



# Audit of the Superior Court of California, County of Lake

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REPORT OF AUDIT SERVICES

AUGUST 2014



JUDICIAL COUNCIL  
OF CALIFORNIA

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LEADERSHIP SERVICES DIVISION  
AUDIT SERVICES

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**Superior Court of California, County of Lake**

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## MANAGEMENT SUMMARY

### Introduction

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

The audit of the Superior Court of California, County of Lake (Court), was initiated by Audit Services in March 2014. Depending on the size of the court, the audit process typically includes three or four audit cycles encompassing the following primary areas:

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

Audit Services audits cover all four of the above areas. The audit process involves a review of the Court's compliance with statute, California Rules of Court, *Trial Court Financial Policies and Procedures Manual* (FIN Manual), *Judicial Branch Contracting Manual* (JBCM) and other relevant policies. Audit Services also followed up on issues identified in the prior audit to determine whether the Court adequately resolved previous issues. Audit Services contracted with Sjoberg Evashenk Consulting, Inc. to conduct a performance audit of the Court's operations in 2008 with a focus on activity that occurred in fiscal year 2006–2007. The audit report was issued in August 2008.

Since the prior audit, the Court has seen significant funding and staffing reductions. The Court's total funding, which included State funding and local revenue, decreased by over 23 percent from \$4.8 million in fiscal year 2006–2007, the period reviewed in the prior audit, to \$3.7 million in fiscal year 2012–2013. Its workforce also decreased by over 32 percent from 43 full-time-equivalent positions to 29 positions in the same time period. In addition to reducing the number of staff, the Court instituted furloughs and corresponding court closures in order to further reduce costs, as well as shortened service hours at public counters.

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. While Audit Services does not believe that FISMA applies to the judicial branch, we understand that it 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.

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

Audit Services audits are designed to identify instances of non-compliance, such as with the FIN Manual and FISMA. Some of these instances of non-compliance are highlighted in the **Audit Issues Overview** below. Although these audits do not emphasize or elaborate on areas of compliance, we did identify examples in which the Court was in compliance with the FIN Manual and FISMA.

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

### **Audit Issues Overview**

This audit identified reportable issues as well as other issues that Audit Services did not consider significant enough to include in the report, but were nonetheless communicated to court management. Audit Services provided the Court with opportunities to respond to all the issues identified in this report and included these responses in the report to provide the Court's perspective, but did not perform additional work to verify the implementation of the corrective measures provided in the Court responses. The Court responded that it has taken corrective action on the majority of these issues.

The audit report only identified a few issues to bring to Court management's attention. Specifically, the Court did not have a process to monitor fine suspensions and reductions, and fee waivers entered into the system by clerks for appropriateness (5.1). The Court also did not ensure that its contracts included clauses and provisions required by the Judicial Branch Contracting Manual (10.1). Furthermore, monitoring of travel expense claims was inadequate to ensure proper classification of travel expenditures in the financial system and reimbursements of claims in accordance with FIN Manual requirements (11.2). Lastly, management oversight of systems access needs to be strengthened to ensure user access rights are commensurate with job responsibilities (log). The Court generally agreed with the audit recommendations and indicated it has taken or will take corrective action to address these issues.

## STATISTICS

The Court has four judges and one subordinate judicial officer who handled 9,863 filings in fiscal year 2012 – 2013. The Court operates from two locations, the Lakeport Courthouse and the Clearlake Branch. Further, the Court employed 29 full-time-equivalent staff to fulfill its administrative and operational activities, and incurred total trial court expenditures of over \$3.7 million for the fiscal year ended June 30, 2013.

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

For fiscal year 2012–2013, the Court received mailroom and communication services from the County that were agreed upon in a memorandum of understanding (MOU) between the two parties. However, the Court discontinued communications services in February 2014. The Court also entered into separate agreements with the County for enhanced collections, court security, and Drug Court grant services.

The charts that follow contain general Court statistical information.

<b>County Population</b> (Estimated as of January 1, 2014)	64,699
<small>Source: California Department of Finance</small>	
<b>Number of Case Filings in fiscal year 2012–2013:</b>	
<b>Criminal Filings:</b>	
Felonies	907
Non-Traffic Misdemeanor	1,038
Non-Traffic Infractions	235
Traffic Misdemeanors	574
Traffic Infractions	4,315
<b>Civil Filings:</b>	
Civil Unlimited	393
Civil Limited	825
Small Claims	261
<b>Other Filings:</b>	
Family Law	824
Juvenile Delinquency	142

Juvenile Dependency	77
Probate	169
Mental Health	68
Appeals	6
Habeas Corpus Criminal	93
Source: Judicial Council of California's 2014 Court Statistics Report	
<b>Number of Court Locations</b>	2
<b>Number of Courtrooms</b>	5
Source: Superior Court of California, County of Lake	
<b>Judicial Officers as of June 30, 2013:</b>	
Authorized Judgeships	4
Authorized Subordinate Judicial Officers	0.8
Source: Judicial Council of California's 2014 Court Statistics Report	
<b>Court Staff as of June 30, 2013:</b>	
Total Authorized FTE Positions	29.8
Total Filled FTE Positions	29
Total Fiscal Staff	2
Source: Fourth Quarter FY 2012–2013 Quarterly Financial Statements and FY 2012 – 2013 Schedule 7A	
<b>Select fiscal year 2012–2013 Financial Information:</b>	
Total Revenues	\$3,695,261
Total Expenditures	\$3,701,630
Total Personal Services Costs	\$2,221,475
Total Temporary Help Costs	\$50,813
Source: Fourth Quarter FY 2012–2013 Quarterly Financial Statements	
<b>Average Daily Cash Collections</b> (As of March 2014)	\$6,944
Source: Superior Court of California, County of Lake	

## 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. GASB defines **Fiscal accountability** as follows:

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 JCC developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of Lake (Court), implemented this fiscal system and processes fiscal data through the JCC Trial Court Administrative Services Office 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 2012–2013 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 uses the following fund classifications and types:

- **Governmental**
  - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
  - **Special Revenue** – Used to account for certain revenue sources "earmarked" for specific purposes (including grants received). Funds here include:
    - **Special Revenue**
      1. Small Claims Advisory – 120003
      2. 2% Automation – 180004
    - **Grants**
      1. AOC Grants – 190100
- **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."<sup>1</sup> Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to "a trust agreement that affects the degree of management involvement and the length of time that the resources are held." Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:
    - Trust – 320001

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

- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the parties 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.<sup>2</sup> **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
  - Distribution – 400000
  - Civil Filing Fees Fund – 450000

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

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

For the month ended June										
Fiscal Year 2012/13										
	Governmental Funds						Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	2011/12 Total Funds (Info. Purposes Only)
	General	Special Revenue		Capital Project	Debt Service					
		Non-Grant	Grant							
<b>ASSETS</b>										
Operations	\$ 67,745	\$ 18,082	\$ 0				\$ 17,889	\$ 103,716	\$ 164,725	
Payroll	\$ (121,033)						\$ 80,753	\$ (40,280)	\$ (60,976)	
Jury										
Revolving										
Other										
Distribution										
Civil Filing Fees										
Trust							\$ (341)	\$ (341)	\$ (8,258)	
Credit Card										
Cash on Hand	\$ 1,000							\$ 1,000	\$ 1,000	
Cash with County										
Cash Outside of the AOC										
<b>Total Cash</b>	<b>\$ (52,288)</b>	<b>\$ 18,082</b>	<b>\$ 0</b>				<b>\$ 103,131</b>	<b>\$ 103,131</b>	<b>\$ 117,485</b>	
Short Term Investment	\$ 586,932							\$ 201,433	\$ 167,227	
Investment in Financial Institution								\$ 66,601	\$ 653,533	
<b>Total Investments</b>	<b>\$ 586,932</b>						<b>\$ 66,601</b>	<b>\$ 653,533</b>	<b>\$ 752,848</b>	
Accrued Revenue	\$ 354	\$ 7					\$ 0	\$ 361	\$ 3,408	
Accounts Receivable - General	\$ 3,233	\$ 434	\$ 107,923					\$ 111,590	\$ 139,778	
Dishonored Checks										
Due From Employee	\$ 0							\$ 0	\$ 0	
Civil Jury Fees	\$ 156							\$ 156		
Trust										
Due From Other Funds	\$ 96,861							\$ 96,861	\$ 55,242	
Due From Other Governments	\$ 3,103							\$ 3,103	\$ 115	
Due From Other Courts	\$ 0						\$ 0	\$ 0	\$ 0	
Due From State	\$ 49,300	\$ 3,388	\$ 515					\$ 53,202	\$ 29,713	
Trust Due To/From									\$ 0	
Distribution Due To/From										
Civil Filing Fee Due To/From							\$ 0	\$ 0	\$ 1,950	
General Due To/From	\$ 39							\$ 39	\$ 75	
<b>Total Receivables</b>	<b>\$ 153,045</b>	<b>\$ 3,829</b>	<b>\$ 108,438</b>				<b>\$ 0</b>	<b>\$ 265,312</b>	<b>\$ 230,281</b>	
Prepaid Expenses - General	\$ 235		\$ 5					\$ 240	\$ 951	
Salary and Travel Advances	\$ 0							\$ 0	\$ 0	
Counties										
<b>Total Prepaid Expenses</b>	<b>\$ 235</b>		<b>\$ 5</b>					<b>\$ 240</b>	<b>\$ 951</b>	
Other Assets										
<b>Total Other Assets</b>										
<b>Total Assets</b>	<b>\$ 687,925</b>	<b>\$ 21,911</b>	<b>\$ 108,442</b>				<b>\$ 268,033</b>	<b>\$ 1,086,311</b>	<b>\$ 1,198,057</b>	
<b>LIABILITIES AND FUND BALANCES</b>										
Accrued Liabilities	\$ 107,853		\$ 1,679					\$ 109,533	\$ 82,023	
Accounts Payable - General	\$ 24,459		\$ 0				\$ 0	\$ 24,459	\$ 42,831	
Due to Other Funds	\$ 0	\$ 0	\$ 96,861				\$ 39	\$ 96,900	\$ 57,266	
Due to Other Courts										
Due to State									\$ 0	
TC145 Liability							\$ 68,097	\$ 68,097	\$ 77,272	
Due to Other Governments	\$ 2,955		\$ 9,902					\$ 12,857	\$ 32,719	
AB145 Due to Other Government Agency										
Due to Other Public Agencies									\$ 0	
Sales and Use Tax	\$ 35							\$ 35	\$ 81	
Interest							\$ 2	\$ 2	\$ 11	
Miscellaneous Accts. Pay. and Accrued Liab.										
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 135,301</b>	<b>\$ 0</b>	<b>\$ 108,442</b>				<b>\$ 68,139</b>	<b>\$ 311,882</b>	<b>\$ 292,203</b>	
Civil							\$ 46,139	\$ 46,139	\$ 110,759	
Criminal							\$ 37,279	\$ 37,279	\$ 83,713	
Unreconciled - Civil and Criminal										
Trust Held Outside of the AOC							\$ 103,131	\$ 103,131	\$ 117,485	
Trust Interest Payable							\$ 6,172	\$ 6,172	\$ 6,339	
Miscellaneous Trust										
<b>Total Trust Deposits</b>							<b>\$ 192,721</b>	<b>\$ 192,721</b>	<b>\$ 318,295</b>	
Accrued Payroll	\$ 36,547							\$ 36,547	\$ 42,413	
Benefits Payable	\$ 2,050							\$ 2,050	\$ (2,077)	
Deferred Compensation Payable	\$ 0							\$ 0	\$ 0	
Deductions Payable	\$ 0							\$ 0	\$ 0	
Payroll Clearing	\$ 0							\$ 0	\$ 0	
<b>Total Payroll Liabilities</b>	<b>\$ 38,598</b>							<b>\$ 38,598</b>	<b>\$ 40,336</b>	
Revenue Collected in Advance	\$ 0							\$ 0	\$ 0	
Liabilities For Deposits	\$ 6,568						\$ 2,712	\$ 9,280	\$ 8,914	
Jury Fees - Non-Interest							\$ 3,750	\$ 3,750	\$ 1,500	
Fees - Partial Payment & Overpayment							\$ 712	\$ 712	\$ 1,071	
Uncleared Collections										
Other Miscellaneous Liabilities										
<b>Total Other Liabilities</b>	<b>\$ 6,568</b>						<b>\$ 7,174</b>	<b>\$ 13,741</b>	<b>\$ 11,485</b>	
<b>Total Liabilities</b>	<b>\$ 180,467</b>	<b>\$ 0</b>	<b>\$ 108,442</b>				<b>\$ 268,033</b>	<b>\$ 556,943</b>	<b>\$ 662,319</b>	
Fund Balance - Nonspendable										
Fund Balance - Restricted	\$ 0	\$ 170						\$ 170	\$ 797	
Fund Balance - Committed	\$ 30,000							\$ 30,000	\$ 264,924	
Fund Balance - Assigned	\$ 505,567							\$ 505,567	\$ 216,371	
Fund Balance - Unassigned	\$ 0	\$ 0	\$ 0					\$ 0	\$ 0	
Excess (Deficit) of Rev. Over Expenses/Op. Transfers	\$ (28,109)	\$ 21,740	\$ 0					\$ (6,369)	\$ 53,645	
<b>Total Fund Balance</b>	<b>\$ 507,458</b>	<b>\$ 21,911</b>	<b>\$ 0</b>					<b>\$ 529,368</b>	<b>\$ 535,737</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 687,925</b>	<b>\$ 21,911</b>	<b>\$ 108,442</b>				<b>\$ 268,033</b>	<b>\$ 1,086,311</b>	<b>\$ 1,198,057</b>	

Source: Phoenix Financial System, Business Warehouse Balance Sheet Report

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

For the month ended June											
Fiscal Year 2012/13										2011/12	
	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								
<b>REVENUES</b>											
<b>State Financing Sources</b>											
Trial Court Trust Fund	\$ 3,104,785	\$ 20,328					\$ 3,125,113	\$ 3,073,526	\$ 3,715,808	\$ 3,646,068	
Improvement and Modernization Fund	\$ 8,622						\$ 8,622	\$ 8,623	\$ 74,399	\$ 74,545	
Judges' Compensation (45.25)	\$ 30,000						\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	
Court Interpreter (45.45)	\$ 64,691						\$ 64,691	\$ 124,800	\$ 90,085	\$ 126,000	
Civil Coordination Reimbursement (45.55)											
MOU Reimbursements (45.10 and General)	\$ 159,838						\$ 159,838	\$ 94,791	\$ 146,364	\$ 119,514	
Other Miscellaneous	\$ 26,942						\$ 26,942	\$ 406	\$ 406		
	\$ 3,394,878	\$ 20,328					\$ 3,415,206	\$ 3,332,146	\$ 4,057,063	\$ 3,996,127	
<b>Grants</b>											
AB 1058 Commissioner/Facilitator			\$ 215,695				\$ 215,695	\$ 203,262	\$ 229,713	\$ 222,001	
Other AOC Grants			\$ 11,275				\$ 11,275	\$ 13,000	\$ 12,000	\$ 12,000	
Non-AOC Grants											
			\$ 226,970				\$ 226,970	\$ 216,262	\$ 241,713	\$ 234,001	
<b>Other Financing Sources</b>											
Interest Income	\$ 2,217	\$ 17					\$ 2,234	\$ 1,500	\$ 11,561	\$ 1,500	
Investment Income											
Donations	\$ 1,380						\$ 1,380		\$ 4,967		
Local Fees											
Non-Fee Revenues	\$ 13,461						\$ 13,461	\$ 22,226	\$ 33,721	\$ 9,500	
Enhanced Collections											
Escheatment	\$ 1,928						\$ 1,928				
Prior Year Revenue	\$ (4,144)						\$ (4,144)		\$ 93,085		
County Program - Restricted		\$ 2,206					\$ 2,206	\$ 2,000	\$ 1,957	\$ 2,000	
Reimbursement Other	\$ 35,899						\$ 35,899	\$ 19,296	\$ 15,273	\$ 19,296	
Sale of Fixed Assets											
Other Miscellaneous	\$ 121						\$ 121		\$ 17		
	\$ 50,862	\$ 2,223					\$ 53,085	\$ 45,022	\$ 160,581	\$ 32,296	
<b>Total Revenues</b>	<b>\$ 3,445,740</b>	<b>\$ 22,551</b>	<b>\$ 226,970</b>				<b>\$ 3,695,261</b>	<b>\$ 3,593,430</b>	<b>\$ 4,459,356</b>	<b>\$ 4,262,424</b>	
<b>EXPENDITURES</b>											
<b>Personal Services</b>											
Salaries - Permanent	\$ 1,416,655	\$ 575	\$ 78,608				\$ 1,495,838	\$ 1,660,774	\$ 2,013,029	\$ 2,025,036	
Temp Help	\$ 50,813						\$ 50,813	\$ 54,486	\$ 45,166	\$ 54,558	
Overtime	\$ 16,808		\$ 462				\$ 17,270	\$ 5,000	\$ 1,686	\$ 5,000	
Staff Benefits	\$ 606,806	\$ 236	\$ 50,512				\$ 657,553	\$ 718,707	\$ 797,047	\$ 870,440	
	\$ 2,091,082	\$ 811	\$ 129,583				\$ 2,221,475	\$ 2,438,967	\$ 2,856,927	\$ 2,955,034	
<b>Operating Expenses and Equipment</b>											
General Expense	\$ 159,107		\$ 5,334				\$ 164,441	\$ 207,727	\$ 161,548	\$ 175,727	
Printing	\$ 12,887		\$ 96				\$ 12,983	\$ 12,500	\$ 8,960	\$ 17,000	
Telecommunications	\$ 16,478		\$ 1,068				\$ 17,546	\$ 24,000	\$ 21,343	\$ 23,000	
Postage	\$ 22,247		\$ 987				\$ 23,234	\$ 31,000	\$ 26,312	\$ 31,000	
Insurance	\$ 1,978						\$ 1,978	\$ 2,750	\$ 2,029	\$ 2,600	
In-State Travel	\$ 4,821		\$ 3,529				\$ 8,350	\$ 20,500	\$ 14,338	\$ 20,500	
Out-of-State Travel	\$ 663						\$ 663				
Training	\$ 2,509		\$ 750				\$ 3,259	\$ 6,000	\$ 11,103	\$ 14,000	
Security Services	\$ 171,999		\$ 8,412				\$ 180,410	\$ 190,800	\$ 187,300	\$ 205,800	
Facility Operations	\$ 85,259		\$ 1,859				\$ 87,118	\$ 100,780	\$ 107,798	\$ 109,200	
Utilities	\$ 2,370		\$ 9				\$ 2,379	\$ 2,100	\$ 1,546	\$ 2,000	
Contracted Services	\$ 744,790		\$ 46,761				\$ 791,551	\$ 880,193	\$ 817,940	\$ 875,831	
Consulting and Professional Services	\$ 24,555		\$ 346				\$ 24,901	\$ 35,000	\$ 31,007	\$ 30,000	
Information Technology	\$ 79,970		\$ 1,968				\$ 81,939	\$ 97,557	\$ 107,210	\$ 104,853	
Major Equipment	\$ 21,000						\$ 21,000				
Other Items of Expense	\$ 2,010						\$ 2,010	\$ 2,500	\$ 2,041	\$ 2,500	
	\$ 1,352,642		\$ 71,119				\$ 1,423,762	\$ 1,613,407	\$ 1,500,475	\$ 1,614,011	
<b>Special Items of Expense</b>											
Grand Jury											
Jury Costs	\$ 48,031						\$ 48,031	\$ 48,000	\$ 49,879	\$ 48,000	
Judgements, Settlements and Claims											
Debt Service											
Other											
<b>Capital Costs</b>											
Internal Cost Recovery	\$ (26,433)		\$ 26,433				\$ 0		\$ 0		
Prior Year Expense Adjustment	\$ 8,362						\$ 8,362		\$ (1,571)		
	\$ 29,960		\$ 26,433				\$ 56,393	\$ 48,000	\$ 48,309	\$ 48,000	
<b>Total Expenditures</b>	<b>\$ 3,473,684</b>	<b>\$ 811</b>	<b>\$ 227,135</b>				<b>\$ 3,701,630</b>	<b>\$ 4,100,374</b>	<b>\$ 4,405,711</b>	<b>\$ 4,617,045</b>	
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>\$ (27,944)</b>	<b>\$ 21,740</b>	<b>\$ (165)</b>				<b>\$ (6,369)</b>	<b>\$ (506,944)</b>	<b>\$ 53,645</b>	<b>\$ (354,621)</b>	
<b>Operating Transfers In (Out)</b>	<b>\$ (165)</b>		<b>\$ 165</b>				<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>		
<b>Fund Balance (Deficit)</b>											
Beginning Balance (Deficit)	\$ 535,567	\$ 170	\$ 0				\$ 535,737	\$ 535,737	\$ 482,092	\$ 482,092	
Ending Balance (Deficit)	\$ 507,458	\$ 21,911	\$ 0				\$ 529,368	\$ 28,793	\$ 535,737	\$ 127,471	

Source: Phoenix Financial System, Business Warehouse Statement of Revenues, Expenditures, and Changes in Fund Balance Report

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

	For the month ended June									
	Fiscal Year 2012/13							2011/12		
	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)
<b>PROGRAM EXPENDITURES:</b>										
Judges & Courtroom Support	\$ 449,921	\$ 184,557				\$ 0	\$ 634,478	\$ 259,049	\$ 1,373,089	\$ 2,350,184
Traffic & Other Infractions	\$ 47,541						\$ 47,541		\$ 147,680	
Other Criminal Cases	\$ 308,692	\$ 28,075					\$ 336,767	\$ 34,000	\$ 377,168	
Civil	\$ 5,545	\$ 78,051					\$ 83,596	\$ 85,850	\$ 116,042	\$ 116,278
Family & Children Services	\$ 160,933	\$ 197,169			\$ 26,433		\$ 384,535	\$ 355,597	\$ 392,901	\$ 367,215
Probate, Guardianship & Mental Health Services		\$ 43,900					\$ 43,900	\$ 49,000	\$ 47,436	\$ 75,000
Juvenile Dependency Services		\$ 3,681					\$ 3,681	\$ 10,300	\$ 3,762	\$ 4,300
Juvenile Delinquency Services	\$ 2,189	\$ 11,065					\$ 13,253	\$ 12,000	\$ 16,189	\$ 12,000
Other Court Operations	\$ 702,531						\$ 702,531	\$ 1,520,992	\$ 334,040	\$ 42,940
Court Interpreters	\$ 7,544	\$ 67,991				\$ (893)	\$ 74,642	\$ 126,000	\$ 91,579	\$ 127,500
Jury Services		\$ 2,800	\$ 48,031				\$ 50,831	\$ 48,000	\$ 52,272	\$ 48,000
Security	\$ 0	\$ 194,615					\$ 194,615	\$ 223,890	\$ 192,838	\$ 210,880
<b>Trial Court Operations Program</b>	<b>\$ 1,684,894</b>	<b>\$ 811,905</b>	<b>\$ 48,031</b>		<b>\$ 26,433</b>	<b>\$ (893)</b>	<b>\$ 2,570,369</b>	<b>\$ 2,724,678</b>	<b>\$ 3,144,996</b>	<b>\$ 3,354,297</b>
Enhanced Collections		\$ (852)					\$ (852)		\$ 31,222	
Other Non-Court Operations	\$ 811	\$ 1,723					\$ 2,533	\$ 3,000	\$ 6,766	\$ 2,550
<b>Non-Court Operations Program</b>	<b>\$ 811</b>	<b>\$ 870</b>					<b>\$ 1,681</b>	<b>\$ 3,000</b>	<b>\$ 37,988</b>	<b>\$ 2,550</b>
Executive Office	\$ 231,618	\$ 63			\$ (6,628)		\$ 225,054	\$ 337,437	\$ 306,602	\$ 326,260
Fiscal Services	\$ 135,842	\$ 3,927			\$ (2,724)		\$ 137,046	\$ 131,023	\$ 126,038	\$ 124,520
Human Resources	\$ 65,867	\$ 3,738			\$ (1,614)		\$ 67,992	\$ 87,966	\$ 74,679	\$ 11,050
Business & Facilities Services		\$ 233,396			\$ (5,189)	\$ 116	\$ 228,322	\$ 291,536	\$ 239,990	\$ 316,884
Information Technology	\$ 102,443	\$ 369,862			\$ (10,278)	\$ 9,140	\$ 471,166	\$ 524,734	\$ 475,418	\$ 481,484
<b>Court Administration Program</b>	<b>\$ 535,771</b>	<b>\$ 610,987</b>			<b>\$ (26,433)</b>	<b>\$ 9,256</b>	<b>\$ 1,129,580</b>	<b>\$ 1,372,696</b>	<b>\$ 1,222,727</b>	<b>\$ 1,260,198</b>
Expenditures Not Distributed or Posted to a Program										
Prior Year Adjustments Not Posted to a Program										
<b>Total</b>	<b>\$ 2,221,475</b>	<b>\$ 1,423,762</b>	<b>\$ 48,031</b>		<b>\$ 0</b>	<b>\$ 8,362</b>	<b>\$ 3,701,630</b>	<b>\$ 4,100,374</b>	<b>\$ 4,405,711</b>	<b>\$ 4,617,045</b>

Source: Phoenix Financial System, Business Warehouse Statement of Program Expenditures Report

## **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 FIN Manual, JBCM, and locally-established written policies and procedures.
- Complied with various statutes and California Rules of Court.

The scope of audit work included reviews of the Court's major functional areas, including: cash collections and distribution, exhibits handling, contract administration and procurement, accounts payable, payroll processing, financial management, information technology, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2012–2013.

The Judicial Council in December 2009 adopted rule 10.500 of the California Rules of Court with an effective date of January 1, 2010, that provides public access to non-deliberative or non-adjudicative court records. Final audit reports are among the court records that are subject to public access unless an exemption from disclosure is applicable. The exemptions under rule 10.500 (f) include records whose disclosure would compromise the security of a judicial branch entity or the safety of judicial branch personnel. 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 17, 2014.

The entrance meeting was held with the Court on March 20, 2014.

Audit fieldwork commenced on April 28, 2014 and completed in August 2014.

Preliminary results were communicated and discussed with Court management during the course of the review. An exit meeting to review the draft report and audit results was held by teleconference on November 5, 2014, with the following Court individuals:

- Krista LeVier, Court Executive Officer
- Michaela Noland, Senior Court Analyst (audit liaison)

Audit Services received the Court's final management responses to our issues and recommendations on November 5, 2014. Audit Services incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the completed audit report for its review and comment. On November 19, 2014, Audit Services

received the Court's final comments and suggestions concerning its review of the audit report and indicated it did not consider another review of the report necessary before Audit Services presented the report to the Judicial Council.

The audit assignment was completed by the following audit staff under the supervision of Eric Pulido, Audit Supervisor:

Fae Li, Senior Auditor (auditor-in-charge)  
Illya Kulish, Auditor I

## **ISSUES AND MANAGEMENT RESPONSES**

### **1. Court Administration**

#### **Background**

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

California Rules of Court and the FIN Manual established under Government Code section 77001 and adopted under rule 10.804, respectively, specify guidelines and requirements concerning court governance.

We assessed the Court's compliance related to trial court management, including duties of the presiding judge, duties of the court executive officer, and management of human resources, with California Rules of Court and FIN Manual requirements through a series of questionnaires and review of records. Primary areas reviewed included an evaluation of:

- Expense restrictions contained in the FIN Manual on the payment of professional association dues for individuals making over \$100,000 a year.
- Compliance with rules relating to cases taken under submission.
- Approval requirements regarding training.

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

**There were no issues to report to management.**

## 2. Fiscal Management and Budgets

### Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Liabilities</b>				
374701 HEALTH BENEFITS PAYABLE E	(5)	19	(14)	-74%
374702 BENEFITS PAYABLE-MEDICAL	1,598	3,264	(1,667)	-51%
374703 BENEFITS PAYABLE-DENTAL E	(2,532)	423	2,109	498%
374704 BENEFITS PAYABLE-VISION E	(420)	51	369	728%
374705 BENEFITS PAYABLE-LIFE EE	-	(791)	(791)	-100%
374706 BENEFITS PAYABLE-FLEX SPE	(691)	(889)	(199)	-22%
375001 ACCRUED PAYROLL	(36,547)	(42,413)	(5,866)	-14%
<b>Expenditures</b>				
* 900300 - SALARIES - PERMANENT	1,365,928	1,825,918	(459,990)	-25%
* 903300 - TEMP HELP	50,813	45,166	5,648	13%
* 906300 - SALARIES - JUDICIAL OFFI	129,910	187,111	(57,201)	-31%
* 908300 - OVERTIME	17,270	1,686	15,584	924%
** SALARIES TOTAL	1,563,922	2,059,881	(495,959)	-24%
* 910300 - TAX	109,899	148,017	(38,119)	-26%
* 910400 - HEALTH INSURANCE	193,306	218,390	(25,084)	-11%
* 910600 - RETIREMENT	269,265	355,987	(86,722)	-24%
* 912500 - WORKERS' COMPENSATION	60,115	60,294	(180)	0%
* 912700 - OTHER INSURANCE	19,504	8,958	10,546	118%
* 913800 - OTHER BENEFITS	5,464	5,400	64	1%
** STAFF BENEFITS TOTAL	657,553	797,047	(139,493)	-18%
*** PERSONAL SERVICES TOTAL	2,221,475	2,856,927	(635,452)	-22%

We assessed the adequacy of the Court's budget monitoring procedures, such as procedures for comparing budgeted and actual revenue and expenditures, updating its budget projections, and evaluating its cash flow needs.

The Court is one of the six courts that implemented the Phoenix Human Resources System formerly known as CHRIS, and contracts with TCAS for payroll processing services. We evaluated the Court's payroll processing practices through observations, interviews, review of documents, and transaction testing; to determine whether adequate controls were in place, such as but limited to sufficient segregation of payroll processing duties, appropriate reviews and approvals, proper and timely reconciliations, and safeguarding of sensitive employee information; and assess for contractual and policy compliance. We also reviewed the Court's personnel services expenditures, including material year-to-year variances.

**The following issue was considered significant enough to bring to management's attention.**

## **2.1 The Court's Wellness Program Incentives May Be Perceived Negatively by the Public**

### **Background**

Trial courts must follow high standards when using public funds. Article XVI of the California Constitution prohibits the authorization or making of any gift of public money or thing of value to any individual, municipal, or corporation. Additionally, Government Code Section 8314 makes it unlawful for any state or local officer or employee to permit the use of public resources for personal or other purposes which are not authorized by law. Therefore, trial courts may not use court funds to purchase gifts or other items that serve a personal purpose.

To provide some clarity on what may or may not be considered gifts of public funds, the California Attorney General issued two opinions concluding that the use of public funds to provide county and school district employees with service awards would not violate the constitutional prohibition against making a gift of public funds (10 Ops.Cal.Atty.Gen. 18 (1947); 5 Ops.Cal.Att.Gen. 81 (1945)). Specifically, the attorney general found that providing awards to employees in the form of pins, lapel buttons, and certificates serves a public purpose by promoting efficiency, initiative, and morale generally in the public service. Additionally, the attorney general found that providing service awards to employees was within the general authority of the employer to compensate its employees.

### **Issue**

The Court established a Pilot Wellness Program in November 2007 that provides monetary incentives to employees for participation in certain health improvement activities. Specifically, the Court reimbursed employees up to \$300 per fiscal year for expenses intended to improve the health of the employee such as gym memberships, exercise classes, exercise equipment (including tennis shoes), weight loss program expenses, smoking cessation expenses, and CPR classes. Reimbursement for gym memberships and exercise classes must be substantiated with proof of participation and minimum participation levels for a period of 90 days. Employees may also receive the monetary incentive for exercising on their own or for giving up cigarettes by submitting a proof of attendance or non-smoking declaration.

The Court made over \$5,400 in incentive payments in fiscal year 2012–2013, the period under review, and \$4,800 in the next fiscal year 2013–2014. The Wellness Committee also has the discretion to spend up to \$2,100 per fiscal year for rewards, prizes, incentives, speakers or instructors on health or wellness related topics, and/or health fairs. However, we did not identify any such discretionary spending in the period under review.

The Court may have good intentions for such a program and may benefit from a healthier workforce in the way of increased productivity, reduced absenteeism, and lower health care spending. The State executive branch also recognizes the importance of work site health promotion and requires State department to coordinate an onsite wellness program with leadership provided by the State Department of Human Resources (CalHR). However, providing monetary payments and reimbursements for employee purchases and activities that are private in nature may be perceived as questionable use or gift of public funds and therefore puts the Court at risk of negative publicity. At this time, the State executive branch does not provide similar payments and reimbursements.

### **Recommendation**

To mitigate adverse publicity risk while promoting a healthy workforce, the Court should negotiate to eliminate the monetary incentives from its wellness program and refer to the State CalHR's wellness program as a resource for alternative program activities. Otherwise, the Court should obtain a legal opinion from the Judicial Council Legal Services Office on the appropriateness of providing monetary incentives as a part of its employee wellness program.

### **Superior Court Response By: Michaela Noland Date: 9/11/14**

The court appreciates IAS pointing out practices that could potentially cause the court to receive negative publicity. However, the court does not agree that it should be recognized as a formal audit issue. There is no violation of policy, statute or other authority. The court's wellness program is a negotiated benefit which encourages employees to improve their health through exercise, smoking cessation, and weight loss programs. There is ample research that supports that these types of programs promote healthier employees who miss less time from work. The monetary incentive is a small expense for the purpose of increasing productivity and reducing absenteeism, which is an appropriate use of public funds.

In an effort to maintain public confidence in the court system, the court will attempt to negotiate the elimination of the monetary incentive from the wellness program by Fiscal Year 2015.

### 3. Fund Accounting

#### Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Fund Balance</b>				
535001 RESERVE FOR ENCUMBRANCES	(124,775)	-	124,775	n/a
552001 FUND BALANCE - RESTRICTED	(170)	(797)	(627)	-79%
552002 FUND BALANCE - COMMITTED	(30,000)	(264,924)	(234,924)	-89%
553001 FUND BALANCE - ASSIGNED	(505,567)	(216,371)	289,196	134%
615001 ENCUMBRANCES	124,775	-	124,775	n/a
700000..999999 0000700000..0000999999	6,369	(53,645)	(47,276)	-88%
Fund Balances	(529,368)	(535,737)	(6,369)	-1%

We reviewed the Court's financial reports and certain supporting documentation to determine whether the Court properly accounted for its financial resources and expenditures in the appropriate general and special revenue funds. We did not review the Court's fund balance reserves for the period ending June 30, 2013 in light of impending changes to the council's fund balance policy.

**There were no issues to report to management.**

#### 4. Accounting Principles and Practices

##### Background

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

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

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Assets</b>				
** Receivables	265,312	230,281	35,031	15%
** Prepaid Expenses	240	951	(711)	-75%
*** Accounts Receivable	265,552	231,233	34,319	15%

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Revenue</b>				
** 812100-TCTF - PGM 10 OPERATIONS	(3,125,113)	(3,715,808)	(590,695)	-16%
** 816000-OTHER STATE RECEIPTS	(26,942)	(406)	26,536	6536%
** 822000-LOCAL NON-FEES REVENUE	(13,461)	(33,721)	(20,260)	-60%
** 823000-OTHER - REVENUE	(3,429)	(4,983)	(1,554)	-31%
** 825000-INTEREST INCOME	(2,234)	(11,561)	(9,328)	-81%
*** TRIAL COURTS REVENUE SOURCES	(3,171,179)	(3,766,480)	(595,301)	-16%
** 831000-GENERAL FUND - MOU/REIMBUR	(23,642)	(42,982)	(19,340)	-45%
** 832000-PROGRAM 45.10 - MOU/REIMBU	(136,196)	(103,382)	32,814	32%
** 833000-PROGRAM 45.25 - REIMBURSEM	(30,000)	(30,000)	-	0%
** 834000-PROGRAM 45.45 - REIMBURSEM	(64,691)	(90,085)	(25,394)	-28%
** 836000-MODERNIZATION FUND - REIMB	-	(65,776)	(65,776)	-100%
** 837000-IMPROVEMENT FUND - REIMBUR	(8,622)	(8,623)	(1)	0%
** 838000-AOC GRANTS - REIMBURSEMENT	(226,970)	(241,713)	(14,743)	-6%
** 840000-COUNTY PROGRAM - RESTRICTE	(2,206)	(1,957)	249	13%
** 860000-REIMBURSEMENTS - OTHER	(35,899)	(15,273)	20,627	135%
*** TRIAL COURTS REIMBURSEMENTS	(528,226)	(599,791)	(71,565)	-12%
** 890000-PRIOR YEAR REVENUE	4,144	(93,085)	(88,941)	-96%
*** PRIOR YEAR REVENUE	4,144	(93,085)	(88,941)	-96%
**** REVENUE TOTAL	(3,695,261)	(4,459,356)	(764,095)	-17%
<b>Expenditures</b>				
** PRIOR YEAR ADJUSTMENT TOTAL	8,362	(1,571)	9,933	632%

We reviewed the Court's procedures for period-end closing, adjusting entries, and reporting for the State's Comprehensive Annual Financial Report (CAFR) for adequate controls and compliance with GASB standards and policy requirements. We also reviewed certain high risk accounts and accounts with abnormal balances.

**The following issues were considered significant enough to bring to management's attention. There is an additional minor issue contained in Appendix A.**

#### **4.1 The Court Overstated Year-End Expenditure Accruals and Incorrectly Reported Certain External Financial Report Information**

##### **Background**

FIN 5.01, 3.0 requires trial courts to execute and account for financial transactions in conformity with generally accepted accounting principles (GAAP) and legal requirements. As a government entity, a court must maintain both fiscal and operational accountability over the funds it is responsible for overseeing. The users of court financial information, whether they are internal or external to the court, depend upon reliable financial data and reports issued by the court to obtain the information they need to evaluate the court's finances. Conformance to GAAP assures uniformity in financial reporting and to provide a reasonable degree of comparability between trial court and state financial reports.

FIN 5.01 identifies various accounting principles on financial resources recognition, expenditure recognition, inter-fund transfers, encumbrances, financial reporting, and year-end procedures. For example, section 6.4 on expenditure recognition requires courts to recognize expenditures in the fiscal year during which goods are received or services are rendered. Courts may use the cash basis of recognizing expenditures throughout the year and must accrue appropriate amounts at fiscal year-end. If material expenditures are excluded from the financial records, it is preferred that courts recognize expenditure accruals on a quarterly basis. Each fiscal year should bear its fair share of on-going expenditures.

Section 6.8 provides year-end procedures for courts to account for revenues not yet received or expenditures not yet paid as of the last day of the fiscal year (June 30). With respect to expenditure and related liability accruals, courts must accrue for goods received or services rendered but not paid as of June 30. The Judicial Council provides additional instructions each fiscal year to assist courts with the year-end closing process.

Courts are required in section 6.7.2 to prepare and submit external financial reports, including State CAFR information and *Quarterly Financial Statements*. The CAFR information is a compilation of worksheets that are annually submitted to the State Controller's Office once the financial statements for each court are complete. The CAFR includes some GAAP adjustments that are not stated in the court's financial statements. Each year the Judicial Council issues detailed instructions to courts for the preparation and submission of CAFR information.

### **Issues**

Our review of the Court's financial accounting and reporting controls and procedures, select fiscal year 2012–2013 transactions, and external financial reports identified the following issues:

1. The Court incorrectly accrued certain year-end expenditures and as a result overstated total fiscal year expenditures by 1.7 percent. Three of five year-end expenditure accruals totaling \$61,618 selected for review were incorrectly accrued, as follows:
  - \$40,000 estimated for document scanning services that the Court had entered into a contract for but services had not been rendered. This amount should have been encumbered.
  - \$21,000 estimated for planned purchase of new telephone system. Since the purchase had not yet been made, this amount should have been a management designation.
  - \$618 for purchase of audio equipment that should have been expensed in fiscal year 2013 – 2014.
2. The Court incorrectly reported certain financial information for inclusion in the State's CAFR for the period ending June 30, 2013. The information is not tracked in the financial system and therefore must be manually tracked.

- It reported expenditures in thousands instead of in whole numbers and as a result understated current and future year lease expenditures by \$17,551 and \$17,550, respectively.

### **Recommendations**

To ensure accurate accounting and reporting of internal and external financial reports, we recommend the Court do the following:

1. Review expenditures accrued at year-end to ensure goods were received and services were rendered but not yet paid within the fiscal year.
2. Carefully review CAFR worksheet instructions and review supporting schedules to ensure amounts reported in the CAFR worksheet reconcile to the supporting schedules.

### **Superior Court Response By: Michaela Noland Date: 9/10/14**

1. Agree. The court will verify goods and services are received before accruing expenses at year end. The court reviewed fiscal year 13/14 accruals to verify they were correctly accrued.

Responsible Person: Sr. Court Analyst

2. Agree. The reporting of operating lease expenditures in thousands instead of whole numbers was a one-time error by staff. Anyone reviewing the court's total minimum lease payments for FY12/13 would most likely deduce that \$18 should be \$18,000

Responsible person: Sr. Court Analyst

## 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 accepts payments and deposits from the public and records the transactions in its case management system (CMS). Amounts are deposited daily into either a local or Judicial Council-managed bank account depending on the type of payment or deposit, and then distributed to the appropriate government entities monthly. We assessed the Court's cash handling controls and practices through interviews, observations, review of documents, and transaction testing. 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.

Furthermore, we reviewed the Court's comprehensive collection program to assess its collection activity controls and compliance with statutory and policy requirements. The Court and the County jointly operate a comprehensive collection program. We reviewed the Court's procedures for identifying and referring delinquent accounts to the County Tax Collector, assessing delinquent fees, and notifying the Department of Motor Vehicles.

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

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

#### Background

To protect the integrity of the court and its employees and promote public confidence, the FIN Manual, Procedure No. 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This procedure requires courts to observe certain guidelines to assure the safe and secure collection and accurate accounting of all payments.

### Manual Receipts

FIN 10.02, 6.3.9 provides procedures for receiving and safeguarding payments during automated system down time. Specifically, in the case of a failure of the automated accounting system, the supervisor or designated employee will issue books of pre-numbered receipts to cashiers. The cashier issues handwritten receipts to customers and is also required to retain a copy of the receipt. This section requires the supervisor or designated employee to monitor and maintain an accounting of the receipt books, which implies requirements for oversight of handwritten receipts to ensure appropriate use of the receipts.

### Surprise Cash Counts

To assure that payment processing errors and irregularities do not go undetected, FIN 10.02, 6.3.12 requires courts to conduct surprise cash counts on all staff that handle payments in the normal course of their duties. A surprise cash count is an independent balancing of a cash drawer or register conducted randomly in the presence of the cashier by a supervisor, manager, or fiscal officer who does not have direct responsibility for processing payments. The frequency of the surprise cash counts will depend on a number of factors including, but not limited to, the size of the court, the amount of currency processed, the number of checks and money orders processed, the overages and shortages at a particular location and the experience of the trial court staff involved.

### Payments Received Through the Mail

FIN 10.02, 6.4 provides mandatory and recommended procedures for receiving, safeguarding, and processing payments received through the mail. Checks and money orders received through the mail should be processed (i.e., including restrictedly endorsed, entered into the court's receipting system and deposited to the appropriate bank account) on the day they are received. Any exceptions are to be brought to the attention of a supervisor, placed under dual control, and processed as soon as practicable. Money received through the mail will be deposited and entered in the court's cashiering system on the day received.

The FIN Manual recommends a team approach to opening mail and logging mailed in payments to provide the strongest protection of court assets. To maintain separation of duties, employees opening mail must not also enter the receipts in the court's cashiering system.

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

### Alternative Procedures

Finally, courts may develop an alternative procedure in place of following a mandatory FIN Manual procedure, but must submit the proposed alternative procedure to the Judicial Council Finance Director for approval in accordance with the process provided in FIN 1.01, 6.4 (4). The paragraph further states that alternative procedures not approved by the Finance Director will not be considered valid for audit purposes.

### **Issues**

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

#### Mail payment processing and escalation

1. The Lakeport location did not sufficiently segregate duties for opening mail and processing mailed-in payments. This location rotates mail opening duties among court clerks, and at times the clerk assigned to open mail may also enter the mail payments into the CMS. Although the requirement for separating mail opening and processing duties is addressed in the team approach sub-section of the FIN Manual that is a discretionary requirement, we believe this separation of duties requirement is mandatory regardless of whether the team approach is used.
2. The Clearlake branch held onto two **cash** payments that had not yet been entered into the CMS. Although the cash payments were secured in the safe, the FIN Manual requires any money received in the mail to be deposited and entered into the cashiering system on the day received.
3. The Court recently implemented a process whereby the Operations Manager at Lakeport and Senior Clerk at Clearlake log and monitor unprocessed payments. This process differs from the daily logging and monitoring procedures provided in the FIN Manual, yet the Court has not established written procedures to clearly document the process. As a result, we identified inconsistencies in the processes that were implemented by the two locations.
4. Manual receipts – The Court does not have sufficient management or fiscal oversight of the manual receipt book used by the Clearlake branch. As a result, we identified the following exceptions during a review of manual receipts used within the preceding six month period:
  - One of six receipts reviewed was blank with the white copy missing.
  - A second receipt reviewed was issued out of sequence.
  - Unlike the Lakeport receipts, the Clearlake receipts did not have CMS receipts attached or other evidence that receipts were timely processed into the CMS.
5. Oversight of fine and fee modifications – The prior audit issued in 2008 reported that the Court did not have an adequate review process in place to ensure fee and fine modifications, including voided payments, fine suspensions/reductions, and fee waivers; are appropriately supported and/or legitimate. Although fiscal staff now

generates and reviews void reports daily, the Court has not established a monitoring process for fine suspensions/reductions and fee waivers.

6. Surprise cash counts – The Court has not implemented periodic and random surprise cash counts since the requirement was added to the FIN Manual in 2009.

### **Recommendations**

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

1. Segregate the responsibilities for opening mail and processing the payments into the CMS.
2. Require cash (i.e. money) payments that cannot be receipted into the system to be deposited into a trust or suspense account and tracked in the CMS as trust or suspense items until they may be applied to the appropriate cases and/or open items.
3. Develop written procedures for logging and monitoring unprocessed payments, and for further reporting aged unprocessed payments to the appropriate individuals.
4. Establish management oversight procedures to periodically review the manual receipt book used at the Clearlake branch to ensure that receipt use complies with FIN Manual and local procedures.
5. Implement a management monitoring procedure that includes periodically generating CMS reports of fine suspensions/reductions and fee waivers, and reviewing sample transactions for appropriateness.
6. Implement surprise cash counts in accordance with procedures provided in FIN 10.02, 6.3.12.

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

### **Superior Court Response    By: Michaela Noland                      Date: 8/21/2014**

1. Since Fiscal Year 2008/2009 court staff has been reduced by 33%. The court does not possess the staff necessary to segregate the opening of mail and processing of mail payments. As a result of these drastic staffing reductions the Court has been forced to evaluate the tasks which can be reduced or eliminated while preserving the service to the public and minimizing the risk to the Court. The potential risk posed by allowing the same court clerk to open mail and process mail payments is

extremely low. The job for opening mail rotates among the clerks in the front office. The designated clerk opens the mail in an open area of the office, in sight of other clerks, the Senior Court Clerk, the Court Operations Manager, and the area is under video surveillance. Additionally; there is only a small volume of mail payments, on average a maximum of ten payments are received per day and cash payments received in the mail almost never occur. The amount of payments that the clerk processes is minimal. The clerk who opens the mail processes civil and family law case payments and distributes the criminal, juvenile and other mail/payments to clerks with expertise in those areas.

The Court will be requesting an alternative mail handling procedure by 1/1/15.

Responsible Person: Michaela Noland, Sr. Court Analyst and Joann Gall, Court Operations Manager

2. Agree. Court management has always required cash payments that cannot be processed to be immediately deposited into CMS Trust. The two cash payments referenced were isolated errors of one employee. All employees have since been reminded of the necessity to receipt cash into the CMS immediately.
3. Agree. Court Finance Dept. created a revised Payment Log –Report of Payments spreadsheet in compliance with FIN Manual 6.4, 4.a-d. If any payments are on the Payment Log for more than 15 days a report is given to the Sr. Court Analyst. If any payments are on the log for more than 30 days a report is given to the CEO. This report was in effect as of May 2014.

The original Payment Log that the court was using did not instruct that a report must be given to the CFO if any payments were on the log for more than 15 days. The reason for this was that the court does not have a CFO or Finance Manager.

Responsible Person: Michaela Noland, Sr. Court Analyst

4. Answer: Agree. To monitor the manual receipt books, all unused manual receipt book supplies are kept at the Lakeport location under the control of the CEO. Both offices each keep one current receipt book in the safe and now have a log sheet for the designated person to issue books when the CMS is down. The designated person is responsible for verifying CMS receipts are attached to the manual receipts when the book is signed back in. To provide management oversight, as books are used, the old book will be sent to Lakeport for further review and a new book will be issued.

Responsible Person: Michaela Noland, Sr. Court Analyst

5. Answer: Court management will begin reviewing samplings of suspensions and fee waivers on a quarterly basis beginning 1/1/15.

Responsible Person: Joann Gall, Operations Manager and/or Melissa Perry, IS Manager

6. Agree. Since Fiscal Year 2008/2009 court staff has been reduced by 33%. As a result of these drastic staffing reductions the Court has been forced to evaluate the tasks which can be reduced or eliminated while preserving the service to the public and minimizing the risk to the Court. The potential risk posed by not completing surprise cash counts is extremely low. Since Fiscal Year 2009/2010 the court has accumulated a total of \$26.00 in cashier shortages. The clerks that process payments are located in an open area of the office, in sight of other clerks, the Senior Court Clerk, the Court Operations Manager, and the area is under video surveillance. Clerk cash drawers are limited to \$500 cash at any one time.

Management or Fiscal Staff will begin conducting surprise cash counts on a quarterly basis beginning 1/1/15.

Responsible Person: Michaela Noland, Sr. Court Analyst

## 6. Information Systems

### Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Expenditures</b>				
* 943100 - INFORMATION TECHNOLOGY	125	-	125	n/a
* 943200 - IT MAINTENANCE	17,329	19,716	(2,387)	-12%
* 943500 - IT REPAIRS/SUPPLIES/LICE	63,712	73,239	(9,527)	-13%
* 943700 - IT OTHER	772	14,255	(13,483)	-95%
** INFORMATION TECHNOLOGY (IT) TOTAL	81,939	107,210	(25,271)	-24%

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

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

**There were minor issues associated with this area that are contained in Appendix A.**

## 7. Banking and Treasury

### Background

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Assets</b>				
100000 POOLED CASH	176,514	251,386	(74,872)	-30%
100001 TRUST CASH IN OPS	-	70	(70)	-100%
100025 DISB CHECK-OPERATIONS	(61,686)	(72,890)	11,204	15%
100026 DISB CHECK-TRUST	-	(70)	70	100%
100027 DISB OUTGOING EFT	(11,112)	(13,771)	2,659	19%
100035 PR CHECK	(3,573)	(1,548)	(2,024)	-131%
100037 PR OUTGOING EFT	(36,707)	(59,428)	22,720	38%
100165 TRUST DISBURSEMENT CHECK	(341)	(8,258)	7,917	96%
119001 CASH ON HAND - CHANGE FUN	900	1,000	(100)	-10%
119002 CASH ON HAND - PETTY CASH	100	-	100	n/a
120002 CASH OUTSIDE OF AOC	103,131	117,485	(14,353)	-12%
120050 SHORT TERM INVESTMENTS-LA	461,840	539,992	(78,152)	-14%
120051 SHORT TERM INVESTMENTS-CA	191,692	212,856	(21,163)	-10%
*** Cash and Cash Equivalent	820,759	966,824	(146,065)	-15%
<b>Liabilities</b>				
351003 LIABILITIES FOR DEPOSITS	(6,568)	(6,272)	296	5%
353002 CIVIL TRUST-CONDEMNATION	(39,747)	(107,123)	(67,377)	-63%
353003 CIVIL TRUST-OTHER( RPRTR	(2,664)	(3,535)	(871)	-25%
353004 JURY FEES- NON-INTEREST B	(3,750)	(1,500)	2,250	150%
353005 TRAFFIC	(1,870)	(3,442)	(1,572)	-46%
353006 CRIMINAL - GENERAL	(35,409)	(80,271)	(44,862)	-56%
353025 CIVIL TRUST - EVICTION DE	(3,729)	(100)	3,629	3627%
353030 PARTIAL PAYMENT OF FEES	(25)	(25)	-	0%
353031 OVERPAYMENT OF FEES	(687)	(1,046)	(360)	-34%
353080 LIABILITIES FOR DEPOSITS	(2,712)	(2,642)	70	3%
353090 FUNDS HELD OUTSIDE OF THE	(103,131)	(117,485)	(14,353)	-12%
353999 TRUST INTEREST PAYABLE	(6,172)	(6,339)	(167)	-3%
<b>Expenditures</b>				
952599 CASHIER SHORTAGES	21	-	21	n/a
* 952500 - CASH DIFFERENCES	21	-	21	n/a

The Centralized Treasury System within the Judicial Council's Finance Office provides various banking and treasury services to the Court for funds on deposit with the 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 conducted a high-level review of funds on deposit with the Treasury and a more focused review of funds on deposit with the County or in local bank accounts. Our review encompassed the following areas:

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

**There were no issues to report to management.**

## 8. Court Security

### Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into an MOU with the county sheriff for court security services, such as bailiff and perimeter security services that specifies the level of service to be provided. The Criminal Justice Realignment Act of 2011 shifted funding for sheriff-provided court security services from the courts to counties, so courts no longer reimburse counties for these expenditures.

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Expenditures</b>				
934504 PERIMETER SECURITY-CONTRA	179,751	186,510	(6,758)	-4%
934512 ALARM SERVICE	659	791	(132)	-17%
* 934500 - SECURITY	180,410	187,300	(6,890)	-4%

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

**There was one minor issue associated with this area that is contained in Appendix A.**

## 9. Procurement

### Background

Judicial branch entities including superior courts are required to comply with provisions of the Public Contract Code that are applicable to state agencies and departments related to the procurement of goods and services. In accordance with section 19206 of the Public Contract Code, the Judicial Council adopted and published the *Judicial Branch Contracting Manual* (JBCM) to incorporate procurement and contracting policies and procedures that judicial branch entities must follow. The JBCM became effective on October 1, 2011 and superseded FIN Manual policies and procedures for procurement (FIN 6.01) and contracts (FIN 7.01 through 7.03). Judicial branch entities must conduct competitive procurements in a manner that promotes open, fair, and equal competition among prospective bidders unless the purchase meets one of the criteria of a non-competitive procurement, such as purchases under \$5,000, emergency purchases, and sole source procurements. 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.

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 JBCM.

**The following issues were considered significant enough to bring to management's attention in this report. There was one additional minor issue contained in Appendix A.**

### 9.1 Certain Procurement Controls and Processes Need Improvement

#### Background

Public Contract Code section 19026 requires the Judicial Council to include in the JBCM that each judicial branch entity shall adopt a Local Contracting Manual (LCM). The contents of each LCM must be "consistent with" the Public Contract Code, "substantially similar" to the provisions contained in the State Administrative Manual and the State Contracting Manual, and consistent with the JBCM. 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 LCM.

Chapter 4 of the JBCM 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 JBCM identifies circumstances where judicial branch entities may procure goods and services without going through a competitive process, and the processes required in conducting these procurements. Examples of non-competitive procurement categories include but are not limited to purchases under \$5,000, emergency purchases, and sole source procurements. Judicial branch entities may not split a single transaction into a series of transactions for the purpose of evading competitive solicitation requirements. A non-competitive emergency purchase may be performed when the immediate acquisition is necessary for the protection of the public health, welfare, or safety; and must be approved in writing by the approving authority or a designated delegate. A sole source procurement may be performed only if either the goods and/or services to be purchased are the only goods and/or services that meet the entity's needs, or a grant application submittal deadline does not permit the time needed for a competitive procurement of services. Additionally, repeat sole source authorizations may be granted where there is no viable competition, or competitive bidding cannot be completed using reasonable efforts before the time such goods and/or services are required. Both sole source requests and repeat sole source authorizations must be approved by the sole source approver.

### **Issues**

During our review of the Court's local policies and procedures and procurement and contract files for 20 select purchases greater than \$500, we identified the following control deficiencies and instances of non-compliance:

1. Purchase requests prepared by two court managers that are within their approval limit of \$2,500 do not require approval by another authorized approver. Therefore, managers have conflicting purchase requestor and approval duties. Although the Court has oversight of purchases entered into the financial system through requisitions and POs, there is no oversight of informal purchases performed outside of the financial system to mitigate conflicting duties.
2. The Court did not consistently establish purchase orders (PO) in the financial system to encumber funds for contracts and other purchases. Specifically, FIN 5.01, 6.6 requires courts to post any encumbrance amount over \$500 in the accounting system to ensure that adequate amounts are reserved for the contemplated expenditures. The mechanism for encumbering funds in the financial system is through establishment of a PO. The 2008 audit noted that less than 10 percent of the Court's operating expenses and equipment purchases were made with POs to encumber funds. While the Court has significantly increased the use of POs, it did not establish POs for 9 of 20 procurements reviewed.
3. The Court did not engage in competitive procurement practices for two of five purchases that were required to be procured competitively. The remaining 15 purchases were either for legal services, allowable sole source procurements, or leveraged procurements. Specifically, the Court made multiple print orders for jury

summons and other court forms from two vendors. Although individual orders were less than \$5,000, the total amount paid to each vendor within the fiscal year exceeded \$5,000 and therefore required competitive procurement.

- Additionally, although the jury summon order was supported by a quote, the purchase request was not pre-approved by an authorized individual.
- The order for court forms was not supported by a purchase request or quote. The Court explained that it competitively selected the vendor over a decade ago to print court forms and the vendor is currently the only local printing company, but could not provide competitive procurement documentation or an adequate sole source justification.

The 2008 audit noted lack of formal purchase requisition approval for most everyday purchases, instances where appropriate procurement practices were not consistently being applied, as well as evidence of documented sole source justification was lacking. The Court has increased the use of formal requisitions and informal e-mail requests, competitive procurement practices, and documenting sole source justifications. However, as indicated above, there is still room for improvement.

4. The Court did not properly notify the California State Auditor (state auditor) pursuant to Public Contract Code section 19204(a) for one contract that exceeded \$1 million. The Court competitively procured perimeter security services in 2007 and initially entered into an agreement for a two-year term. It then executed subsequent options and amendments to extend the term of the agreement so that the total estimated cost slightly exceeded \$1 million. Although the Court documented its justifications for extending the agreement versus going out to bid, it should also have notified the state auditor as required.
5. The Court did not require vendors to sign a Darfur Contracting Act Certification (Darfur certificate) for three of four non-IT goods or services procurements reviewed. The other non-IT procurements reviewed were for goods and services provided by sole proprietors who we did not believe needed to sign a Darfur certificate, or were leveraged procurements where a Darfur certificate would have already been obtained by the lead purchasing party.

### **Recommendations**

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

1. Require a court manager's purchase request be approved by another court individual authorized to approve purchases, such as another manager or the CEO, for informal purchases made outside of the financial system.

2. Establish POs in the financial system to encumber funds for procurements over \$500 to monitor these commitments and related payments and ensure sufficient funds are available to pay for these procurements.
3. Engage in competitive procurement practices in accordance with JBCM requirements for purchases exceeding \$5,000 that do not qualify for non-competitive procurement. Specifically, the Court should solicit bids or quotes from various vendors by issuing a request for quote, invitation to bid, or request for proposal depending on the type of goods or services, and the total dollar amount of the purchase. The Court may also make purchases through existing leveraged procurement agreements. Ensure purchases exceeding \$5,000 from a sole source vendor be supported by a sole source request form which is approved by the PJ or written delegate prior to the purchase. Specifically, the sole source request form should document a reasonable justification for not engaging in competitive procurement practices that meets the sole source criteria provided in the JBCM.
4. Monitor all procurements and contracts, including extensions, to identify those estimated to exceed \$1 million that are required to be reported to the state auditor pursuant to PCC 19204(a).
5. Require vendors providing non-IT goods or services to the Court to complete the Darfur certificate.

**Superior Court Response    By: Michaela Noland                      Date: 8/21/2014**

1. Agree. There have been no informal purchases outside of the financial system since the beginning of fiscal year 2013/14.
2. Purchase orders are created for contracts that have known payment amounts for the fiscal year and for most purchases over \$500. All commitments are monitored closely on the monthly Budget to Actual Report prepared by the Sr. Court Analyst and reviewed by the CEO. The court has always and will continue to incur obligations only when there are sufficient funds. To date, the court has opted not to create purchase orders for contracts with unknown amounts, such as for attorneys who the court may pay anywhere from \$5,000 to \$30,000 per fiscal year. Creating purchase orders with estimated amounts does not accurately reflect the court's future expenses in the accounting system and requires extra work disencumbering funds at the end of the year. The court has significantly increased the use of purchase orders since the last audit in 2008 and will continue to expend great effort to increase the use of purchase orders. Since the court does not have staff specifically for procurement it is unrealistic to expect the court to create purchase orders for all purchases over \$500. The court will not submit an alternative procedure request as same request by another court has already been denied.

Responsible Person: Michaela Noland, Sr. Court Analyst

3. The court's practice is to competitively bid or use leveraged procurement agreements for purchases over \$5,000. It was always the intention to go out to bid for jury summons and printing services. The annual costs were so minimal that these procurements were low on the court's priority list. The court went out to bid in FY13 for jury summons and has been under contract since July 2014.

In FY13 the court spent \$5,081.88 (including tax) on printing costs, which could be argued that the procurement is under \$5,000. The court no longer needs to purchase court forms from Linnell Printing which will significantly lower our annual cost. We now have probation order OLEs in the CMS that can be printed in court. We will not need to go out to bid for printing.

Responsible Person: Michaela Noland, Sr. Court Analyst

4. Agree. The court went out to bid for security services in FY13 and is currently under a new contract.

The court is aware that all contracts including amendments (even those executed before 10/1/2011) that exceed \$1 million need to be reported and the contracts are being closely monitored as of August 2014. It will be an unusual occurrence for the court to have another contract that exceeds \$1 million.

5. The Sr. Court Analyst has required the completed Darfur certificate for all vendors that provide non-IT goods and services as of 7/1/14.

## 10. Contracts

### Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Expenditures</b>				
* 938100 - CONTRACTED SERVICES	1,165	1,692	(527)	-31%
* 938300 - GENERAL CONSULTANT AND P	331,622	309,581	22,042	7%
* 938500 - COURT INTERPRETER SERVIC	67,875	83,753	(15,878)	-19%
* 938600 - COURT REPORTER SERVICES	52,375	34,000	18,375	54%
* 938700 - COURT TRANSCRIPTS	78,028	74,797	3,231	4%
* 938800 - COURT APPOINTED COUNSEL	38,214	34,577	3,637	11%
* 938900 - INVESTIGATIVE SERVICES	416	312	104	33%
* 939000 - COURT ORDERED PROFESSION	73,761	80,964	(7,203)	-9%
* 939100 - MEDIATORS/ARBITRATORS	148,642	162,931	(14,289)	-9%
* 939200 - COLLECTION SERVICES	(852)	31,222	(32,074)	-103%
* 939400 - LEGAL	306	4,112	(3,806)	-93%
** CONTRACTED SERVICES TOTAL	791,551	817,940	(26,389)	-3%
* 941100 - SHERIFF	8,470	11,060	(2,590)	-23%
* 942100 - COUNTY-PROVIDED SERVICES	16,431	19,947	(3,516)	-18%
** CONSULTING AND PROFESSIONAL SERVI	24,901	31,007	(6,106)	-20%

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. 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 in this report. There was one additional minor issue contained in Appendix A.**

## 10.1 Certain Contracts Lacked Mandatory Clauses and Provisions and Included Incorrect Insurance Requirements

### Background

Chapter 8 of the JCBM provides information on preparing, approving, and executing contracts. Appendix A of this chapter identifies mandatory and recommended contractor certification clauses for inclusion in a contract as required by the Judicial Branch Contracting Law or other law, rule, or policy; and appendix B identifies mandatory and recommended contract provisions also to be included in contracts. The following is a partial list of mandatory contractor certification clauses and provisions from appendix A and B:

<b>Mandatory Clauses and Provisions Required by the Judicial Branch Contracting Manual for Vendor Contracts</b>	
<b>Contractor Certification Clauses</b>	<b>Contracts Affected</b>
Nondiscrimination	Required for all contracts except certain credit card purchases per GC §12990.
Compliance with National Labor Relations Board orders	Required for all contracts per PCC § 10296.
Expatriate corporations	Required for all contracts except certain credit card purchases or if requirement is waived per PCC § 10286.1.
Qualification to do business in California	Required for vendors that are corporations, limited liability companies, and limited partnerships.
Free of sweatshop, forced, convict, indentured, and child labor	Required for various goods purchases or laundering services other than for public works per PCC § 6108.
Nondiscrimination in providing benefits for domestic partners	Required for contracts worth \$100,000 or more per PCC § 10295.3.
Compliance with child and family support enforcement	Required for contracts worth \$100,000 or more per PCC § 7110.
Compliance with Iran Contracting Act	Required for contracts worth \$1,000,000 or more per PCC 2202.
<b>Provisions</b>	<b>Contracts Affected</b>
BSA audit rights	For contracts above \$10,000
Budget contingency	For contracts without a termination for convenience provision.
Loss leader	For goods contracts.
Antitrust claim	For competitively bid contracts.
Union activities	For contracts above \$50,000
Priority hiring	For purchase of services over \$200,000 except consulting and public works.
Recycled products/ post-consumer material	For purchases of goods specified in PCC §12207.
DVBE participation certification	For vendors who have made commitments to achieve DVBE participation.

Furthermore, appendix C identifies additional information to be included in specific types of contracts (e.g. consulting, legal services, information technology, etc.) For example, section 5 of appendix C provides requirements for intergovernmental contracts with counties for county services, typically in the form of a MOU. These requirements are consistent with requirements for court-county agreements provided in Government Code section 77212.

## **Issues**

During our review of the Court's contract monitoring procedures and select contract files, we identified the following instances of non-compliance:

1. The Court did not ensure that its contracts included clauses and provisions required by the JBCM.
  - Two of five contracts reviewed that exceeded \$100,000 lacked certifications or provisions for compliance with Public Contract Code requirements for domestic partners, compliance with Child Support Compliance Act, and neutrality toward union organizing activities. Both contracts were also competitively bid but lacked a provision for compliance with anti-trust claims requirements.
    - One of these contracts that was executed prior to JBCM requirements and subsequently amended also lacked certifications for compliance with National Labor Relations Board (NLRB) orders, and for qualification to do business in California.
2. Four of five contract files contained certificates of insurance that did not list all insurance coverage required by the contracts. These agreements erroneously required the contractors to carry both commercial general and professional liability insurance. However, in practice the Court only required contractors to carry either professional liability insurance if providing consulting, legal, and other professional services; or commercial general liability insurance for all other services.

## **Recommendations**

We recommend that the Court review and update its contract templates, and review and update or amend existing service contracts to ensure the following:

1. Contracts will contain the clauses and provisions that are required by the JBCM. For those existing contracts that were initially executed prior to the JBCM, the Court should consider revising using the appropriate Judicial Council contract template upon contract renewal.
2. The contract will contain the appropriate types of insurance coverage at sufficient minimum coverage levels.

**Superior Court Response    By: Michaela Noland    Date: 8/26/14**

1. Agree. The court has renewed contracts after the implementation of the JBCM that were executed before October 1, 2011 and maintained the original contract terms. For future contracts and for contract renewals, the court will include the Judicial Council provisions that comply with JBCM requirements, regardless of the contract amount.

Responsible person: Michaela Noland, Sr. Court Analyst

2. Agree. The court has been including both the general liability and professional liability insurance information provided by Judicial Council contract templates in contracts. Even though some contracts may read that general liability and professional liability insurance are required, the court has only required the appropriate coverage from the vendors. Beginning 7/1/14, the Court is excluding the verbiage regarding insurance that is not required.

Responsible person: Michaela Noland, Sr. Court Analyst

## 11. Accounts Payable

### Background

The FIN Manual provides uniform guidelines for processing vendor invoices and in-court service provider 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 account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Liabilities</b>				
301001 A/P - GENERAL	(24,459)	(42,831)	(18,373)	-43%
314010 OPERATIONS-DUE TO UCF	-	(1,950)	(1,950)	-100%
314011 TRUST-DUE TO OPERATIONS	(39)	(75)	(36)	-48%
314014 SPECIAL REVENUE-DUE TO GE	(96,861)	(55,242)	41,619	75%
321600 A/P - TC145 LIABILITY	(68,097)	(77,272)	(9,174)	-12%
322001 A/P - DUE TO OTHER GOVERN	(12,857)	(32,719)	(19,862)	-61%
323001 A/P - SALES & USE TAX	(35)	(81)	(47)	-58%
323010 TREASURY INTEREST PAYABLE	(2)	(11)	(8)	-78%
330001 A/P - ACCRUED LIABILITIES	(109,533)	(82,023)	27,510	34%
*** Accounts Payable	(311,882)	(292,203)	19,680	7%

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Expenditures</b>				
* 920300 - FEES/PERMITS	4,271	4,534	(263)	-6%
* 920500 - DUES AND MEMBERSHIPS	400	700	(300)	-43%
* 920600 - OFFICE EXPENSE	27,225	29,873	(2,648)	-9%
* 921500 - ADVERTISING	2,938	2,782	156	6%
* 921700 - MEETINGS, CONFERENCES, E	1,000	1,172	(172)	-15%
* 922300 - LIBRARY PURCHASES AND SU	48,085	45,582	2,503	5%
* 922700 - EQUIPMENT RENTAL/LEASE	12,752	15,018	(2,266)	-15%
* 922800 - EQUIPMENT MAINTENANCE	18,818	12,221	6,597	54%
* 923900 - GENERAL EXPENSE - SERVIC	43,122	41,323	1,799	4%
* 924500 - PRINTING	12,983	8,960	4,023	45%
* 925100 - TELECOMMUNICATIONS	17,546	21,343	(3,797)	-18%
* 926200 - STAMPS, STAMPED ENVELOPE	23,234	26,312	(3,078)	-12%
* 928800 - INSURANCE	1,978	2,029	(51)	-3%
* 929200 - TRAVEL- IN STATE	8,350	14,338	(5,989)	-42%
* 931100 - TRAVEL OUT OF STATE	663	-	663	n/a
* 933100 - TRAINING	3,259	11,103	(7,844)	-71%
* 935100 - FACILITIES OPERATION	41	-	41	n/a
* 935200 - RENT/LEASE	51,186	62,855	(11,668)	-19%
* 935300 - JANITORIAL	35,888	44,280	(8,391)	-19%
* 935400 - MAINTENANCE AND SUPPLIES	3	573	(570)	-100%
* 935700 - OTHER FACILITY COSTS - G	-	91	(91)	-100%
* 936100 - UTILITIES	2,379	1,546	834	54%
* 952300 - VEHICLE OPERATIONS	1,989	2,041	(51)	-3%
* 965100 - JUROR COSTS	48,031	49,879	(1,849)	-4%

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 in this report. Additional minor issues are contained in Appendix A.**

### **11.1 Certain Invoice and Claims Payment Processing Procedures Need Improvement**

#### **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 to 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.

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.

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**

During our review of the Court’s accounts payable processes and selected invoices and claims paid in fiscal year 2012–2013, we identified the following instances of control deficiencies and noncompliance:

1. The Court did not consistently date-stamp invoices and claims upon receipt. Specifically, 6 of 30 sample invoices and claims reviewed as well as both the semi-annual invoices for County-provided services were not date-stamped.
2. The Court did not consistently require in-court service providers to include the minimum information required by FIN 8.02, 6.3(1) in their claims. Of the 13 claims selected for review, 6 claims lacked the in-court service provider’s signature, and 1 claim did not include case numbers and names.
3. The Court paid certain in-court service providers at amounts that exceeded the Court’s documented rates.

- For both contract court reporter claims reviewed, the Court paid a rate that exceeded the documented rate for remote assignment at Clearlake and for overtime. However, the Court's court reporter per diem rate sheet did not identify these differentials.
- For one of two contract court interpreter claims reviewed, the Court reimbursed for travel to Clearlake. However, travel was less than 60 miles and not reimbursable in accordance with Judicial Council policy, and the Court's documented rates for this interpreter did not specify travel reimbursement.

### **Recommendations**

We recommend the Court do the following to ensure compliance with FIN Manual accounts payable requirements:

1. Date-stamp all invoices and claims upon receipt to ensure timely processing and payment.
2. Require all in-court service providers to sign their claims and identify case numbers and names to allow the Court to verify services claimed.
3. Update its in-court service provider rate sheets with the most current Court negotiated and approved payment rates.

### **Superior Court Response By: Michaela Noland Date: 8/26/14**

1. Agree. Management has always required that all invoices and claims be date stamped upon receipt and staff is aware of this requirement. The sample invoices that were not date stamped were due to an error on the receiving staff's part. Staff has been reminded to always date stamp invoices and claims upon receipt.
2. Agree. Management has always required vendors to supply the name and address of the person or business submitting the claim, the tax identification number of the person or business submitting the claim (If the tax identification number is on file with the court, it need not appear on every claim form), the case number and name and the amount of compensation claimed.

The one claim from the sampling of thirteen claims that did not include case numbers and names was an oversight on the part of the vendor and A/P staff.

As of 8/11/14, Management has required that all claims include the signature of the person making the claim or the person authorized to sign for the business making the claim.

Responsible person: Nancy Chisnall, Fiscal Technician

3. Agree. The Judicial Services Coordinator will revise the court's documented rate sheet by 9/3/14 with the correct rate information. The current rate sheet did not include the rate increase for Clearlake work for and the rate increase for overtime. The rates that were paid had been negotiated and approved before payment and were known by staff but not documented on the rate sheet.

Responsible person: Yolanda Rosas, Judicial Services Coordinator

## 12. Fixed Assets Management

### Background

The FIN Manual provides uniform guidelines for trial court to use when acquiring, capitalizing, monitoring, and disposing of assets. Specifically, trial courts must establish and maintain a Fixed Asset Management System to record, control, and report all court assets.

The primary objectives of the system are to:

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

The table below presents account balances from the Court's general ledger that are considered associated with this section.

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
<b>Expenditures</b>				
* 922600 - MINOR EQUIPMENT - UNDER	5,829	8,342	(2,513)	-30%
* 945200 - MAJOR EQUIPMENT	21,000	-	21,000	n/a

We reviewed the fixed assets information the Court prepared for inclusion in the State CAFR. We also reviewed the Court's responses to a self-assessment to evaluate compliance with FIN Manual requirements and controls related to management of fixed assets and inventory items.

**There was one minor issue contained in Appendix A.**

### **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.

During the course of our audit, we revisited the issues identified in our prior audit of the Court that took place in 2008 to determine whether it has corrected or resolved these issues. Any issues that have not been fully corrected or have resurfaced are identified in the appropriate audit report section as repeat issues. Shortly before the start of our audit, the State Controller's Office conducted its Court Revenue Audit for the period July 1, 2007 through June 30, 2013. Although the audit report has not been released, we followed up on any preliminary findings during our revenue distribution review to determine whether they have been resolved.

**There were no issues to report to management.**

## **14. Records Retention**

### **Background**

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

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

**There were no issues to report to management.**

## 15. Domestic Violence

### Background

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

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

We identified the statutory requirements for assessments of criminal domestic violence fines, fees, penalties, and assessments, and obtained an understanding of how the Court ensures compliance with these requirements. We also 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.

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

### 15.1 The Court Did Not Consistently Assess and or Distribute Required Minimum Domestic Violence Fines and Fees

#### Background

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

- Penal Code section 1202.4 (b) State Restitution Fine  
Courts must impose a separate and additional State Restitution Fine of not less than \$200 (\$240 effective January 1, 2012, \$280 effective January 1, 2013, and \$300 effective January 1, 2014) for a felony conviction and not less than \$100 (\$120 effective January 1, 2012, \$140 effective January 1, 2013, and \$150 effective January 1, 2014) for a misdemeanor conviction in every case where a person is convicted of a crime. Courts must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason not to impose this restitution fine, but may be considered only in assessing the amount of fine in excess of the minimum.

- Penal Code section 1202.44 (or section 1202.45) Probation (or Parole) Revocation Restitution Fine  
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under section 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed.
- Penal Code section 1203.097 (a)(5) Domestic Violence Fee  
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee (\$500 effective January 1, 2013) if a person is granted probation for committing domestic violence crimes.
- Penal Code section 1465.8 (a)(1) Court Operations Assessment  
Effective August 17, 2003, courts must impose a \$20 (\$30 effective July 28, 2009, and \$40 effective October 19, 2010) Court Operations Assessment (formerly the Court Security Fee) on each criminal offense conviction.
- Government Code section 70373 Criminal Conviction Assessment  
Effective January 1, 2009, courts must impose a \$30 Criminal Conviction Assessment for each misdemeanor or felony and an amount of \$35 for each infraction.

## Issues

We reviewed 30 select criminal DV cases that represented 37 percent of all DV convictions within a recent 12 month period. These DV cases included felony and misdemeanor convictions of one or more of the following charges: (1) Penal Code section 273.5(a) – willful infliction of corporal injury resulting in a traumatic condition, (2) section 243(e) – battery, and (3) section 273.6(a) – intentional and knowing violation of a protective order. The following instances of non-compliance were identified:

1. The Court did not consistently assess and/or distribute the correct Penal Code section 1203.097 DV Fine amount. We identified a similar issue in our prior audit. In 18 of 23 cases reviewed where probation was ordered, the Court did not assess or distribute the DV Fine, or it assessed or distributed an incorrect amount as follows:
  - Although the Court consistently assessed the DV Fine for Penal Code section 273.5(a) violations, it did not consistently assess the DV Fine for section 243(e) and section 273.6(a) violations. For those section 273.6(a) violations where the DV Fine was assessed, the CMS was not set up to distribute the DV Fine. The Court informed us that it has since updated its CMS to add the DV Fine distribution to the section 273.6(a) violation.
  - In several instances, the Court assessed an incorrect DV Fine of \$400 instead of \$500. The CMS also incorrectly distributed only \$400 to the DV Fine in earlier

cases, but the Court informed us that it updated the DV Fine distribution to \$500 in October 2013.

- In two instances where the defendant was convicted of DV and non-DV violations, the clerk incorrectly applied the total assessed fine to the non-DV violation in the CMS and as a result the DV Fine that was assessed was not distributed.
2. The Court did not consistently assess the Penal Code section 1202.44 Probation Revocation Restitution Fine. This fine was not assessed in 17 of 23 cases reviewed where probation was ordered. In these cases, the judge assessed a total fine instead of itemizing individual fines and fees. As a result, the Probation Order and Court Minute forms used to document the judgment did not specify that an additional restitution fine was assessed.
  3. For two cases with multiple charges, the Court distributed the PC 1465.8 Court Operations Assessment and GC 70373 Criminal Conviction Assessment per case instead of per violation. Additionally, the total fine amounts assessed were insufficient to cover the multiple Court Operations and Criminal Conviction Assessments, in addition to the other mandatory minimum fines and assessments.

### **Recommendations**

We recommend the following to ensure that the required minimum fines, fees, and assessments are consistently imposed:

1. Advise judicial officers of the mandatory minimum fines and fees to be assessed for DV violations where the defendant is sentenced to probation, as well as the various DV violation code sections. Additionally, remind court clerks to apply the DV assessments to the appropriate DV violation so that the DV Fine is properly distributed. The Court may also consider monitoring DV cases for a period of time, especially after the statutory amounts are changed, to ensure that minimum fines and fees are properly assessed and distributed.
2. Advise judicial officers to consistently assess the Probation Revocation Restitution Fine in the same amount as the State Restitution Fine for DV violations where the defendant is sentenced to probation, and for court clerks to document the assessment in the Probation Order and Court Minute forms.
3. Advise judicial officers to impose the Court Operations and Criminal Conviction Assessments for each violation for cases with multiple violations, and ensure that these assessments are distributed per violation.

The above mandatory minimum fines, fees, and assessments, except for the Court Operations and Criminal Conviction Assessments, may be reduced or suspended, but the amount of and reason for reduction or suspension should be sufficiently recorded.

**Superior Court Response By: Michaela Noland Date: 9/11/14**

1. Agree. The court has reviewed all DV cases that were sentenced from 1/1/14 – 6/30/14. It was found that the DV \$500 fee was correctly assessed and distributed in 48 of 51 cases.

The court will remind judicial officers and clerks of the appropriate DV assessments for the DV violations.

2. Agree. The court will advise judicial officers to consistently assess the Probation Revocation Restitution fine for DV convictions where the defendant is sentenced to probation. Court clerks will be advised to always document the assessment in the Probation Order and the Court Minutes.
3. In the 30 sample cases that were reviewed by IAS only 2 cases did not have assessments for all convicted charges. In both cases the defendants were convicted of multiple charges; however in court the fine was stated as a total amount for all convictions. The incorrect distributions were not CMS or clerk errors. The clerks were following the judge's order. The court will remind judicial officers and clerks of the appropriate assessments that must be charged on all convictions.

## 16. Exhibits

### Background

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

A suggested best practice for trial courts includes establishing written Exhibit Room Manuals (manual). 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, a manual should be prepared and used to guide and direct exhibit custodians in the proper handling of exhibits. Depending on the type and volume of exhibits, court manuals can be brief or very extensive. Manuals would provide exhibit custodians with procedures and practices for the consistent and proper handling, storing, and safeguarding of evidence until final disposition of the case.

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

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

### 16.1 Improvements Can Be Made to Strengthen Exhibits Handling Controls

#### Background

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

## Issues

Our review of exhibit handling controls, observation of the exhibit storage areas, and testing of selected exhibit items at both Lakeport and Clearlake locations identified the following areas for improvement:

1. The Court did not have a written exhibit manual. Although the Lakeport and Clearlake exhibit clerks each maintain reference material collected over time, they lack a comprehensive and current set of policy and procedures. Exhibit clerks and courtroom clerks responsible for receiving, handling, safeguarding, and disposing exhibits could benefit from on a formally established exhibit manual.
2. We identified various control deficiencies at the Lakeport location over access to exhibit storage areas, including the following:
  - The Court did not appropriately restrict access to the exhibit vault because the vault is used to store non-exhibit items such as unprocessed mail payments that court clerks access regularly. Courtroom clerks also store exhibits for on-going cases in the vault since the facility lacks secured exhibit storage areas located in or near most courtrooms. The prior audit issued in 2008 identified a similar issue.
  - The Court did not properly secure the keys to the exhibit cage located in offsite storage facility. Therefore, court employees not authorized to access exhibits but have access to the offsite storage facility and know the location of the key may also access the exhibit cage.
  - The Court did not audit the key log at least annually to ensure assigned keys for exhibit storage locations are accurately recorded and assignments are still appropriate.
3. The process for transferring the custody over exhibits at Lakeport was not performed timely and lacked accountability. Courtroom clerks dropped off exhibits in the vault and the exhibit clerk verified the items to the exhibit list when time permitted. Since the exhibit clerk was not required to immediately verify the exhibits transferred under her custody, there was a backlog of exhibits waiting to be verified. Additionally, lack of a joint verification process cannot ensure that errors or irregularities between the exhibit list and the actual items are detected and corrected.
4. The 2008 audit identified as an issue that neither locations conducted inventories of the exhibit storage areas at least annually. Although the Court implemented an annual inventory of Lakeport exhibits, it did not conduct inventories and inspections of the Clearlake exhibits at least annually. Additionally, annual inventories were conducted by the exhibit clerk rather than an independent individual, nor did the Court have sufficient management oversight of the inventory to ensure errors or irregularities are detected and resolved. During our review of select exhibit items stored in the vault

and safe, we could not locate all items identified on the inventory list for 2 of 15 exhibits reviewed, and the inventory list description for one of these exhibits did not match the description on the exhibit list. The inventory list also identified a rifle with the storage location unknown.

### **Recommendations**

To ensure it adequately handles, safeguards, and accounts for exhibits, the Court should consider the following:

1. Establish an exhibit manual to document a comprehensive set of officially approved policy and procedures for receiving, handling, safeguarding, and disposing exhibits to ensure individuals such as exhibit clerks and courtroom clerks follow adequate, consistent, and current processes.
2. Strengthen controls over access to Lakeport exhibit storage areas, including the following:
  - Restrict access to the exhibit storage vault to the exhibit clerk and authorized court management who need to access exhibits or oversee the function. The Court may consider storing sensitive non-exhibit items in the Manager's locked office or another secured area so that other clerks will no longer need to access the vault.
  - Properly secure the key to the exhibit cage to prevent unauthorized access. For instance, the Court may consider securing the exhibit cage key in the locked key nest.
  - Audit the key log at least annually to ensure it accurately identifies the keys to the exhibit storage areas and the individuals assigned such keys. The Court should also retrieve exhibit vault keys from individuals who no longer should have access.
3. Enhance the exhibit transfer of custody process by requiring the exhibit clerk and courtroom clerk to jointly verify transferred items against the exhibit list on a timely basis. The parties should document completion of the transfer, such as by signing and dating the exhibit list.
4. Perform inventories of Clearlake exhibits at least annually, and continue regular inventories of Lakeport exhibits. Inventories should be performed by someone other than the exhibit clerk. For instance, the Court may require the Clearlake exhibit clerk to inventory Lakeport exhibits and vice versa and management to approve the inventories, or require inventories to be performed by court management.

1. The Court agrees that a written exhibit manual is ideal. However, the reduction in staffing over the last several years has not allowed time for its creation. As staffing allows, an exhibit manual will be drafted by Laura Silva, Senior Court Clerk, with an expected completion date in 2015.

2.

- In an effort to restrict access to the exhibit vault, the court will store unprocessed mail with payments in a locked drawer in the clerk's office instead of in the vault. [The clerk's lockup was moved to a locked file cabinet.](#)

Responsible Person: Joann Gall, court Operations Manager

- Agree. Keys to the exhibit cage located at storage will be locked up in the locked key nest and will be checked out to individuals needing access.

Responsible Person: Michaela Noland, Sr. Court Analyst

- Management will require employees to sign in and out for exhibit storage keys. Finance staff will audit the key log on an annual basis to ensure proper employees have access to the exhibit storage areas.

Responsible Person: Michaela Noland, Sr. Court Analyst

3. Agree. The transfer of custody process has already been updated. Clerks have been instructed to inventory and sign off on their exhibits with the exhibit clerk within 48 hours of completion of a trial. Access to the master exhibit lists has been restricted to management and lead clerks.

Responsible Person: Laura Silva, Senior Court Clerk

4. Management will conduct sampling of exhibits in both Lakeport and Clearlake on an annual basis beginning January 2015.

Responsible Person: Joann Gall, Court Operations Manager

**APPENDIX A**

**Superior Court of California,  
County of Lake**

**Issue Control Log**

**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 for which corrective action is considered complete at the end of the audit indicate a “C” in the column labeled C. Issues that remain open at the end of the audit indicate an “I” for incomplete in the column labeled I and have an Estimated Completion Date.**

**Audit Services will periodically contact the Court to monitor the status of the corrective efforts indicated by the Court.**

**August 2014**

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1 Court Administration</b>								
			No issues to report.					
<b>2 Fiscal Management and Budgets</b>								
	2.1	9	<b>The Court's Wellness Program Incentives May Be Perceived Negatively by the Public</b>					
			The Court's Pilot Wellness Program provides monetary incentives to employees for participation in certain health improvement activities that are private in nature may be perceived as questionable use or gift of public funds.	I		[Summarized] The court does not agree that it should be recognized as a formal audit issue. There is no violation of policy, statute or other authority. The monetary incentive is a small expense for the purpose of increasing productivity and reducing absenteeism, which is an appropriate use of public funds. In an effort to maintain public confidence in the court system, the court will attempt to negotiate the elimination of the monetary incentive from the wellness program by Fiscal Year 2015.	Union/Court Negotiator	July 1, 2015
<b>3 Fund Accounting</b>			No issues to report.					
<b>4 Accounting Principles and Practices</b>								
	4.1	7	<b>The Court Overstated Year-End Expenditure Accruals and Incorrectly Reported Certain External Financial Report Information</b>					
			The Court incorrectly accrued certain year-end expenditures and as a result overstated total fiscal year expenditures by 1.7 percent.	C		Agree. The court will verify goods and services are received before accruing expenses at year end. The court reviewed fiscal year 13/14 accruals to verify they were correctly accrued.	Senior Court Analyst	Completed
			The Court incorrectly reported certain financial information for inclusion in the State's CAFR for the period ending June 30, 2013.	C		Agree. The reporting of operating lease expenditures in thousands instead of whole numbers was a one-time error by staff. Anyone reviewing the court's total minimum lease payments for FY12/13 would most likely deduce that \$18 should be \$18,000	Senior Court Analyst	Completed
		Log	The Court understated its fixed asset balance by \$1,955 in its CAFR reporting for the period ending June 30, 2013 because it did not record a prior year addition.	C		The court waived on whether to add the prior year addition of \$1,955 in alarm cameras to its previous purchase of an alarm system on the court's list of fixed assets. The decision was made to make the addition; however it was inadvertently left out of the total reported. This was corrected on the FY13/14 CAFR.	Senior Court Analyst	Completed
<b>5 Cash Collections</b>								
	5.1	1	<b>The Court Needs to Strengthen Its Cash Handling Controls and Procedures</b>					
			The Lakeport location did not sufficiently segregate duties for opening mail and processing mailed-in payments.	I		[Summarized] The court does not possess the staff necessary to segregate the opening of mail and processing of mail payments. The potential risk posed by allowing the same court clerk to open mail and process mail payments is extremely low. The designated clerk opens the mail in an open area of the office in sight of others, and the area is under video surveillance. Additionally, there is only a small volume of mail payments, on average a maximum of ten payments are received per day and cash payments received in the mail almost never occur. The amount of payments that the clerk processes is minimal. The Court will be requesting an alternative mail handling procedure by 1/1/15.	Senior Court Analyst and Operations Manager	January 1, 2015

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Clearlake branch held onto two cash payments that had not yet been entered into the CMS.	C	Agree. Court management has always required cash payments that cannot be processed to be immediately deposited into CMS Trust. The two cash payments referenced were isolated errors of one employee. All employees have since been reminded of the necessity to receipt cash into the CMS immediately.	Operations Manager	Completed
			The Court's process for logging and monitoring of unprocessed mail payments differs from the daily logging and monitoring procedures provided in the FIN Manual, yet the Court has not established written procedures to clearly document the process.	C	[Summarized] Agree. Court Finance Dept. created a revised Payment Log –Report of Payments spreadsheet in compliance with FIN Manual 6.4, 4.a-d. If any payments are on the Payment Log for more than 15 days a report is given to the Sr. Court Analyst. If any payments are on the log for more than 30 days a report is given to the CEO. This report was in effect as of May 2014.	Senior Court Analyst	Completed
			The Court does not have sufficient management or fiscal oversight of the manual receipt book used by the Clearlake branch.	C	Agree. To monitor the manual receipt books, all unused manual receipt book supplies are kept at the Lakeport location under the control of the CEO. Both offices each keep one current receipt book in the safe and now have a log sheet for the designated person to issue books when the CMS is down. The designated person is responsible for verifying CMS receipts are attached to the manual receipts when the book is signed back in. To provide management oversight, as books are used, the old book will be sent to Lakeport for further review and a new book will be issued.	Senior Court Analyst	Completed
			The Court has not established a monitoring process for fine suspensions/reductions and fee waivers. REPEAT ISSUE	I	Court management will begin reviewing samplings of suspensions and fee waivers on a quarterly basis beginning 1/1/15.	Operations Manager and IT Manager	January 1, 2015
			The Court has not implemented periodic and random surprise cash counts since the requirement was added to the FIN Manual in 2009.	I	[Summarized] Management or Fiscal Staff will begin conducting surprise cash counts on a quarterly basis beginning 1/1/15.	Senior Court Analyst	January 1, 2015
		Log	The Court did not log manual receipt book issuance for books in use.	C	A manual receipt book is only issued when the case management system is down. In the past the court issued one book to the clerks as needed. The court now has a log for the clerk to sign the book in and out of the safe.	Fiscal Staff	July 1, 2014
		Log	One of ten void transactions reviewed in a recent month (five in Lakeport and five in Clearlake) was not approved by an authorized individual.	C	Staff has been reminded to always receive an approval before performing a void.	Fiscal Technician	July 1, 2014
		Log	Quarterly counts of Clearlake's change fund were performed by the change fund custodian, but should be performed by a separate individual such as the custodian's manager.	C	The Clearlake custodian's manager is now performing the quarterly change fund counts.	Operations Manager	July 1, 2014
<b>6</b>	<b>Information Systems</b>						
		Log	The Court's Continuity of Operations Plan (COOP) was outdated and was not periodically tested.	I	The COOP plan will be updated in the Spring of 2015.	IT Manager	Spring 2015
		Log	Court management did not perform periodic reviews of user access to Court systems and applications to ensure access rights are commensurate with job responsibilities.	C	Quarterly reviews will be performed by the IT Manager to ensure the access rights are commensurate with job responsibilities beginning October 1, 2014.	IT Manager	October 1, 2014
		Log	Although the Court has an agreement with the State Department of Justice, the Court did not have agreements with other justice partners for remote access to the Court's CMS.	I	The court will be entering into agreements with the other justice partners for the next billing year (April 1, 2015 to March 31, 2016).	IT Manager	April 1, 2015
		Log	The Court did not timely or appropriately notify the Department of Motor Vehicles of failure to pay (FTA) holds and releases in some instances. For ten sample cases reviewed, the Court took over nine months to report the FTA in two cases, incorrectly reported an FTA in a third case and did not timely release the FTA hold, and incorrectly released an FTA hold in a fourth case.	C	Daily, weekly and monthly running of the DMV Disposition tool will continue with the addition of verifying all cases in the "DMV to be reported" browse have been reported appropriately.	IT Manager	October 1, 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>7 Banking and Treasury</b>								
			<b>No issues to report.</b>					
<b>8 Court Security</b>								
		<b>Log</b>	The Evacuation Plan the Court developed with the County did not apply to the Clearlake location nor has a separate plan been developed for Clearlake.	<b>I</b>		The court will begin drafting an evacuation plan for the Clearlake Branch in early 2015.	IT Manager	December 1, 2015
<b>9 Procurement</b>								
	<b>9.1</b>	<b>3</b>	<b>Certain Procurement Controls and Processes Need Improvement</b>					
			Purchase requests prepared by two court managers that are within their approval limit of \$2,500 do not require approval by another authorized approver, and there is no oversight of informal purchases performed outside of the financial system to mitigate conflicting duties.		<b>C</b>	Agree. There have been no informal purchases outside of the financial system since the beginning of fiscal year 2013/14.	Senior Court Analyst	Completed
			The Court did not consistently establish purchase orders (PO) in the financial system to encumber funds for contracts and other purchases.	<b>I</b>		[Summarized] To date, the court has opted not to create purchase orders for contracts with unknown amounts, such as for attorneys who the court may pay anywhere from \$5,000 to \$30,000 per fiscal year. Creating purchase orders with estimated amounts does not accurately reflect the courts future expenses in the accounting system and requires extra work disencumbering funds at the end of the year. Since the court does not have staff specifically for procurement it is unrealistic to expect the court to create purchase orders for all purchases over \$500.	Senior Court Analyst	None provided - Court disagreed with recommendation
			The Court did not engage in competitive procurement practices for two of five purchases that were required to be procured competitively.		<b>C</b>	[Summarized] The court went out to bid in FY13 for jury summons and has been under contract since July 2014. In FY13 the court spent \$5,081.88 (including tax) on printing costs, which could be argued that the procurement is under \$5,000. The court no longer needs to purchase court forms from Linnell Printing which will significantly lower our annual cost. We now have probation order OLEs in the CMS that can be printed in court. We will not need to go out to bid for printing.	Senior Court Analyst	Completed
			The Court did not properly notify the California State Auditor pursuant to PCC § 19204(a) for one contract that exceeded \$1 million.		<b>C</b>	Agree. The court went out to bid for security services in FY13 and is currently under a new contract. The court is aware that all contracts including amendments (even those executed before 10/1/2011) that exceed \$1 million need to be reported and the contracts are being closely monitored as of August 2014. It will be an unusual occurrence for the court to have another contract that exceeds \$1 million.	Senior Court Analyst	August 1, 2014
			The Court did not require vendors to sign a Darfur Contracting Act Certification for three of four non-IT goods or services procurements reviewed.		<b>C</b>	The Sr. Court Analyst has required the completed Darfur certificate for all vendors that provide non-IT goods and services as of 7/1/14.	Senior Court Analyst	July 1, 2014
		<b>Log</b>	One sole source procurement reviewed was not supported by a sole source justification. REPEAT ISSUE		<b>C</b>	The sole source procurement agreement for Sustain case management services was executed in 2009. The court's current practice is to have the required written sole source justification for any purchase of \$5,000 or more, when a LPA is not used or the service/goods are not competitively bid.	Senior Court Analyst	July 1, 2014
<b>10 Contracts</b>								
	<b>10.1</b>	<b>4</b>	<b>Certain Contracts Lacked Mandatory Clauses and Provisions and Included Incorrect Insurance Requirements</b>					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court did not ensure that its contracts included clauses and provisions required by the Judicial Branch Contracting Manual (JBCM).		C	Agree. The court has renewed contracts after the implementation of the JBCM that were executed before October 1, 2011 and maintained the original contract terms. For future contracts and for contract renewals, the court will include the Judicial Council provisions that comply with JBCM requirements, regardless of the contract amount.	Senior Court Analyst	October 1, 2014
			Four of five contract files contained certificates of insurance that did not list all insurance coverage required by the contracts.		C	Agree. The court has been including both the general liability and professional liability insurance information provided by Judicial Council contract templates in contracts. Even though some contracts may read that general liability and professional liability insurance are required, the court has only required the appropriate coverage from the vendors. Beginning 7/1/14, the Court is excluding the verbiage regarding insurance that is not required.	Senior Court Analyst	July 1, 2014
		Log	The MOU with the County lacked a provision allowing the court, Judicial Council, or their representatives to review or audit the costs of County provided services.	I		The court does not plan on taking action regarding the MOU with the county. If/when the MOU is ever amended the court will make the change.	Senior Court Analyst	Unknown- not mandatory. If/when the MOU is amended.
		Log	The Court did not notify the Judicial Council Fiscal Services Office within 10 days of discontinuing telecommunication services with the County in February 2014 in accordance with CRC 10.805.		C	The court would have notified the Judicial Council Fiscal Services Office if the court was aware of the requirement per CRC 10.805. If any county or court service is discontinued in the future the court will, within 10 days of receiving or giving such notice, provide a copy of the notice to the Judicial Council Fiscal Services.	Senior Court Analyst	July 1, 2014
<b>11</b>	<b>Accounts Payable</b>							
		11.1	5			<b>Certain Invoice and Claims Payment Processing Procedures Need Improvement</b>		
			The Court did not consistently date-stamp invoices and claims upon receipt.		C	Agree. Management has always required that all invoices and claims be date stamped upon receipt and staff is aware of this requirement. The sample invoices that were not date stamped were due to an error on the receiving staff's part. Staff has been reminded to always date stamp invoices and claims upon receipt.	Fiscal Technician	Completed
			The Court did not consistently require in-court service providers to include the minimum information required by FIN 8.02, 6.3(1) in their claims.		C	[Summarized] The one claim from the sampling of thirteen claims that did not include case numbers and names was an oversight on the part of the vendor and A/P staff. As of 8/11/14, Management has required that all claims include the signature of the person making the claim or the person authorized to sign for the business making the claim.	Fiscal Technician	August 11, 2014
			The Court paid certain in-court service providers at amounts that exceeded the Court's documented rates.		C	Agree. The Judicial Services Coordinator will revise the court's documented rate sheet by 9/3/14 with the correct rate information. The current rate sheet did not include the rate increase for Clearlake work for and the rate increase for overtime. The rates that were paid had been negotiated and approved before payment and were known by staff but not documented on the rate sheet.	Judicial Services Coordinator	September 3, 2014
		11.2	6			<b>The Court Overstated Travel Expenses and Did Not Comply with Certain Travel Policies and Procedures</b>		
			The Court misclassified nearly \$3,500 of travel expense claims submitted by contractors in FY 2012 - 2013 as travel expenditures instead of contracted services expenditures.		C	[Summarized] The Court does not feel it is appropriate to include this as an issue as the FIN manual does not address this issue. The travel expense general ledger accounts have always been used to record contractor travel. When claims are paid, the A/P staff notates the contract number on the invoice in SAP or uses a purchase order with the contract number. Contractor costs are tracked by vendor number in SAP. The court began using the general ledger account for contracted services to record travel expenses as of 9/1/14.	Accounts Payable Staff	September 1, 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court did not consistently require travelers claiming expenses associated with attending conferences, trainings, or classes to submit appropriate proof of attendance or certificate of completion.	C	In the past when a certificate of completion was not supplied by the program, the Court still paid the travel claim. As of 9/1/14 some proof of attendance is required.	Management and Accounts Payable Staff	September 1, 2014
			The Court did not require travelers to provide detailed exception for lodging requests for lodging that exceeded the maximum allowed rates.	C	Agree. An Exception Request for Lodging form has always been required as part of the Court's travel policy. However, the Exception Request is extremely rare and therefore, the correct procedure was not followed exactly. It should be noted that the claims in question were pre-approved by a manager prior to the travel. As of 9/1/14 all managers have been reminded that the form is required.	Management and Accounts Payable Staff	September 1, 2014
		<b>Log</b>	The lodging receipt for one of nine travel expense claims reviewed where lodging was claimed did not show a zero balance.	C	For this one travel expense claim, the employee later showed the court her credit card receipt showing that the lodging was paid. Staff has been reminded to only accept receipts that show a zero balance.	Fiscal Technician	October 1, 2014
		<b>Log</b>	The petty cash custodian had conflicting cash handling responsibilities.	C	As of 10/1/14 the Petty Cash Custodian duties will be delegated to the Senior Court Analyst who does not handle cash.	Senior Court Analyst	October 1, 2014
<b>12</b>	<b>Fixed Assets Management</b>						
		<b>Log</b>	The Court did not prepare transfer/disposal forms to document the approved transfer or disposal of fixed assets or inventory items.	C	The court's CEO has always verbally approved transfers and disposals. The court will prepare a transfer/disposal form to document the approved transfer or disposal of fixed assets or inventory.	IT Manager and Operations Manager	October 1, 2014
<b>13</b>	<b>Audits</b>		<b>No issues to report.</b>				
<b>14</b>	<b>Records Retention</b>		<b>No issues to report.</b>				
<b>15</b>	<b>Domestic Violence</b>						
		<b>15.1</b>	<b>8</b>				
			<b>The Court Did Not Consistently Assess and or Distribute Required Minimum Domestic Violence Fines and Fees</b>				
			The Court did not consistently assess and/or distribute the correct PC 1203.097 DV Fine amount. REPEAT ISSUE	C	Agree. The court has reviewed all DV cases that were sentenced from 1/1/14 – 6/30/14. It was found that the DV \$500 fee was correctly assessed and distributed in 48 of 51 cases. The court will remind judicial officers and clerks of the appropriate DV assessments for the DV violations.	Senior Court Analyst	Completed
			The Court did not consistently assess the PC 1202.44 Probation Revocation Restitution Fine.	C	The court will advise judicial officers to consistently assess the Probation Revocation Restitution fine for DV convictions where the defendant is sentenced to probation. Court clerks will be advised to always document the assessment in the Probation Order and the Court Minutes.	Senior Court Analyst	October 21, 2014
			The Court distributed the PC 1465.8 Court Operations Assessment and GC 70373 Criminal Conviction Assessment per case instead of per violation in two cases, and the total fine amounts assessed were insufficient to cover the mandatory minimum fines and assessments.	I	In the 30 sample cases that were reviewed by IAS only 2 cases did not have assessments for all convicted charges. In both cases the defendants were convicted of multiple charges; however in court the fine was stated as a total amount for all convictions. The incorrect distributions were not CMS or clerk errors. The clerks were following the judge's order. The court will remind judicial officers and clerks of the appropriate assessments that must be charged on all convictions.	Management	January 1, 2015
<b>16</b>	<b>Exhibits</b>						
		<b>16.1</b>	<b>2</b>				
			<b>Improvements Can Be Made to Strengthen Exhibits Handling Controls</b>				

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court did not have a written exhibit manual.	I		The Court agrees that a written exhibit manual is ideal. However, the reduction in staffing over the last several years has not allowed time for its creation. As staffing allows, an exhibit manual will be drafted by Laura Silva, Senior Court Clerk, with an expected completion date in 2015.	Senior Court Clerk	January 1, 2015
			The Court did not appropriately restrict access to the exhibit vault because the vault is used to store non-exhibit items and courtroom clerks also store exhibits for on-going cases in the vault. REPEAT ISSUE		C	In an effort to restrict access to the exhibit vault, the court will store unprocessed mail with payments in a locked drawer in the clerk's office instead of in the vault. The clerk's lockup was moved to a locked file cabinet.	Operations Manager	September 10, 2014
			The Court did not properly secure the keys to the exhibit cage located in offsite storage facility.		C	Agree. Keys to the exhibit cage located at storage will be locked up in the locked key nest and will be checked out to individuals needing access.	Senior Court Analyst	Completed
			The Court did not audit the key log at least annually.		C	Management will require employees to sign in and out for exhibit storage keys. Finance staff will audit the key log on an annual basis to ensure proper employees have access to the exhibit storage areas.	Senior Court Analyst	Completed
			The process for transferring the custody over exhibits at Lakeport was not performed timely and lacked accountability.		C	Agree. The transfer of custody process has already been updated. Clerks have been instructed to inventory and sign off on their exhibits with the exhibit clerk within 48 hours of completion of a trial. Access to the master exhibit lists has been restricted to management and lead clerks.	Senior Court Clerk	Completed
			The Court did not conduct inventories and inspections of the Clearlake exhibits at least annually. Annual inventories of Lakeport exhibits were conducted by the exhibit clerk rather than an independent individual, nor did the Court have sufficient management oversight of the inventory to ensure errors or irregularities are detected and resolved. REPEAT ISSUE	I		Management will conduct sampling of exhibits in both Lakeport and Clearlake on an annual basis beginning January 2015.	Operations Manager	January 1, 2015
		<b>Log</b>	The Lakeport and Clearlake Exhibit Inventory Lists were not secured from unauthorized or improper access.		C	The Exhibit Inventory list that is located on the shared drive has been password protected and is secure from unauthorized access. Two managers and three senior clerks have access to the list.	Senior Court Clerk and Operations Manager	July 1, 2014
		<b>Log</b>	The Clearlake exhibit cabinets were not sturdy enough to store the one handgun located.		C	The court will move the handgun from the Clearlake exhibit cabinet and store it with the exhibits at Lakeport until an order can be processed to return the handgun to the arresting law enforcement agency.	Senior Court Clerk and Operations Manager	September 23, 2014