

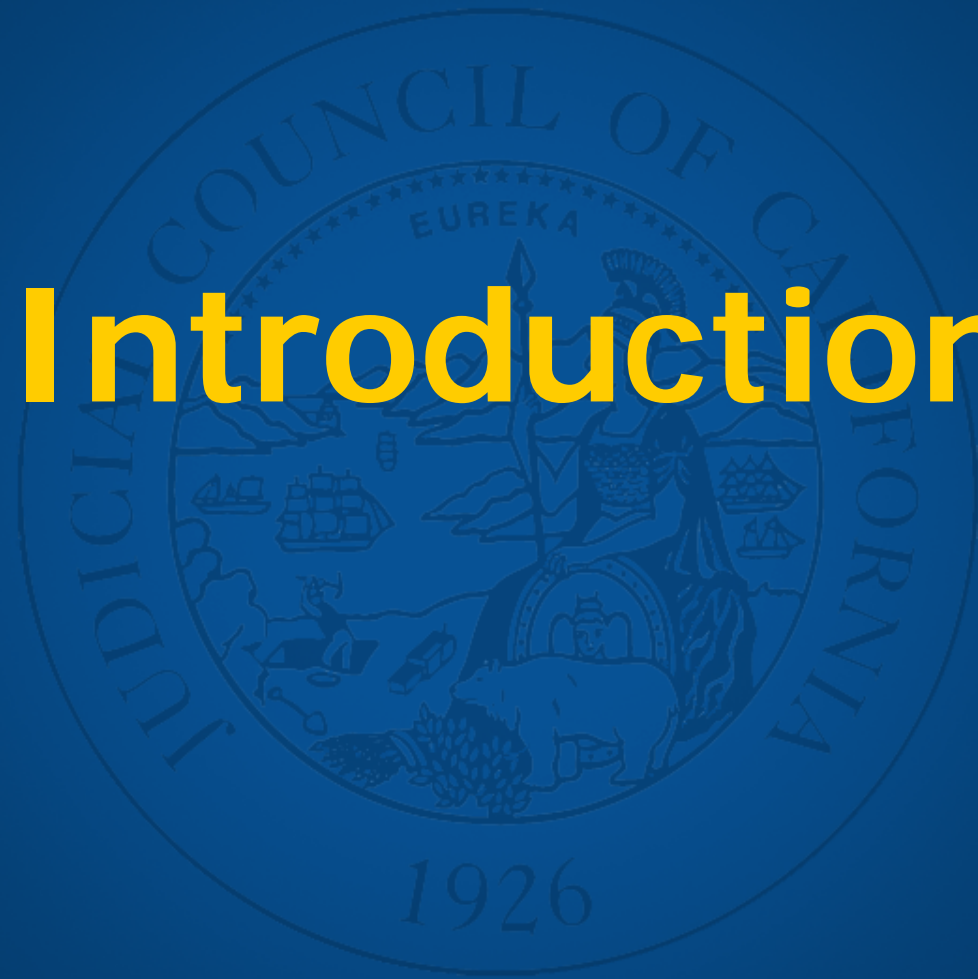
JUDICIAL COUNCIL MEETING

APRIL 25, 2014

JUDICIAL BRANCH ADMINISTRATION: Audit Report for Judicial Council Acceptance

Presenters: Hon. Richard D. Huffman, Associate
Justice, Chair of the A&E Committee
John A. Judnick, Senior Audit Manager

Introduction



Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch (A&E)

Three duties regarding audit reports

1. Review all audit reports for the Judicial Branch, including appellate courts, trial courts and the AOC.
2. **Recommend acceptance to the Judicial Council.**
3. Make recommendations on individual or systemic issues for the Judicial Council's consideration at the time it receives and considers audit reports.



A&E COMMITTEE MEETING

January 2014

Review of audit report of Yuba Superior Court

- Audit testing completed in August 2013
- Final responses to issues received Nov. 2013

Committee concerns

- Significant number of issues and numerous repeats
- Lack of correction of issues
- Types of issues - accounting / operational deficiencies
- Deferred to Feb. committee meeting and requested IAS follow-up with court concerning corrections



A&E COMMITTEE MEETING

February 2014

Internal Audit Services follow-up on issues

- 111 issues in report:
 - 34 reported corrected as of Nov. 2013
 - 52 reported corrected as of Feb. 5, 2014 (18 more)



ADMINISTRATIVE OFFICE
OF THE COURTS

Audits Reports Recommended for Discussion Agenda

General characteristic:

A report with an individual issue, or combinations of characteristics or issues, that could result in a diminished public confidence in the court's ability to account for or manage public and fiduciary funds.



A&E COMMITTEE MEETING

February 2014

Committee recommendation **Discussion Agenda**

(see page 2-3 of council report)

- Improper accounting and reporting of financial transactions issues
- Significant number of issues (111) with 8 repeats
- Lack of correction of issues
- Committee's concern about court's ability to correct issues without significant assistance and ensure continued correction
- Courts lack of accounting expertise



The seal of the Judicial Council of California is a circular emblem. It features a central figure, likely a personification of Justice, holding a scale and a sword. The figure is surrounded by various symbols of California's history and industry, including a ship, a plow, and a bear. The text "JUDICIAL COUNCIL OF CALIFORNIA" is inscribed around the top inner edge of the seal, and "EUREKA" is written above the central figure. The year "1926" is inscribed at the bottom of the seal.

Audit Report

Yuba Superior Court

Statistics:

- Small court
 - 5 authorized judgeships and .3 SJO's
 - Authorized FTE staff of 57.25 with 2 in fiscal
 - 2 locations with 7 courtrooms
 - \$4.8M budget in FY 2012-2013
 - Location - short distance north of Sacramento



Management Summary

- Accounting for financial transactions
 - Improper reporting of trust and agency funds
 - Lack of reporting enhanced collections monies in a bank account outside of the AOC treasury
 - Lack of a reconciliations of trust funds
 - Court staff could not remember when one account was last reconciled properly – large discrepancies
 - One trust account not reconciled since Sept. 2012 – large discrepancies



Management Summary

- Court's expansion into enhance collections work (from county) without cost-benefit analysis
- Collections and distributions not accurately performed
 - Calculation and distribution errors
 - Lack of timely implementation of statutory changes
 - Installment distribution priority errors



Management Summary

- Travel and business meal expenditure deficiencies
 - Six repeat issues
 - Travel documentation deficiencies (6 of 8 tested)
 - Business meal documentation deficiencies
- Accounts payable invoice review and approval practices deficiencies
 - Documentation deficiencies
 - Interpreter claim costs not in accordance with policy
 - Authorization matrix - employee limit concerns



Other Audit Concerns

- Information systems
 - Business continuity plans not completed; evacuation plans not tested
 - Other issues of sensitivity will be redacted and issued to court in separate non-public management letter
- Civil assessments not assessed or not timely assessed.
- Cash collections – high risk issues
 - Void review of supervisor not documented (8 of 10)
 - Manual receipts – control of issued books not maintained properly
 - Segregation of duties issues – senior cashiers responsibility over entire process (account setup, cash collection, voids, deletes)



Other Audit Concerns

- Procurement and contracts
 - Purchase requisitions missing for 2 transactions tested
 - Purchase card transaction requests – 8 of 10 requests missing
 - Purchase orders not created to encumber funds



Court Activities to Correct Issues

- On February 25, 2014, Judge Jahr visited the court as part of his regular visits to courts. Judge Jahr volunteered the services of the Trial Court Administrative Services Office (TCAS) to assist the court.
- The Court contacted TCAS and IAS to seek assistance in correcting audit issues and training.



Court Activities to Correct Issues

AOC collaborative assistance (TCAS and IAS)

- Court is moving to Phoenix payroll and is receiving assistance from TCAS on this and audit issues at the same time - last two months
- Court administrative fiscal officer has visited TCAS for all day session (to continue with further sessions) on:
 - Accounting, procurement, and accounts payable practices
- TCAS and IAS team visited the court for an all day training on distribution calculations in April



Court Activities to Correct Issues

- Significant assistance will continue to be provided to the court in addressing all concerns.

Court CEO

- Indicated that the Court is making all efforts to correct all audit issues and feels they will get them corrected over time.
- Recognizes resource and current accounting expertise limitations of the Court.
- There are no current plans to hire an individual with accounting expertise to replace retired ACEO.



Yuba Superior Court

Hon. Debra Givens, Presiding Judge
Steve Konishi, Court Executive

Unable to attend today's meeting.



ADMINISTRATIVE OFFICE
OF THE COURTS

A&E Committee Recommendation

A&E Committee and the AOC recommend that the Judicial Council, effective April 25, 2014, accept the pending audit report of Yuba Superior Court and have it placed on the California Courts public website.





Thank you.

Questions?