and update on a daily basis. In September 1996, the National Institute of Standards and Technology (NIST), a federal agency that is responsible for preparing standards and guidelines for the security of sensitive federal information systems, published *Generally Accepted Principles and Practices for Securing Information Technology Systems* that identifies common information security practices for the identification and authentication of system users. Because courts maintain information systems that include sensitive and confidential data, courts should follow similar information system security practices to control and restrict access to this electronic court data. Unique user accounts and appropriate access restrictions, along with strong authentication requirements such as passwords, are important front-end security practices for controlling and protecting logical access to court computer systems that maintain sensitive and confidential court data.

In addition to securing and safeguarding data from unauthorized access, courts should also secure and safeguard data from environmental dangers. The Business Continuity Plan (BCP) is a framework used by courts to re-establish core operational functions and technological systems swiftly and smoothly after all or a portion of these functions or systems have been disrupted during a major mishap or disaster (e.g., fire, flood, earthquake, etc.) A key component of the BCP is the Disaster Recovery Plan (DRP) where the technical aspects of re-establishing core information technology (IT) systems and applications are addressed. The key benefit of a well-developed BCP and DRP is that they provide the court with a predetermined game plan under which it can operate in the critical hours after a major business disruption. The AOC provides courts with a Continuity of Operations Plan (COOP) template for use in developing such a plan. The plan provides the presiding judge and court executive management knowledge and awareness to assess the extent of the business disruption and to formulate a strategy that will promote appropriate maintenance of court operations and resumption of court leadership.

Issues

During our review of the Court's information systems controls to secure and safeguard its data, we identified the following practices that need improvement:

1. The Court does not enforce certain network operating systems controls to protect against unauthorized or inappropriate access. Specifically, it does not enforce the following log-in and password controls for court users that could strengthen protection against unauthorized access:
 - Require the use of complex passwords by restricting password syntax and enforcing minimum password length,
 - Require passwords to be changed periodically and preventing passwords to be re-used,

- Disabling accounts after a user exceeded a certain number of invalid sign on attempts,
 - Logging users off after a specified period of inactivity.
2. The Court does not store its backup media in an off-site storage facility. Since it stores its backup data at the courthouse where its servers are located, it is at risk of losing its primary and backup files should a natural or man-made disaster impact the courthouse.
 3. Although the Court has drafted its COOP, it has not completed certain key components of the plan. For example, it has not identified an alternate facility to relocate staff and resources to carry out mission essential functions in the event that the courthouse is closed for normal business activities. It also has not identified detailed plans to protect, duplicate, and move all the records, systems, and data it identified as being vital in supporting mission-essential functions and sustain operations.
 - The Court has also not tested its COOP, such as through mock drills or table top analysis, to ensure that the plan functions effectively.

Recommendations

We recommend that the Court do the follow to ensure that it adequately secure and safeguard its data:

1. Enforce strong network log-in and password controls, including the ones identified above, to better protect against unauthorized access.
2. Investigate the feasibility of regularly transporting and storing backup media in an offsite facility that is remote enough from the courthouse to prevent both sites to be impacted by potential disasters.
3. Complete the key components of the COOP, including designating an alternate facility for the courthouse, and identifying equipment, supplies, and duplicate records to be stored at the facility and additional equipment, supplies, and records to be transported to the facility. Additionally, complete the plans for the protection, duplication, and movement of vital records, systems, and data. Furthermore, test the COOP at least annually to ensure that the alert and notification procedures are effective and the equipment at the alternate facility is functioning properly.

Superior Court Response By: Sandra Linderman Date: 9/7/12

1. The court has implemented a new procedure for password control. The passwords will be required to be changed every sixty (60) days. The passwords must now meet the requirements of 7 or more characters, can't repeat any of the last three recent passwords and must contain 3 or the 4 following groups: Upper case letters, lower case letters, numbers and special characters. This will be in effect as of Monday, September 10, 2012.

2. The backup tapes will be transported manually on a daily basis in a locked box to a location out of the tsunami danger zone for safe keeping. The prior week of tapes will be stored offsite and daily the day prior will be brought to the offsite location. This will be in effect as of Monday, September 10, 2012.

3. By December 1, 2012, the court will modify its COOP plan to include the designation of a alternative facility for the courthouse along with all equipment mentioned. This is a difficult task to complete as there is very few locations available that have the security necessary. The expense of having to pay for such a location and the locked facility for security is difficult as well at this time.

7. Banking and Treasury

Background

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

The table below presents year-end general ledger account balances from the Court that we consider to be associated with Banking and Treasury. A description of these accounts and audit procedures we performed to review the Court's banking procedures follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Assets				
100000 POOLED CASH	22,135		22,135	-
100025 DISB CHECK-OPERATIONS	(116,923)		(116,923)	-
100026 DISB CHECK-TRUST	(587)		(587)	-
100027 DISB OUTGOING EFT	(6,208)		(6,208)	-
111000 BLOCK CASH-OPERATIONS ACC		279,693	(279,693)	-100.0%
111100 BLOCK CASH-OPERATIONS CLE		(138,846)	138,846	-100.0%
114000 CASH-REVOLVING	10,000	10,000	-	0.0%
118000 CASH-TRUST ACCOUNT	257,991	249,564	8,427	3.4%
118100 CASH-TRUST CLEARING		(6,534)	6,534	-100.0%
120050 SHORT TERM INVESTMENTS-LA	4,232,697	4,246,073	(13,375)	-0.3%
120051 SHORT TERM INVESTMENTS-CA	227,856	206,859	20,997	10.2%
Revenue				
825010 INTEREST INCOME	(21,708)	(32,240)	(10,532)	-32.7%
** 825000-INTEREST INCOME	(21,708)	(32,240)	(10,532)	-32.7%
Expenditure				
920302 BANK FEES	13,767	18,075	(4,307)	-23.8%
* 920300 - FEES/PERMITS	13,767	18,075	(4,307)	-23.8%

The Trial Court Trust and Treasury Services unit provides various banking and treasury services to the Court for funds on deposit with the AOC Treasury. These services include but are not limited to investing trial court funds, performing monthly bank account reconciliations, and providing periodic reports to trial courts and other stakeholders. Therefore, we only performed a high level review of the Court's banking and treasury procedures, including the following:

- Bank account reconciliation procedures.
- Procedures for opening and closing bank accounts.
- Approval requirements for accepting credit and debit card payments.
- Segregation of banking duties.
- Procedures to identify and escheat funds.

There were only minor lower risk issues identified in this section and they are listed in Appendix A.

8. Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff and perimeter security services. The sheriff specifies the level of security services it agrees to provide and the associated costs, and these services and costs are included in the MOU that also specifies the terms of payment. The Court entered into an MOU with the County Sheriff for bailiff and other court security services, and contracts with a vendor to provide entrance screening services.

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

The table below presents year-end general ledger account balances from the Court that we consider to be associated with court security. A description of these accounts and audit procedures we performed to review the Court's court security practices follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Expenditures				
934510 COURTROOM SECURITY-SHERIF	325,680	296,383	29,297	9.9%
* 934500 - SECURITY	325,680	296,383	29,297	9.9%
941101 SHERIFF - REIMBURSEMENTS	3,575	3,900	(325)	-8.3%
* 941100 - SHERIFF	3,575	3,900	(325)	-8.3%

We reviewed the Court's security controls through interviews with Court management, observation of security conditions, and review of documents. We also reviewed the its court security services agreements, compared budgeted and actual security expenditures, and reviewed sample court security invoices to determine whether costs billed are allowable by statute and comply with service agreements.

There were only minor lower risk issues identified in this section and they are listed in Appendix A.

9. Procurement

Background

The FIN Manual, FIN 6.01 provides uniform guidelines for trial courts to use in procuring necessary goods and services and to document their procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and documents approval by an authorized individual. The requestor identifies the correct account codes(s), verifies that budgeted funds are available for the purchase, and completes the requisition form. Individuals responsible for approving the purchase verify that the correct account codes(s) are specified and that funding is available for the purchase. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases. Although the Judicial Branch Contracting Manual became effective on October 1, 2011 and superseded FIN 6.01, we reviewed procurement activity conducted in fiscal year 2010–2011 when FIN 6.01 was effective.

We reviewed the Court's procurement practices to determine whether purchasing, approval, receipt, and payment roles are sufficiently segregated. We also reviewed sample purchases to determine whether the Court obtained approvals from authorized individuals and followed open and competitive procurement practices provided in the FIN Manual. Additionally, we reviewed sample purchase card transactions to assess compliance with FIN Manual requirements for purchase cards.

The following issues were considered significant enough to bring to management's attention. Additional minor issues may be contained in Appendix A.

9.1 The Court Needs to Improve Various Procurement Practices

Background

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

PCC 19026 requires the Judicial Council to include in the Judicial Branch Contracting Manual that each judicial branch entity shall adopt a Local Contracting Manual. The contents of each Local Contracting Manual must be "consistent with" the PCC, "substantially similar" to the provisions contained in the State Administrative Manual and the State Contracting Manual, and

consistent with the Judicial Branch Contracting Manual. Additionally, each judicial branch entity must identify individual(s) with responsibility and authority for procurement and contracting activities, and may include policies and procedures governing its procurement and contracting activities in its Local Contracting Manual.

Chapter 4 of the Judicial Branch Contracting Manual covers competitive solicitation procedures. Judicial branch entities must conduct competitive procurements in a manner that promotes open, fair, and equal competition among prospective bidders. Generally speaking, a procurement must be competitive unless it falls into one of the categories covered in Chapter 5 of the manual. Additionally, the type of competition will vary depending on the type of goods or services to be procured, as well as the value of the procurement. Chapter 4 discusses procedures on identifying prospective bidders, developing and advertising solicitations, handling bids submitted by vendors, and evaluating and selecting vendors.

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

Chapter 9, section 9.2 of the manual provides requirements for the use of purchase cards, which are typically used only for the procurement of goods, such as library purchases, subscriptions, office supplies, and minor equipment. Purchase cards may only be used for purchases with a maximum of \$1,500 per transaction, and a suggested daily limit of \$5,000. Alternative procedures should be documented, incorporated into the court's Local Contracting Manual, and distributed to court personnel. All procurements executed using a purchase card should be initiated by an approved purchase requisition. Purchase card holders are responsible for providing documentation in the form of requisitions and receipts for purchases made using the purchase card. Purchase cards may be used only for official judicial branch entity business; personal use is prohibited. Travel expenses may be paid by a court credit card that is used only for travel expenses, or centrally purchased using a court travel account.

Issues

1. The Court has not established a Local Contracting Manual to document its internal policies and procedures for procurement and contracting. For instance, it does not have a

procurement authorization matrix identifying the court officials and employees authorized to approve purchases, and each individual's approval limit.

2. The Court did not establish standard purchase orders for one-time procurements or blanket purchase orders for vendor agreements or repeat procurements with any vendors. As a result, the Court was not protected by the terms and conditions contained in purchase orders that vendors must follow when providing goods and services to the Court. Additionally, it did not encumber funds in accordance with the FIN Manual encumbrance procedures provided in FIN 5.01, 6.6 because it did not establish purchase orders in the accounting system for the goods and services it committed to procure.
3. The Court did not document its procurement activities in its contract files or maintain separate procurement files. For nine purchases reviewed that were required to be procured competitively, the Court does not have documentation to demonstrate it utilized competitive procurement practices.
4. For 14 of 18 purchases and 4 of 7 purchase card transactions reviewed, the Court did not prepare a purchase request to initiate the procurement. Although many of these purchases were supported by executed vendor agreements, the Court could not demonstrate that an authorized individual assessed the need for the specific good or service and ensure sufficient funds were available in the Court's budget before entering into an agreement for or renewing the purchase.
5. Two of nine purchase card transactions reviewed were personal travel expenditures, including payment for lodging and rental car costs. Although the Court has a separate business travel account, it uses its purchase card to pay for personal travel expenses. Since personal travel expenses paid for by the purchase card are co-mingled with other purchase card transactions, this does not provide sufficient controls for the Court to track travel expenses incurred on its purchase card from travel advances and reimbursements paid to court officials and employees, to ensure that it does not pay for inappropriate or duplicate travel expenses.

Recommendations

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

1. Establish a Local Contracting Manual to supplement the Judicial Branch Contracting Manual. It should include in its Local Contracting Manual a procurement authorization matrix identifying the court officials and employees authorized to approve purchases, and each individual's approval limit, as well as other policies and procurements governing procurement and contracting.
2. Establish standard purchase orders with vendors for one-time purchases of goods and services, and blanket purchase orders for vendor agreements and repeat purchases of a general class of goods such as office supplies. It should establish these purchase orders

in its accounting system to encumber funds for contractual commitments over \$500 in accordance with the FIN Manual encumbrance policy.

3. Follow the competitive procurement practices provided in the Judicial Branch Contracting Manual for purchases of goods and services over \$5,000, unless they qualify as non-competitive procurements. Additionally, maintain proper documentation in contract files or separate procurement files to demonstrate competitive procurement and to support those purchases made using non-competitive practices.
4. Ensure that its procurements of goods and services are supported by well documented, pre-approved purchase requests to demonstrate that authorized individuals assessed the need for the purchase and verified that sufficient funds are available to make the purchase.
5. Discontinue using the purchase card to pay for personal travel expenses. The Court may pay for certain travel expenses such as lodging, airfare, and car rental using its business travel account or a separate credit card used only for business travel, and reimburse court officials and employees their out-of-pocket expenses for all other qualified business travel expenses.

Superior Court Response By: Cheyenne Schaad Date: 09/27/2012

1. The court will establish a procurement authorization matrix no later than November 1, 2012. The court feels a manual is not necessary in addition to what is provided by the AOC.
2. Because of the court's size as well as vendors readily available in our remote area, we feel purchase orders would be too burdensome for general every day business. The procurement process if so generalized in this small court with only a few employees involved, it is not deemed necessary.
3. Again, because of our size and remote location and available vendors it would be a burdensome process to go to bid on everyday purchases. In the past we have compared everyday office supplies prices and our local vendor was found to be competitive if not less expensive. We rarely purchase goods or services over \$5,000 and if we do, we ensure to go to bid.
4. Effective immediately, tighter controls will be in place to ensure all purchases are approved through a purchase request.
5. The Court will work towards acquiring a purchase card through the Cal Card program. Going forward there should not be purchases and travel together on one particular card.

10. Contracts

Background

The FIN Manual, FIN 7.01, establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. Trial court must issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court. Additionally, FIN 7.02 establishes uniform guidelines for courts to follow in preparing, reviewing, negotiating, and entering into agreements with other government entities. Lastly, FIN 7.03 provides policies and procedures for contract administration. Although the Judicial Branch Contracting Manual became effective on October 1, 2011 and superseded FIN 7.01 through 7.03, the contracts and MOUs we reviewed because effective during the timeframe with these FIN Manual sections still applied.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with contracts. A description of these accounts and audit procedures we performed to review the Court's contracting practices follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Expenditures				
938401 GENERAL CONSULTANTS & PRO	114,094	96,873	17,221	17.8%
938404 ADMINISTRATIVE SERVICE	12,094	23,183	(11,089)	-47.8%
938410 TELECOMMUNICATIONS- CONSUL	1,229	1,218	11	0.9%
938420 GENERAL CONSULTANTS - LOD	7,065	6,489	576	8.9%
938421 GENERAL CONSULTANTS - MIL	2,354	3,328	(975)	-29.3%
938422 GENERAL CONSULTANTS - MEA	198	148	50	33.8%
* 938300 - GENERAL CONSULTANT AND P	137,033	131,239	5,793	4.4%
938504 COURT INTERPRETERS - CERT	29,361	41,994	(12,633)	-30.1%
938509 COURT INTERPRETER - MILEA	8,005	14,464	(6,460)	-44.7%
938510 COURT INTERPRETER - MEALS	154	854	(700)	-82.0%
938511 COURT INTERPRETER - LODGI	440	1,723	(1,283)	-74.5%
* 938500 - COURT INTERPRETER SERVIC	37,959	59,035	(21,075)	-35.7%
938601 COURT REPORTERS SERVICES	26,900	20,200	6,700	33.2%
938605 COURT REPORTER - MILEAGE	598	266	332	125.1%
* 938600 - COURT REPORTER SERVICES	27,498	20,466	7,032	34.4%
938701 COURT TRANSCRIPTS	23,545	11,965	11,580	96.8%
938702 CRT RPRTER TRANSCRIPTS-NO	7,154	6,760	394	5.8%
938703 CRT RPRTER TRANSCRIPTS-FE	9,499	7,409	2,090	28.2%

General Ledger Account	Fiscal Year Ended June 30,	Increase/ (Decrease)	Percent Change	General Ledger Account
* 938700 - COURT TRANSCRIPTS	40,198	26,134	14,064	53.8%
938801 DEPENDENCY COUNSEL CHRGS	81,307	68,794	12,513	18.2%
938802 DEPENDENCY COUNSEL CHRGS	146,477	134,113	12,365	9.2%
938803 COURT-APPOINTED COUNSEL C	38,723	44,384	(5,661)	-12.8%
938899 COURT APPOINTED COUNSEL C	12,295	12,295		-
* 938800 - COURT APPOINTED COUNSEL	278,802	247,291	31,512	12.7%
939003 COURT-ORDERED PROFESSIONA	33,874	14,631	19,243	131.5%
* 939000 - COURT ORDERED PROFESSION	33,874	14,631	19,243	131.5%
939105 PRO TEM HEARING OFFICERS	24,724	25,754	(1,030)	-4.0%
* 939100 - MEDIATORS/ARBITRATORS	24,724	25,754	(1,030)	-4.0%
939418 CONTRACT LAW FIRM FEES	56	84	(28)	-33.7%
* 939400 - LEGAL	56	84	(28)	-33.7%
942101 PROBATION DEPARTMENT SERV	24,000	11,670	12,330	105.7%
942701 COUNTY - BUSINESS SERVICE	45,000	45,000	-	0.0%
* 942100 - COUNTY-PROVIDED SERVICES	69,000	56,670	12,330	21.8%

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

We reviewed MOUs entered into with the County to determine whether they are current and contain minimum required terms and conditions. Additionally, we performed a trend analysis of county-provided revenue and services expenditures for the last three fiscal years to determine whether they are covered by current MOUs and whether the Court has sufficient procedures to monitor and control these costs. We also reviewed selected invoices to determine whether the services billed by the County were allowable, reasonable, sufficiently itemized, and supported.

The following issues were considered significant enough to bring to management's attention. Additional minor issues may be contained in Appendix A.

10.1 Certain Contracting and Contract Monitoring Practices Need Improvement

Background

Pursuant to Public Contract Code (PCC) § 19201 et seq., judicial branch entities including superior courts are required to comply with provisions of the PCC that are applicable to state agencies and departments related to the procurement of goods and services. In accordance with PCC 19206, the Judicial Council adopted and published the Judicial Branch Contracting Manual to incorporate procurement and contracting policies and procedures that judicial branch entities

must follow. The manual became effective on October 1, 2011 and superseded FIN Manual policies and procedures for procurement (FIN 6.01) and contracts (FIN 7.01 through 7.03).

Chapter 8 of the Judicial Branch Contracting Manual identifies processes applicable to preparing and approving contracts, typical contracts and contract-related documents, and certain provisions required by law or recommended for inclusion in a contract or contract-related document. Specifically, section 8.3.A identifies legally required terms to be included in a contract, as well as other terms that may be necessary to protect the judicial branch entity and mitigate the risks associated with the contract. Appendices A and B of the same chapter identifies certifications and provisions that are mandatory or recommended to be included in specified categories of contracts. Lastly, Appendix C provides additional requirements and other information for certain types of contracts, such as contracts for consulting services, information technology services, and legal services.

Chapter 11 of the manual describes the requirements and recommended practices associated with contract administration. For instance, section 11.6 specifies that the contract administrator must ensure that all required vendor certificates of insurance, licenses, and performance or payment bonds are current by establishing and enforcing a compliance plan and affirmatively acting to ensure contract compliance. Vendors that provide services must furnish Certificates of Insurance to evidence compliance with the contract insurance requirements before commencing work.

Chapter 11, section 11.7 requires judicial branch entities to monitor vendor performance to ensure that the value of the goods or services it receives is in compliance with the contract price and meets prescribed acceptance criteria and contract milestone dates. Monitoring vendor performance can be facilitated by the following best practices:

- Conducting status reviews of vendor compliance at regularly scheduled project meetings;
- Requiring written monthly or quarterly reviews of the vendor's performance in meeting goals;
- Requiring the vendor to propose and implement plans to cure unsatisfactory performance when contract goals are not met; and
- Performing a vendor evaluation at the conclusion of the contract and retaining the evaluation for future reference.

Chapter 11, section 11.11 provides filing practices to ensure the integrity of contract files, such as maintaining files in a safe and secure area, and providing access to files on a "need-to-know" basis only. This section also recommends developing a filing method to organize contract files in a consistent file format, and provides a sample file organization method. Judicial branch entities should also conduct annual reviews to assure compliance with established file integrity requirements.

Issues

During our evaluation of the Court's contract monitoring practices and five contract files selected for review, we identified the following areas that need improvement:

1. The Court does not have a process to ensure that it has all current vendor certificates of insurance, licenses, and performance or payment bonds on file for those vendor contracts that require them, but rely on vendors to submit this information. As a result, the Court did not have current certificates of insurance on file for three contracts reviewed that require those vendors to have insurance. We identified a similar issue in our 2007 audit where some contract files selected for review were also missing certificates of insurance. When we brought this to the Court's attention, it informed us that it obtained required certificates of insurance for two of the contracts. We determined that the third contract for Child Support Commissioner Services should not have required the vendor to have an attorney's license and related insurance.
2. The Court does not review its contract files at least annually to ensure that they conform to internally established file integrity requirements.
3. The Court does not follow contract performance monitoring best practices, such as vendor reviews and evaluations, but relies on informal and undocumented procedures to monitor vendor performance. As a result, other than a copy of a letter the CEO sent to one vendor, we did not identify any other documentation in the five contract files reviewed to demonstrate that the Court appropriately monitored vendor performance. We identified a similar issue in our 2007 audit where we noted that the Court did not have formalized procedures in place to assist in monitoring contractor performance.
4. All five contracts selected for review were missing certain required provisions. We identified a similar issue in our 2007 audit where six contracts selected for review were missing some important terms and conditions. Specifically, one agreement for imaging services exceeding \$22,000 did not contain several important provisions as follows:
 - Contract start and end dates;
 - A provision specifying the contract is contingent upon the availability of budgeted funds;
 - A provision specifying how the contract may be modified;
 - A provision allowing the Court to terminate the contract for cause
 - An independent contractor provision;
 - A provision requiring worker's compensation and employer's liability insurance for vendors with employees; and
 - A provision specifying who has ownership rights to the work product for information technology services.

The Court did not rely on a contract template to prepare this contract. On the other hand, the remaining four contracts reviewed were developed from contract templates and included most of the above contract provisions. Three of these four contracts do not contain budget contingency provisions, and two of these four contracts do not include provisions specifying how the contract may be modified. These five contracts reviewed do not contain additional provisions and certifications required by the Judicial Branch Contracting Manual but not formerly required by the FIN Manual contract policies and

procedures, such as a nondiscrimination certification clause and a certification of compliance with National Labor Relations Board orders, but we did not note these as an issue since the Court entered into these contracts before the new manual became effective.

Recommendations

We recommend that the Court do the following to improve its contracting procedures:

1. Develop a process to obtain and update its contract files with current certificates of insurance, licenses, and performance or payment bonds for those contracts that require them. Additionally, consider modifying the license and insurance requirements in the contract for Child Support Commissioner Services.
2. Perform an annual review of all current contract files to ensure that they conform to internally established file integrity requirements on file format and content.
3. Adopt the vendor performance monitoring best practices recommended in the Judicial Branch Contracting Manual, and include copies of written reviews, evaluations, and other vendor communications in contract files.
4. Review and update existing contract templates with provisions and certifications that are required by the Judicial Branch Contracting Manual to be used to modify existing contracts or enter into new agreements. The Court may consider obtaining the AOC's assistance in updating its contract templates. Additionally, ensure that future contracts prepared without the use of contract templates contain the necessary provisions and certifications to protect the Court's interest.

Superior Court Response By: Cheyenne Schaad Date: 09/27/12

Date of Corrective Action: 06/30/2013

Responsible Person(s): Sandra Linderman, CEO and Cheyenne Schaad, Court Accountant

The court agrees that there is much improvement to be done in the area of Contracting and Contract monitoring practices. The CEO and Accountant will work together to clean up the issues and put practices in place to better monitor contracts in the future. The Court will work to have all contracts for the Fiscal year 2012-13 meet the requirements of the contracting manual.

11. Accounts Payable

Background

The FIN Manual provides uniform guidelines for processing vendor invoices, in-court service provider claims, and court-appointed counsel claims. Trial court personnel must route invoices and claims submitted by vendors and court service providers to trial court accounts payable staff for processing. The accounts payable staff must process the invoices in a timely fashion. While processing for payment, they must verify that amounts billed match purchase agreements, and authorized court personnel approved the invoice to indicate that goods were received or services were provided.

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

The table below presents year-end general ledger account balances from the Court that we consider to be associated with accounts payable. A description of these accounts and audit procedures we performed to review the Court's accounts payable procedures follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Expenditures				
* 922700 - EQUIPMENT RENTAL/LEASE	21,213	24,417	(3,204)	-13.1%
* 922800 - EQUIPMENT MAINTENANCE	9,240	15,290	(6,050)	-39.6%
* 922900 - EQUIPMENT REPAIRS	233	195	38	19.6%
* 923900 - GENERAL EXPENSE - SERVIC	35,944	192,648	(156,704)	-81.3%
* 924500 - PRINTING	11,609	13,619	(2,010)	-14.8%
* 925100 - TELECOMMUNICATIONS	21,917	66,311	(44,394)	-66.9%
* 926200 - STAMPS, STAMPED ENVELOPE	1,152	1,698	(546)	-32.2%
* 926300 - POSTAGE METER	12,552	15,092	(2,540)	-16.8%
* 928800 - INSURANCE	722	698	24	3.4%
* 935400 - MAINTENANCE AND SUPPLIES	817	20,139	(19,321)	-95.9%
* 935600 - ALTERATION	235	20,674	(20,439)	-98.9%
* 935700 - OTHER FACILITY COSTS - G		122	(122)	-100.0%

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
Expenditures – Travel				
929201 IN-STATE TRAVEL EXPENSE C	852	1,027	(175)	-17.0%
929202 IN-STATE AIR TRANSPORTATI	1,515	1,285	229	17.9%
929205 PER-DIEM - JUDICIAL - IN	128		128	-
929206 LODGING-IN STATE	1,009	839	170	20.3%
929207 RAIL, BUS TAXI, FERRY-IN	91	30	61	202.8%
929209 PRIVATE CAR MILEAGE-EMPLO	1,148	2,081	(933)	-44.8%
929211 PARKING-IN STATE	11	32	(21)	-65.6%
* 929200 - TRAVEL- IN STATE	4,754	5,294	(540)	-10.2%
Expenditures – Jury				
965101 JURORS - FEES	5,025	2,550	2,475	97.1%
965102 JURORS - MILEAGE	984	445	538	120.8%
* 965100 - JUROR COSTS	6,009	2,995	3,013	100.6%

To evaluate the Court’s compliance with invoice and claim processing procedures specified in the FIN Manual, we interviewed Court staff who perform accounts payable activities, and reviewed sample invoices and claims. We also assessed its compliance with additional requirements provided in statute or policy for processing court transcripts claims, contract interpreter claims, and jury per diems and mileage reimbursements. Furthermore, we reviewed sample travel expense claims and business meal expenditures to assess compliance with *AOC Travel Reimbursement Guidelines* and *Business-Related Meals Reimbursement Guidelines* provided in the FIN Manual.

The following issues were considered significant enough to bring to management’s attention. Additional minor issues may be contained in Appendix A.

11.1 The Court Does Not Comply with Certain Travel Reimbursement Policies and Procedures

Background

Government Code section 69505(a) requires trial court judges and employees to follow the procedures recommended by the AOC and approved by the Judicial Council for reimbursement of business-related travel. The Judicial Branch Travel Guidelines (travel guidelines) are approved by the Judicial Council and provides specific information regarding the current limitations that apply to allowable travel expenses.

The rules and limits for arranging, engaging in, and claiming reimbursement for travel on official court business are specified in the FIN Manual. Specifically, FIN 8.03, 3.0(1) states:

The trial court should reimburse its judges and employees for reasonable and necessary travel expenses incurred while traveling on court business within the limits of the trial court’s maximum reimbursement guidelines. Under Government Code section 69505,

the AOC's Travel Guidelines must be used. All exceptions to the Judicial Branch Travel Guidelines, including any terms of an executed memorandum of understanding agreement by and between a recognized employee organization and a trial court, must be submitted in writing and have prior approval in accordance with alternative procedures guidelines established in Policy No. FIN 1.01, Trial Court Organization, Section 6.4, Paragraph 4.

Further, section 6.1.8 of this procedure requires trial courts to apply the policy and limits listed in the travel guidelines to trial court agreements for services involving business related travel by a contractor, whenever possible.

FIN 8.03, 6.3, provides specific travel procedures for trial courts to follow. These procedures state that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation and other miscellaneous items. In addition, section 6.1.1 states that travel costs incurred without written travel request approval may be subject to rejection when reimbursement is requested. Out-of-state or international travel requires the approval of the Presiding Judge or written designee.

Section 6.4 of this procedure provides that reimbursable travel expenses are limited to the authorized, actual, and necessary costs of conducting the official business of the trial court and the limits established in the travel guidelines. Judges and employees who incur reimbursable business travel costs must submit a completed travel expense claim (TEC) form that notes the business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level.

For example, travelers may be reimbursed for actual costs of overnight lodging and meals consumed during business travel up to the maximum rates published in the travel guidelines. A request for a lodging exception is allowed for business travel when lodging above the maximum rate is the only lodging available, or when it is cost-effective. An Exception Request for Lodging form and supporting documentation must be submitted in advance of travel and must be approved by the Presiding Judge or designee.

According to the travel guidelines, actual expenses for breakfast, lunch, dinner, and incidentals are limited to the following maximum rates for continuous travel of more than 24 hours:

MEALS	MAXIMUM REIMBURSEMENT
Breakfast	Not to Exceed \$ 6
Lunch	Not to Exceed \$10
Dinner	Not to Exceed \$18
Incidentals	Not to exceed \$ 6

For travel of less than 24 hours, lunch and incidentals may not be claimed. However, breakfast may be claimed if travel begins one hour before normal work hours, and dinner may be claimed if travel ends one hour after normal work hours.

Issues

To determine whether the Court followed the travel guidelines set forth in the FIN Manual, we interviewed appropriate Court staff regarding current travel and business meal reimbursement practices. We also reviewed selected fiscal year 2011 – 2012 travel expenditures and identified the following areas of non-compliance:

1. For 5 of 10 travel claims selected for review, the claimant completed a travel claim before the trip to support the request for travel advance, but did not submit a claim and necessary receipts after the trip to report actual expenses incurred. As a result, two travel claims with lodging costs and one travel claim with taxi and airport shuttle costs were not supported by receipts. Since the Court does not require travelers to submit travel claims and necessary receipts after the trip, it cannot ensure that the travel advance provided to traveler reflect actual travel costs incurred.
2. Two of ten travel claims reviewed were not supported by Travel Authorization Forms as required by the Court's travel policy. Although travel advances reviewed were supported by Travel Authorization Forms, the travel reimbursements did not have pre-approved Travel Authorization Forms attached.
3. In one of four travel claims reviewed with lodging expenses, the lodging exceeded the State's maximum allowable rate. However, the travel claim was not supported by a lodging exception request to provide a justification for exceeding the maximum allowable rate and to evidence that the request was pre-approved by the Presiding Judge or designee.
4. In one of six travel claims reviewed with meals and incidental expenses, the lunch reimbursement exceeded the State's maximum allowable rate.

Recommendations

To ensure it complies with the required travel guidelines, the Court should consider the following:

1. Require Court officials, employees, and contractors to submit travel expense claims and necessary receipts after travel, regardless of whether the individual received a travel advance, to support actual travel expenses incurred and claimed up to State maximum allowable rates.
2. Require Court officials, employees, and contractors to submit Travel Authorization Forms to an authorized individual for approval of the travel, regardless of whether they are requesting a travel advance.
3. Require Court officials, employees, and contractors to submit requests for lodging exception to the Presiding Judge or designee for approval prior to travel when they anticipate exceeding State maximum allowable rates for lodging. The request needs to provide a justification for exceeding the State rate that meets one of the criteria provided in FIN 8.03, 6.1.6 (3).

4. Only reimburse travelers up to the State maximum allowable rates for meals and incidental expenses.

Superior Court Response By: Cheyenne Schaad Date: 09/27/2012

Date of Corrective Action: 09/27/2012

Responsible Person(s): Cheyenne Schaad, Court Accountant

1. Previously it was unclear to the travel coordinator/accountant that a travel expense claim was required in the event that an advance was issued. Upon review of the travel policy with the Auditors, this requirement was made clear. Effective immediately all travelers will be required to submit a TEC upon return.
2. Agreed and effective immediately, the travel coordinator will insure all travelers prepare an authorization prior to making arraignments.
3. Anytime lodging rates are to exceed the state maximum rate, it is approved by the CEO, however in the past this approval has been verbal. The Travel Coordinator will require that travelers submit a request in writing for lodging exceptions.
4. It has never been the Court's policy to reimburse a higher rate for meals than what is allowable. The one claim that was found to be reimbursed at a higher rate was an oversight.

11.2 The Court Did Not Comply with Certain Invoice and Claim Payment Processing and Approval Controls and Procedures

Background

As stewards of public funds, courts have an obligation to demonstrate responsible and economical use of public funds. As such, the FIN Manual provides trial courts with policy and procedures to ensure courts process invoices and claims timely and in accordance with the terms and conditions of agreements. Specifically, FIN 8.01 and FIN 8.02 provide uniform guidelines for courts to use when processing vendor invoices and "in-court" services claims for payment. In-court service providers may include but are not limited to court-appointed counsel, investigators, psychiatrists, psychologists, court reporters, interpreters, mediators, and arbitrators.

FIN 8.01, 6.3 provides guidelines for accounts payable staff process invoices for payment. Specifically, accounts payable staff will immediately stamp vendor invoices with the current date upon receipt, sort invoices by payment due date, and match invoices to appropriate supporting documentation when processing invoices for payment. This "three-point-match" procedure consists of matching an invoice to a purchase agreement and to proof of receipt and acceptance of goods or services. For example, the accounts payable employee must match all details of the invoice, including description of goods and services ordered, quantities invoiced, unit prices billed and other applicable charges to the details and terms and conditions of the court's purchase agreements or contracts. Additionally, she must match all invoice details, including description

of goods or services ordered and quantities invoiced to the details of packing slips, shipping orders, receiving reports, or an authorized court employee's acknowledgement of delivery of products or completion of work. If one element is missing, the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

FIN 8.01, 6.4(3) specifies that court officials authorized to approve invoices shall not approve payment of their own purchases. Another level of approval will be required.

FIN 8.02 addresses steps unique to processing in-court services claims, but other steps involved in processing claims that are not discussed in FIN 8.02 are identical to those for processing invoices as referenced in FIN 8.01. For instance, FIN 8.02, 6.3 specifies documentation required to be submitted in order for a claim to be paid, which includes a court-approved claim form, a copy of the court authorization issued to the individual or business that is making the claim, and an itemized invoice describing the services provided and costs incurred. Section 6.5 specifies that in cases where rates are not established by statute, the court may set limits on the rates charged by service providers. The rates allowed shall be reasonable for the type of service performed and shall be consistent from vendor to vendor. Section 6.8 requires an accounts payable employee to reconcile the claim to the original court authorization for the services provided and the service provider's invoice.

Further, the Judicial Council has established Payment Policies for Contract Court Interpreters. For example, the policy lists full-day and half-day payment rates, and allows for payment above the daily rate under certain unusual circumstances.

Issues

To determine whether the Court adheres to the invoice and claim processing policies and procedures in the FIN Manual, we interviewed appropriate Court staff regarding the Court's current invoice and claim processing practices. We also reviewed selected invoices and claims paid in fiscal year 2011–2012, and identified the following weaknesses and areas of noncompliance:

1. The CEO approves all purchase requests and invoices for payment, which are conflicting duties since she may approve payment of her own purchases.
2. The Court did not date-stamp 32 of 38 invoices and claims selected for review to ensure that it timely processes invoices and claims for payment.
3. For 14 of 30 applicable invoices and claims reviewed, the Court did not have necessary procurement documents to demonstrate that it performed a three-point match when processing the invoice or claim for payment. Specifically, it did not enter into agreements, such as a contract or purchase order, with nine vendors for repeat or large purchases. For instance, the Court did not enter into agreements with a family law facilitator and a child custody evaluator even though the Court paid the vendors more than \$65,000 and \$19,000, respectively, within the fiscal year. Another three one-time small purchases were not supported by an approved purchase request and quote. Lastly,

the amount paid for one invoice did not match the rates specified in the agreement, and the items and amounts paid for a second invoice did not match the approved quote attached.

4. For 3 of 36 applicable invoices and claims selected for review, the Court did not attach proof of goods receipt or services rendered – such as a packing slip for goods or approval signature for services – to demonstrate that it performed a three-point-match when processing invoices and claims for payment.
5. For 16 in-court services claims reviewed, some were missing information required by the FIN Manual, as follows:
 - For 13 claims reviewed, a copy of the court authorization was not attached to evidence that the vendor was authorized to provide services for the specified cases, timeframes, and amounts claimed.
 - Three claims did not contain the vendor's address.
 - Two claims did not contain case numbers and/ or names when appropriate.
6. The Court paid amounts that exceeded the rates approved by the Judicial Council for all five court interpreter claims reviewed, such as premiums, travel time, and full-day rate for half-day service; but did not document the unusual circumstance justifying paying the higher rates and CEO's pre-approval for four of these claims. It also reimbursed three interpreters for meals, an extraordinary travel cost, without documenting the CEO's pre-approval.

Recommendations

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

1. Segregate the purchase approval and invoice approval duties to ensure that no individual may approve payment for his or her own purchase.
2. Date-stamp all invoices and claims upon receipt to ensure that they are timely processed for payment.
3. Establish and retain appropriate procurement documents and make them available to fiscal staff so they can perform the required three-point match when processing invoices and claims for payment. Specifically, the Court should enter into agreements with vendors for large, reoccurring, or complex services, and establish purchase orders or retain approved quotes to support other procurements. Copies of these procurement documents should be made available to Court fiscal staff to confirm services, quantities, and rates before they process the invoices and claims for payment.
4. Retain and forward proof of receipt documentation to fiscal staff so they can perform the required three-point match when processing invoices and claims for payment. For example, invoices for goods purchases should be supported by packing slips, shipping

orders, or receiving reports that have been verified by the individual who received the goods. Invoices for services should be verified and approved by an authorized individual to indicate that all services billed are appropriate.

5. Provide court authorizations to in-court service providers to document the services to be provided, the cases or timeframes assigned, and the rates or amounts to be paid. Furthermore, require service providers to attach a copy of the court authorization to their claims when submitting claims for payment. If the Court wishes to rely on an alternative procedure to verify and process claims, it should prepare and submit to the AOC a request for approval of its alternative procedure and explain the reasons for not implementing the required FIN Manual procedure, describe its alternate procedure, and propose controls to mitigate the risks associated with not implementing the required FIN Manual procedures. Additionally, require service providers to provide their addresses on their claims, and case numbers and case names when appropriate.
6. Require requests for payment for court interpreter services at rates or amounts above the rates or amounts established in the Payment Policies for Contract Court Interpreters to be supported by a written justification pre-approved by the CEO.

Superior Court Response By: Cheyenne Schaad Date: 09/27/2012

Date of Corrective Action: [Add date of actual or planned corrective action]

Responsible Person(s): [Add name and title of individual assigned responsibility for corrective action.]

1. The Court resolved this issue effective 09/15/2012. The Court manager is now responsible for approving purchase requests.
2. The Court resolved this issue effective 09/15/2012. The Court accountant now has a date stamp and stamps each invoice as it is received.
3. The Court agrees and will work towards cleaning up this issue.
4. The Court does have policy in place to ensure a three point match. It will work towards tightening up this policy and put controls in place to ensure proper documentation is attached to every invoice.
5. Effective immediately, the Court will ensure that all pertinent authorizations and information is included with invoices for in-court services provided.
 - a. All invoices for in-court services are put through a review to ensure that the services provided were authorized. However, a copy is not attached. The Court will change its procedure to better reflect this review and show authorization prior to payment.
 - b. The invoices in question have been corrected and the vendors were contacted to ensure future invoices have the vendor's address on them.
 - c. Missing case information on 2 invoices was a mere oversight. The Court will work to ensure all pertinent information is included on invoices for payment.

6. On the issue of interpreters: the Court is in the situation where it must pay what the interpreter charges to get them here. We do not have local Interpreters to service this Court. However, the Court does agree that written agreements with interpreters need to be in place. The Court will work towards acquiring written agreements with interpreters used on a regular basis. In addition the Court will develop a written Authorization for extraordinary travel cost for interpreters used on a one time basis.

12. Fixed Assets Management

Background

The FIN Manual, FIN 9.01 provides uniform guidelines for trial court to use when acquiring, capitalizing, monitoring, and disposing of assets. Specifically, trial courts must establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report all court assets. The primary objectives of the system are to:

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

The table below presents year-end general ledger account balances from the Court that we consider to be associated with fixed assets. A description of these accounts and audit procedures we performed to review the Court's fixed assets management practices follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Expenditures				
922601 MINOR OFFICE EQUIPMENT/MA	357	131	226	172.0%
922603 OFFICE FURNITURE - MINOR		6,456	(6,456)	-100.0%
922606 NON-OFFICE FURNITURE	394	10	384	3656.2%
922610 COMPUTER ACCESSORIES	2,965	3,451	(485)	-14.1%
922611 COMPUTER	15,022	1,840	13,182	716.3%
922612 PRINTERS	77	1,726	(1,649)	-95.5%
922613 PRINTERS MULTI-FUNCTION D		5,157	(5,157)	-100.0%
922699 MINOR EQUIPMENT - UNDER \$	5,027	4,011	1,016	25.3%
* 922600 - MINOR EQUIPMENT - UNDER	23,842	22,783	1,059	4.6%
946601 MAJOR EQUIPMENT - IT		5,678	(5,678)	-100.0%
* 945200 - MAJOR EQUIPMENT		5,678	(5,678)	-100.0%

We evaluated compliance with FIN Manual requirements over fixed asset management, inventory control, software licensing, and transfer and disposal practices through interviews with Court management and staff, and review of supporting documentation. Specific tests include:

- Determining the accuracy of the Court's reported fixed assets by comparing the information reported in the Comprehensive Annual Financial Report (CAFR) worksheet statements 18 and 19 to the supporting accounting records.
- Verifying supporting invoices for selected fixed assets and minor equipment expenditures to determine whether the Court correctly classified these expenditures.
- Reviewing the completeness and accuracy of the asset inventory list by validating that selected fixed assets and inventory items listed were physically present, and validating that selected items were properly listed.
- Reviewing documentation to support disposal of fixed asset and inventory items to determine whether it obtained proper approvals and followed proper procedures.

- Reviewing software license monitoring tools to determine whether it has sufficient controls to track license and ensure that it follows vendor licensing requirements.

The following issues were considered significant enough to bring to management's attention. Additional minor issues may be contained in Appendix A.

12.1 The Court Could Improve Its Tracking of Fixed Assets, Inventory Items, and Software Licenses

Background

The FIN Manual, Policy Number 9.01, 3.0, requires each trial court to establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report all court assets. The trial court's primary objectives are to ensure that all court assets are properly identified and recorded, used effectively, and safeguarded against loss or misuse.

Specifically, paragraph 6.2.2 requires courts to maintain a detailed and up-to-date listing of inventory items. Inventory items are defined as items with an individual value of more than \$1,000 and less than \$5,000 and an anticipated useful life of more than one year. In addition, items that are particularly subject to loss or theft, such as small office equipment, cellular phones, and small tools valued at less than \$1,000, are also included as inventory items. Further, paragraph 6.2.3 requires courts to maintain a current list of court-owned computer software. Paragraph 6.2.4 requires courts to also maintain certain information in the FAMS, such as a description of the fixed asset, date of acquisition, value, and estimated useful life. Fixed assets are defined as individual items with a value of \$5,000 or more and with an anticipated useful life of more than one year, such as vehicles, security equipment, and copiers.

To identify and control these assets, paragraph 6.3 requires the court to assign a unique identification (ID) number and affix to each inventory item, fixed asset, and software license agreement, a tag or decal showing the assigned ID number. The tags or decals should be serially numbered, and unused tags or decals should be kept in a secure place.

Although paragraph 6.6 recommends an annual inventory, it requires courts to conduct a physical inventory of all court assets and equipment no less than every three years. The court must reconcile the inventory count recorded at each location against the asset records and investigate variances. Any unexplained losses or missing items must be reported to the court Fiscal Officer or designated employee.

To protect the integrity of the FAMS, paragraph 6.7 requires that the Court maintain a record of asset transfer or disposal. Specifically, paragraph 6.7.2 outlines guidelines established by Rule of Court 10.830 for the disposal of inventory items and fixed assets. For example, these rules require courts to provide the Administrative Director of the Courts a written description of technology equipment acquired on or after July 1, 2000, that the court wishes to dispose of as surplus equipment. If the Administrative Director of the Court determines, or makes no determination within 60 days, that no court needs the technology equipment, the court may

dispose of the surplus equipment following the rules required for disposing of non-technology personal property.

Issues

Our review of the Court's system for recording, controlling, and reporting on Court assets identified the following procedures that need improvement:

1. The Court does not tag all of its fixed assets and inventory items with property ID tags and maintain a listing of these items. The Court's IT contractor only tags and maintains a listing of technology equipment including desktops, laptops, printers, and servers. However, the Court does not tag and record other fixed assets and inventory items. Without a complete listing of fixed assets and inventory items, the Court cannot effectively track and safeguard these items.
2. Since the Court does not maintain a complete listing of fixed assets and inventory items, it also does not conduct a physical inventory of its fixed assets and inventory items. The Court's IT contractor informed us that he monitors technology equipment by checking the status of their network connection and when users bring their court-issued laptops in for software upgrades, but also does not perform a physical inventory of the technology equipment.
3. The Court also does not maintain documentation to support that the CEO has reviewed and approved all fixed asset and inventory items to be transferred or disposed. Additionally, the Court's IT contractor deletes technology equipment that has been disposed from the tracking list, but does not maintain a separate list or record of disposed surplus equipment.
4. Furthermore, the Court does not post technology equipment on the AOC's surplus equipment website for at least 60 days prior to disposal. The Court informed us that it did not post surplus equipment in the past because it had determined that the equipment either had no market value or were not in working condition. However, FIN 9.01, 6.7.4 requires courts to post all technology equipment on the AOC's surplus equipment website and does not make a distinction between functioning and non-functioning equipment.
5. Lastly, the Court does not maintain a current list of court-owned computer software to monitor compliance with license conditions of these software products.

Recommendations

To ensure it properly records, controls, and reports its fixed asset and inventory items, the Court should consider the following:

1. Tag and record existing and future fixed asset and inventory items with sequentially numbered property ID tags that are currently not tracked. As part of this process, the Court should determine which items valued at less than \$1,000 are subject to theft or loss, and tag and record those items as inventory items. It may decide to tag these items with

the same roll of property ID tags used for technology equipment, or use the new roll of property ID tags in the Court Accountant's possession.

2. Conduct physical inventories of its fixed assets and inventory items at least once every three years. The physical inventory should include technology equipment currently tracked by the Court's IT contractor and remaining items not currently tracked once the Court has tagged and recorded these items. It should then reconcile the results of the physical inventory to its fixed assets and inventory list, investigate any differences between the results and the list, and update the list after reporting to and obtaining approval from the CEO or designee for unexplained loss or missing items.
3. Require the CEO's written pre-approval for the disposal of fixed assets and inventory items. To protect the integrity of the fixed asset and inventory list, the Court should also maintain a record of fixed asset and inventory items that have been disposed and deleted from the list.
4. Post all technology equipment it plans on disposing on the AOC's surplus equipment website for at least 60 days prior to disposal.
5. Prepare a list of court-owned computer software licenses with sufficient information to effectively monitor the Court's compliance with vendor licensing requirements.

Superior Court Response By: Cheyenne Schaad Date: 09/06/12

Date of Corrective Action: 08/01/2012 initial, 12/31/2012 full completion

Responsible Person(s): Cheyenne Schaad and George Wilder (IT)

1. The Court has begun the process of identifying, logging, and tagging its Major Equipment as required. A Data base has been put into place for tracking and reporting such assets. The Court will consider including inventory items in the future, however at this time the Court's main objective is to update the major assets only.
2. The Court agrees that a physical inventory of fixed assets is necessary in order to safeguard against misuse and theft. Prior to June 30, 2013 a physical inventory will be performed on all fixed assets. From that point, every three years a physical inventory will be performed.
3. The Court agrees and will require written approval for disposal of fixed assets and inventory from this point forward.
4. The Court agrees and will post surplus equipment on the website as required, from this point forward.
5. The Court agrees and the information technology contractor (Tech Wild) will work with the Court Accountant (Cheyenne Schaad) to ensure all software licenses are recorded in the fixed asset/inventory database.

13. Audits

Background

There are many legal requirements and restrictions surrounding the use of public resources that can lead to audits of trial court operations and finances. Trial courts shall, as part of their standard management practice, conduct their operations and account for their resources in a manner that will withstand audit scrutiny. During an audit, courts shall fully cooperate with the auditors to demonstrate accountability, efficient use of public resources, and compliance with all requirements. Courts must also investigate and correct substantiated audit findings in a timely fashion.

We reviewed prior audits conducted on the Court to obtain an overview of the issues identified and to determine during the course of our audit whether it has corrected or resolved these issues. IAS performed an audit and readiness review for migration onto the Phoenix Financial System in 2007. Some of the issues were resolved due to the Court migrating away from the County's financial system, while we revisited the remaining issues during our current review. We identified issues that have not yet been corrected or resolved and issues that have resurfaced as repeat issues in various sections of this report.

The State Controller's Office (SCO) conducted its most recent Court Revenue Audit of the Court in 2005 for the period July 1, 2000 through June 30, 2004. We reviewed the SCO's finding during our prior audit in 2007 and determined that the Court made appropriate corrections at the time of the SCO auditor's visit.

There were no issues identified during this audit to report to management in this section.

14. Records Retention

Background

The FIN Manual, FIN 12.01 establishes uniform guidelines for the trial court to retain financial and accounting records. According to the FIN 12.01, 3.0, it is the policy of the trial court to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, the trial court shall employ sound business practices that best serve the interests of the court. The trial court shall apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with records retention. A description of these accounts and audit procedures we performed to review the Court's records retention practices follows.

General Ledger Account	Fiscal Year Ended June 30,		Increase/ (Decrease)	Percent Change
	2011	2010		
Expenditure				
935203 STORAGE	6,286	6,163	123	2.0%
* 935200 - RENT/LEASE	6,286	6,163	123	2.0%

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

There were no issues identified during this audit to report to management in this section.

15. Domestic Violence

Background

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

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

There were only minor lower risk issues identified in this section and they are listed in Appendix A.

16. Exhibits

Background

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

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

We evaluated controls over exhibit handling and storage by interviewing court managers and staff with exhibit handling responsibilities, reviewing the Court’s exhibit handling policy and procedures, and observing the physical conditions of exhibit storage areas.

There were no issues identified during this audit to report to management in this section.

17. Bail

Background

In general, bail is used to ensure the presence of a defendant before the court and is most commonly submitted in the form of cash or a surety bond. Surety bonds are contracts guaranteeing that specific obligations will be fulfilled and may involve meeting a contractual commitment, paying a debt, or performing certain duties. Bail bonds are one type of surety bond. An individual arrested on a criminal charge may be held in custody until trial, unless he or someone on his behalf furnishes the required bail or acquires a bail bond. The bonding company issuing the bail bond guarantees that the defendant will appear in court at a given time and place. Licensed bail agents specialize in underwriting and issuing bail bonds, and act as the appointed representatives of licensed surety insurance companies. CRC 3.1130(a) outlines certain conditions for insurance companies to meet prior to being accepted or approved as a surety on a bond:

A corporation must not be accepted or approved as a surety on a bond or undertaking unless the following conditions are met:

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

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

We interviewed Court managers and staff to determine the Court's processes in establishing and tracking bail as well as validating posted bail bonds. We also reviewed the County Uniform Bail Schedule and selected case files where bail was posted to determine compliance with CRC and applicable Penal Code Sections.

There were only minor lower risk issues identified in this section and they are listed in Appendix A.

APPENDIX A

Issue Control Log

**Superior Court of California,
County of Del Norte**

Note:

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

Those issues 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 corrective efforts indicted by the court.

September 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration								
		L	The Court maintains separate Taken Under Submission Lists for the PJ and assigned judges, but does not provide the assigned judges submission list to the PJ for review to assist him in monitoring the number of causes under submission before each judge.		C	This will be corrected forthwith.	S. Linderman	Sept. 2012
		L	Since the Court does not rely on the CMS taken under submission event report to prepare the Taken Under Submission Lists, the lists are incomplete because they are missing some submitted matters identified in the CMS.		C	we will run a report from our CMS and compare it to our manual lists on a regular basis forthwith	S. Linderman	Sept. 2012
2 Fiscal Management and Budgets								
	2.1	7	The Court Does Not Perform Monthly Budget to Actual Comparisons		C	Beginning with the fiscal month of September 2012, the Court Accountant will prepare the above referenced budget to actual reports for review by the CEO.	C. Schaad	Sept. 2012
		L	The CEO's timesheet during the pay period selected for review was not approved by the PJ.		C	This oversight will be corrected and the timesheets will be signed by the PJ in the future.	S. Linderman	Sept. 2012
		L	For 3 of 10 employee payroll records selected for review, the Court incorrectly calculated the vacation and/or sick leave accrual for the pay period tested.		C	This error has been identified and corrected. The Court has adopted the AOC's calculation recommendation in regards to Leave without Pay as it pertains to vacation/sick leave accruals.	D. Cooper	Sept. 2012
		L	Repeat Issue: Although the Court informed us that it has not transferred any budgeted funds, it has not established internal review and approval procedures by the PJ or written designee for budgeted fund transfers between program or expenditure categories in the event that it needs to transfer funds.		I	The Court accountant and CEO will work together to put a procedure in place for this. Expected time of completion to be Jan 2013.	C. Schaad	Jan. 2013
3 Fund Accounting								
		L	The Court incorrectly designated various fund balance amounts as contractually committed funds, including employee computer purchase program, tuition reimbursement program, leave balance liability, and unfunded health insurance cost increase, when assigned designations would have been more appropriate because these amounts are not covered by executed contracts.		C	These issues have all been resolved through the completion of the Schedule One for FY2012-13.	C. Schaad	Sept. 2012
		L	Additionally, the Court over-designated an amount for employee lump sum distribution in lieu of NSI as contractually committed because only payouts to DNSCCA employees are covered by a bargaining agreement.		C	This issue has been resolved through the completion of the Schedule One form FY2012-13.	C. Schaad	Sept. 2012
		L	The Court does not post enhanced collections revenue and associated expenditures to fund 120007 specifically set up for the enhanced collections program. As a result, it is not separately tracking this restricted funding source.		I	The Accounting staff was unaware of this Fund. AOC direction has been to use Fund 120001 and PECT 2120, which is designated as Enhanced Collections. The Court will work to transfer all postings in 2120, from 120001 to 120007 for the FY2012-13 and will begin using this fund effective immediately.	C. Schaad	Sept. 2012
4 Accounting Principles and Practices								
		L	The Court does not reconcile its Health Benefits Liability account to ensure that medical, dental, and vision benefits it pays to health benefits administrators match corresponding employer and employee payroll deductions. As a result, it could not provide a breakdown of transaction causing the liability account to carry a debit balance of approximately \$63,000 at the end of June 2012.		C	The Health Benefits are being reconciled now and will be more closely monitored.	D. Cooper	June 2013
5 Cash Collections								
	5.1	3	The Court Could Strengthen Some of Its Cash Handling Procedures		C	Recommendations 1-4 and 6 will be done effective immediately.	S. Linderman	Sept. 2012
					I	Recommendations 5 and 7 will be accomplished within the next two months.	S. Linderman	Jan. 2013
	5.2	1	The Court Can Improve Its Comprehensive Collection Program		I	Recommendations 2 and 3 have been corrected and recommendation 1 is being investigated to determine the possibility of recovery.	S. Linderman	Dec. 2012
		L	Three of thirty reversals selected for review were not approved by a court manager. Although a manager performed two of the three reversals when entering delinquent collections payments into the CMS, the FIN Manual requires supervisory approval for all voids. For the third reversal, the Court informed us that the CMS did not print a receipt for the bond reversal, but a manager did not sign the attached supporting document to demonstrate review and approval of the reversal.		C	Our policy is to have reversals approved by a court manager. We will be more careful forthwith.	S. Linderman	Sept. 2012
		L	During our review of 21 manual receipts issued in 2012, we identified one receipt issued out of sequence, one blank skipped receipt, and one used receipt without a CMS receipt attached or manager approval to evidence that the payment was processed into the CMS.		C	We will fix forthwith.	S. Linderman	Sept. 2012
		L	For 30 delinquent cases reviewed, the Court did not assess the \$15 County Assessment for 2 cases, and did not assess the \$190 Failure-to-Pay amount for 1 case that violated VC 40508(a)-(c).		C	This was through inadvertence and has been corrected already.	S. Linderman	Sept. 2012
		L	The Court's agreement with its collections services vendor is outdated because it references terms and conditions in an expired master agreement with the same vendor.		I	Will renew said contract by January, 2013.	S. Linderman	Sept. 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
6	Information Systems							
	6.1	4	The Court Needs to Improve Its Calculations and Distributions of Court Collections	I		We have discussed this issue memo with the AOC and agree that we will complete it in February 2013.	S. Linderman	Feb. 2013
	6.2	2	The Court Could Strengthen Its Procedures for Controlling Access to Sensitive Electronic Data Records		C	If ever there is a suspicion of misuse of DMV it is possible through DMV to investigate such misuse.	S. Linderman	Sept. 2012
				I		The court will investigate the possibility of software that would allow local monitoring.	S. Linderman	Jan. 2013
	6.3	6	The Court Could Strengthen Its Controls for Securing and Safeguarding Court Data		C	The court has implemented a new procedure for password control.	S. Linderman	Sept. 2012
				I		Server backup tapes will be located off-site and out of the Flood zone.	S. Linderman	Sept. 2012
				I		Will modify and complete COOP	S. Linderman	Dec. 2012
		L	The Court inappropriately distributed one of two Reckless Driving cases selected for review as a standard vehicle code violation.	I		The Court is confident this was an inadvertent error but is researching this issue.	S. Linderman	Feb. 2013
		L	The Court's server room is not equipped with a non-water based fire suppression system and water and/or flood detection sensors or alarms to adequately protect its servers from water damage.	I		With the state of the budget and the AOC sweeping all of our reserves we are not in a position financially to be able to do this at this time. Will readdress in another year.	S. Linderman	TBD
		L	The Court's Technology Use and Privacy policy does not address remote access accounts although remote access is granted to some Court employees and contractors.	I		This will be fixed by January, 2013.	S. Linderman	Jan. 2013
		L	The Court's MOU with DMV for access to DMV data is outdated because it is almost 16 years old.	I		This will be fixed by January, 2013.	S. Linderman	Jan. 2013
		L	The Court did not have on file Information Security Statements signed within the last 12 months for 1 of 23 employees and for its IT contractors, all of whom have access to DMV data.		C	Inadvertence. Will be more careful.	S. Linderman	Sept. 2012
7	Banking and Treasury							
		L	The Court only reconciles its revolving account annually due to infrequent use, but the FIN Manual requires monthly reconciliations.		C	The revolving account will be reconciled monthly.	D. Cooper	Sept. 2012
		L	The revolving account signature card is outdated as it lists a retired judge as a designated account signer.		C	The revolving account signature card will be updated.	C. Schaad	Sept. 2012
8	Court Security							
		L	Repeat Issue: The Court does not have an emergency procedures manual to direct court officers and employees on what to do during emergency events.	I		Will try to have in place by March, 2013.	S. Linderman	March 1, 2013
		L	The Court stationed its x-ray and metal detection machines at courtroom entrances instead of the courthouse entrances, so it does not screen all visitors entering the facility and packages delivered to the facility.	I		With budget constraints, we do not have resources to hire personnel to man security equipment full time. Will readdress when budget improves.	S. Linderman	TBD
		L	The Court could not provide records of regular testing, calibration, and maintenance of its x-ray and metal detection equipment.	I		Will try to have in place by March, 2013.	S. Linderman	March 1, 2013
9	Procurement							
	9.1	10	The Court Needs to Improve Various Procurement Practices	I		The Court will implement a local procurement Matrix to be used in conjunction with the AOC provided procurement manual.	C. Schaad	Nov. 2012
				I		Because of the court's size as well as vendors readily available in our remote area, we feel purchase orders would be too burdensome for general every day business.	D. Cooper	TBD
				I		Again, because of our size and remote location and available vendors it would be a burdensome process to go to bid on everyday purchases.	D. Cooper	TBD
					C	Effective immediately, tighter controls will be in place to ensure all purchases are approved through a purchase request.	D. Cooper/ C.Schaad	Sept. 2012
				I		The Court will work towards acquiring a purchase card through the Cal Card program.	C. Schaad	Jan. 2013
		L	A former judge still has an active account in Phoenix.	I		The Court Accountant is currently working on getting detailed information on this account and will work to get it closed as soon as possible.	C. Schaad	Nov. 2012
		L	The Court did not require vendors that provide non-IT goods and services to the Court to sign a Darfur Contracting Act Certification in compliance with the Darfur Contracting Act.	I		Effective 11/01/2012, the Court will require all necessary vendor provide a copy of the Darfur Contracting Act Certificate. This effective date will allow the Court time to get Certificates out to Vendors that may not already have them.	D. Cooper	Nov. 2012
		L	The Court does not enforce the \$1,500 per transaction and \$5,000 daily limits for its purchase card.	I		The Court does not have a purchase card. The Court was using a travel card for purchases, which we now understand to be incorrect (per IM#10). The Court is currently in the process of acquiring a Purchase card and will be certain to comply with the limitations of that card.	C. Schaad	Jan. 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
10	Contracts							
	10.1	9	Certain Contracting and Contract Monitoring Practices Need Improvement Repeat Issues	I		The CEO and Accountant will work together to clean up the issues and put practices in place to better monitor contracts in the future. The Court will work to have all contracts for the Fiscal year 2012-13 meet the requirements of the contracting manual.	S. Linderman	July 1, 2013
		L	The Court did not enter into a contract with County Probation for services the County provided for the FY 2010-2011 Drug Court Grant to set forth terms and conditions for these services, and to effectively monitor the County's performance.	I		will try to have in place by January, 2013.	C. Schaad	Jan. 2013
11	Accounts Payable							
	11.1	8	The Court Does Not Comply with Certain Travel Reimbursement Policies and Procedures		C	Effective immediately recommendations have been addressed or will closely monitor to prevent future oversight issues.	C. Schaad	Sept. 2012
	11.2	11	The Court Did Not Comply with Certain Invoice and Claim Payment Processing and Approval Controls and Procedures		C	Recommendatons 1, 2, and 5 have been immediately corrected.	C. Schaad	Sept. 2012
					C	Recommendations 3 and 4: Will work towards cleaning up this issues or monitoring more closely.	C. Schaad	Sept. 2012
				I		Recommendation 6: the Court is in the situation where it must pay what the interpreter charges to get them here. We do not have local Interpreters to service this Court. However, the Court does agree that written agreements with interpreters need to be in place. The Court will work towards acquiring written agreements with interpreters used on a regular basis. In addition the Court will develop a written Authorization for extraordinary travel cost for interpreters used on a one time basis.	C. Schaad	March 2013
		L	Repeat Issue: The Court inappropriately purchased County fair tickets for all employees as an employee incentive. However, an appropriate incentive program should recognize certain employees based on performance or similar criteria.		C	Effective 08/31/2011, the Court discontinued this practice.	C. Schaad	Aug. 2012
		L	The vendor address on the invoice did not match the address on SAP for 2 of 36 invoices and claims selected for review.		C	Sometimes, the address gets changed in SAP without notice to the Court. Therefore, The Court accountant is currently reviewing all invoices (as they come in) to ensure the address in SAP match the invoice.	C. Schaad	Sept. 2012
		L	One invoice from ADP that was paid electronically was not signed by an authorized Court individual to indicate payment approval.		C	The Court accountant will be certain to review all claims and ensure that proper authorization is in place.	C. Schaad	Sept. 2012
		L	The Court posted travel expenses to the incorrect general ledger accounts for 2 of 10 travel claims reviewed. It recorded one out-of-state travel claim as in-state travel, and recorded one vendor travel claim to expenditure accounts reserved for court official and employee travel.		C	The Court accountant will be more diligent in reviewing claims to better account for travel and post to the correct GL. In the case of the out-of-state travel. The event was held out of state, however 90% of the mileage paid was incurred in state, therefore it was posted to instate. The Court accountant acknowledges that this may not have been the correct GL, given further review.	C. Schaad	Sept. 2012
		L	The Court did not post the expenditure to the appropriate general ledger (g/l) account for 2 of 36 invoices and claims selected for review. Specifically, it posted an investigator invoice to the general consultants g/l account when the court ordered investigator or professional services g/l accounts would have been more appropriate. Additionally, it posted an ADP invoice as bank fees, but should have categorized the expenditure as payroll services.		C	The Court accountant will be more diligent in reviewing claims to better account for expenditures and post to the correct GL.	C. Schaad	Sept. 2012
		L	The Court paid for training for its contract court investigator, which may cause the contractor to be considered an inferred employee over time and puts the Court at risk of being sued for unpaid employee benefits.		C	The Court has reviewed this issue and finds that the training in question at this time does not cause the contractor to be an inferred employee. Though the Court is conscious of this potential issue for the future.	C. Schaad	Sept. 2012
12	Fixed Assets Management							
	12.1	5	The Court Could Improve Its Tracking of Fixed Assets, Inventory Items, and Software Licenses	I		The court will with respect to the five recommendations work towards correcting all prior to calendar year end.	C. Schaad	Dec. 2012
		L	For 1 of 10 equipment expenditures selected for review, the Court incorrectly classified software licenses it purchased as minor equipment as opposed to software in the fiscal system.		C	The Court accountant is working with the IT contractor to ensure better descriptions are used in invoicing to protect against expenses being posted incorrectly.	C. Schaad	Sept. 2012
13	Audits							
			No issues for managements attention.					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
14	Records Retention							
			No issues for managements attention.					
15	Domestic Violence							
		L	For one of two DV cases reviewed with multiple convictions, the Court only assessed one PC 1465.8 - Court Operations Assessment and one GC 70373 - Criminal Conviction Assessment.	I		The Court is looking into this issue further.	S. Linderman	Jan. 2013
		L	For one DV case reviewed in which the offense took place in 2012, the Court did not assess the correct minimum PC 1202.4(b) - State Restitution Fine of \$120.	I		The Court is looking into this issue further.	S. Linderman	Jan. 2013
16	Exhibits							
		L	Court management does not inspect the exhibit room periodically to ensure access security is properly working, room is in good physical condition, and appropriate documentation is maintained to track the movement of exhibit items.		C	Court management does inspect the exhibit room periodically. We just don't document such inspections and we will do so forthwith.	L. Plunkett	Sept. 2012
		L	Although the Court uses exhibit lists to identify and track exhibit items, it does not use a pre-numbered, three-part exhibit transfer receipt form to document transfer of exhibits from courtroom clerks to the exhibit clerk.	I		The Court will make sufficient copies in lieu of a three-part form.	L. Plunkett	Jan. 2013
17	Bail							
			No issues for managements attention.					