



Audit of the
Superior Court Of California,
County of Marin

REPORT OF
INTERNAL AUDIT SERVICES

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ADMINISTRATIVE OFFICE
OF THE COURTS

JUDICIAL COUNCIL AND COURT LEADERSHIP
SERVICES DIVISION

INTERNAL AUDIT SERVICES

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Superior Court of California, County of Marin

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MANAGEMENT SUMMARY

Introduction

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

IAS initiated the audit of the Superior Court of California, County of Marin (Court) in August 2013. Depending on the size of the court, the audit process typically involves two or possibly three audit cycles encompassing the following primary areas:

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

IAS audits cover all four of the above areas. The audit process involves the review of the Court's internal control framework and compliance with California statute, California Rules of Court (CRC), Judicial Council (JC) policies such as the *Trial Court Financial Policies and Procedures Manual* (FIN Manual) and *Judicial Branch Contracting Manual* (JBCM), and various industry and government standards. IAS also followed up on issues identified in the prior audit to determine whether the Court adequately resolved previous issues. IAS contracted with Sjoberg Evashenk Consulting, Inc. (SEC) to conduct a performance audit of the Court's operations in 2008 with a focus on activity that occurred in fiscal year 2006–2007. SEC issued the audit report in November 2008, and IAS received Court follow up responses on incomplete issues in March 2010 and June 2012.

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 IAS believes that FISMA may not apply to the judicial branch, IAS understands 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.

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

Since the prior audit was issued in November 2008, the Court received its share of the unprecedented funding reductions to the judicial branch. The Court's total revenue, which included State funding and local revenue, decreased by over 30 percent from \$22.2 million in fiscal year 2007–2008 to \$15.3 million in fiscal year 2012–2013. Its workforce also decreased by over 25 percent from 175 filled positions to approximately 130 positions in the same time period, yet the number of filings remained consistent. Faced with fewer resources to handle the same caseload, the Court implemented changes to its operations and leveraged technology to become more efficient and realize cost savings. Similar to other courts, it shortened service hours at public counters. It also implemented a new traffic case management system (CMS) that has improved systems controls and functionalities, allowing it to automate certain processes. The Court also began accepting credit card payments for traffic citations through an automated online and telephone system to improve public access and reduce counter processing workload.

The Court has corrected the majority of findings identified in the prior audit, yet we identified two issues that resurfaced in this audit and are considered repeats. To enable the Court to continue to improve and strengthen its system of internal controls, it is important that the Court note audit findings 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. Also, IAS will continue to monitor incomplete issues from this audit through periodic contact regarding status of the issues.

Audit Issues Overview

This internal audit identified areas of noncompliance that were consolidated into the reportable issues included in this report, as well as other areas of noncompliance that IAS did not consider significant enough to include in the report, but were nonetheless communicated to court management and are only included in the appendix to this report. IAS provided the Court with opportunities to respond to all the issues identified in this report and included these responses in the report to provide the Court's perspective. IAS did not perform additional work to verify the implementation of the corrective measures asserted by the Court in its responses.

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

Distribution of Collections (Section 6, Issue 6.1)

The Court did not distribute certain collections as prescribed by statutes and guidelines. State statutes and local ordinances govern the distribution of the fines, fees, penalties, and other assessments that courts collect. The Court uses its CMS to assess and distribute the fines and fees it collects, and prepares a collection report at month-end.

Our review of sample cases collected and distributed by the Court identified various calculation and distribution errors on both the CJIS (criminal CMS) and JURIS (traffic CMS). Examples of distribution errors include:

1. The 2 percent distribution to the State for misdemeanor and felony cases was incorrectly calculated as it was not applied to certain penalties, fees, and base fine reductions; and incorrectly applied to certain other fees and assessments.
2. For one of three DUI cases the Penal Code 1202.4 State Restitution Fine was incorrectly distributed thereby reducing the State distribution amount.
3. Various base fine reductions for DUI cases and base fine enhancements for Health and Safety Code cases were incorrectly distributed as additional fee distributions.
4. Installment plan payments were not distributed in accordance with the statutory priority process as certain fees were given higher priority than the 20 percent state surcharge.
5. Multiple distribution errors were identified in standard and Red Light traffic school cases.

The Court generally agreed with the audit recommendations and indicated taking corrective action to address the noted issues. There were two situations where the Court did not make the necessary adjustments to its CMS. In the first situation the Court felt that changes to reprogram the system were very difficult and extremely costly to do with minor impact on the final distributions. In the second situation where a top-down approach was necessary due to a reduced, or specific, judge-ordered fines, the Court felt that using the methodology recommended in the few instances where this occurred would be time consuming, subject to increased error, and would result in immaterial differences in the distribution.

Accounting For Financial Transactions (Section 3, Issue 3.1)

Internal and external users of court financial information depend on reliable court financial data and reports to obtain the information they need to evaluate each court's finances. Accordingly, the FIN Manual establishes uniform guidelines and accounting principles for courts to follow when gathering, summarizing, and reporting accounting information associated with the fiscal operations of each court. The FIN Manual requires courts to comply with the basic principles of accounting and reporting that apply to government units. It also requires that courts execute and account for financial transactions in conformity with generally accepted accounting principles and legal requirements.

To determine whether the Court properly recorded, classified, and reported its financial transactions, IAS reviewed the Court's general ledger account balances and its accounting treatment of a limited number of financial transactions. Our review determined that the Court did not always properly account for and report its financial transactions. Specifically:

1. Based on inaccurate guidance from the AOC, the Court incorrectly recorded OPEB prefunding of \$1.6 million as a deposit in trust (fund 500010). Courts constantly seek guidance from the AOC for various operational and technical matters and IAS believes this was an isolated occurrence. Since the Court already recorded the expenditure and transferred the amount into an externally administered irrevocable trust, recording the prefunding amount in a trust fund overstates its trust balance.

2. The Court did not record certain fee revenues in the appropriate funds. A few legally restricted local fees were recorded in the general fund and one fee revenue account was incorrectly recorded in a special revenue fund.

The Court agreed with the audit recommendations and indicated that while it had relied on AOC guidance to account for the items noted, it has taken action to correct the issues.

Procurement, Accounts Payable, and Reimbursement Controls and Processes (Section 9, Issue 9.1 and Section 11)

As stewards of public funds, courts are obligated to demonstrate responsible and economical use of public funds. Judicial branch entities including superior courts must comply with the procurement and contracting policies and procedures provided in the JBCM. The FIN Manual provides courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements. Additionally, statute and policy requires court judges and employees to follow business-related travel reimbursement procedures recommended by the Administrative Director of the Courts, approved by the Judicial Council, and incorporated into the FIN Manual. Lastly, the FIN Manual defines the rules and limits courts must observe when arranging or claiming reimbursement for meals connected to official court business.

IAS reviewed the Court's controls and processes in procurement, accounts payable, and reimbursement for business travel and business meals; and noted issues including:

1. The Court's actual purchasing and payment approval practices were not consistent with its approved authorization matrix. During our review of select purchases, we identified some purchases, including p-card purchases that were approved by managers and a supervisor not listed on the matrix. Additionally, individuals who may approve requisitions in the financial system were set up with limits that were higher than the thresholds provided in the authorization matrix.
2. The Court could not demonstrate that certain purchases were approved by authorized individuals within their approval limits.
3. The Court did not establish purchase orders in the financial system to encumber funds for all contracts and purchases in excess of \$500.
4. The Court did not document its higher purchase card limits, and two of ten transactions tested exceeded the \$1,500 JBCM per transaction limit.
5. The Court did not engage in competitive procurement practices for 7 of 20 procurements reviewed that exceeded \$5,000. Most of these purchases were to renew, extend, or continue obtaining services with existing vendors. Although the Court may have reasonable justifications for automatically renewing some agreements, it did not document these sole source justifications.
6. All seven expense reimbursements for conferences, training, or classes were not supported by proof of attendance.
7. The Court's labor agreement requires lunch reimbursement practices for employee travel out of county of less than 24 hours contrary to statute and Judicial Council policy.

8. Business meals expenditures were not properly documented to evidence appropriate pre-approvals and demonstrate compliance with authorized timeframe requirements, and exceeded the authorized meal rate.
9. An annual employee holiday party was not entirely funded by judicial officers.

The Court generally agreed with the audit recommendations for procurement, accounts payable, and travel expense and business meal reimbursements; and indicated it has or will take corrective action.

STATISTICS

The Court has 12 judges and 2 subordinate judicial officers who handled 56,716 case filings in fiscal year 2011–2012 at the Marin County Civic Center located in the City of San Rafael. Further, the Court employed 128.5 full-time equivalent staff to fulfill its administrative and operational activities, and incurred total trial court expenditures of approximately \$17.7 million for the fiscal year that ended June 30, 2013.

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

During fiscal year 2012–2013, the Court and the County of Marin (County) entered into a memorandum of understanding (MOU) in which the County agreed to provide various services to the Court, including court security, benefits administration, various information technology services, janitorial, printing, shipping and receiving, various building maintenance, and legal services as needed. The Court and County also operate a comprehensive collections program.

The charts that follow contain general Court statistical information.

County Population (Estimated as of January 1, 2013)	254,007
<small>Source: California Department of Finance</small>	
Number of Court Locations	1
Number of Courtrooms	15
<small>Source: Superior Court of California, County of Marin</small>	
Number of Case Filings in fiscal year 2011–2012:	
Criminal Filings:	
▪ Felonies	1,033
▪ Non-Traffic Misdemeanor	1,670
▪ Non-Traffic Infractions	1,270
▪ Traffic Misdemeanors	2,483
▪ Traffic Infractions	43,062
Civil Filings:	
▪ Civil Unlimited	1,539
▪ Limited Civil	2,086
▪ Small Claims	853

<p>Family Law and Juvenile Filings:</p> <ul style="list-style-type: none"> ▪ Family Law ▪ Juvenile Delinquency ▪ Juvenile Dependency <p>Probate, Mental Health, Appeals, and Habeas Corpus Filings:</p> <ul style="list-style-type: none"> ▪ Probate ▪ Mental Health ▪ Appeals ▪ Habeas Corpus <p>Source: Judicial Council of California's 2013 Court Statistics Report</p>	<p>1,558</p> <p>331</p> <p>54</p> <p>375</p> <p>229</p> <p>70</p> <p>103</p>
<p>Judicial Officers as of June 30, 2012:</p> <p>Authorized Judgeships</p> <p>Authorized Subordinate Judicial Officers (SJO)</p> <p>Source: Judicial Council of California's 2013 Court Statistics Report</p>	<p>11</p> <p>3.5</p>
<p>Court Staff (including SJO):</p> <p>Total Authorized FTE Positions</p> <p>Total Filled FTE Positions</p> <p>Source: FY 2012–2013 Quarterly Financial Statements</p>	<p>134.0</p> <p>129.5</p>
<p>Average Daily Collections (For the month of July 2013)</p> <p>Source: Superior Court of California, County of Marin</p>	<p>\$77,173</p>

FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

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

1. Balance Sheet (statement of position);
2. Statement of Revenues, Expenditures, and Changes in Fund Balances (statement of activities); and

3. Statement of Program Expenditures (could be considered “product line” statement).

The fiscal year 2011–2012 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for “information purposes” as the consolidation of funds are not meaningful numbers.

Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

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

- **Governmental**
 - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
 - **Special Revenue** – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received). Funds included here are:
 - **Special Revenue**
 1. Small Claims Advisory – 120003
 2. Dispute Resolution – 120004
 3. Grand Jury – 120005
 4. 2% Automation – 180004
 - **Grants**
 1. AOC Grant Fund – 190100
 2. AB 1058 Family Law Facilitator Program – 1910581
 3. AB 1058 Child Support Commissioner Program – 1910591
 4. Substance Abuse Focus Program – 1910601
 5. Disproportionality and Bias Training – 1910661
- **Fiduciary**
 - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”¹ Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The funds used here is:
 - Trust – 320001
 - Agency Trust – 500001

¹ GASB Statement No. 34, paragraph 69.

- OPEB Trust – 500010
 - Treasury Trust – 910000
- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide financial statements.² **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
- Distribution – Fund 400000
 - Civil Filing Fees Fund – 450000

² GASB Statement No. 34, paragraph 12.

Superior Court of California, County of Marin
 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)	Total Funds (Info. Purposes Only)
	General	Special Revenue		Capital Project	Debt Service				
		Non-Grant	Grant						
ASSETS									
Operations	\$ (205,145)	\$ 109,027	\$ 0				\$ 1,486,905	\$ 1,390,787	\$ 1,118,546
Payroll	\$ 0							\$ 0	\$ 0
Jury	\$ 0							\$ 0	\$ 0
Revolving	\$ 15,000							\$ 15,000	\$ 15,000
Other									
Distribution									
Civil Filing Fees							\$ 0	\$ 0	\$ 0
Trust							\$ (424,046)	\$ (424,046)	\$ (192,127)
Credit Card									
Cash on Hand	\$ 2,745							\$ 2,745	\$ 2,745
Cash with County									
Cash Outside of the AOC									
Total Cash	\$ (187,400)	\$ 109,027	\$ 0				\$ 1,062,859	\$ 984,486	\$ 944,165
Short Term Investment	\$ 2,426,644						\$ 547,014	\$ 2,973,658	\$ 5,452,251
Investment in Financial Institution							\$ 1,600,000	\$ 1,600,000	
Total Investments	\$ 2,426,644						\$ 2,147,014	\$ 4,573,658	\$ 5,452,251
Accrued Revenue	\$ 2,173	\$ 46					\$ 0	\$ 2,219	\$ 5,221
Accounts Receivable - General									
Dishonored Checks									
Due From Employee	\$ 2,978							\$ 2,978	\$ 0
Civil Jury Fees									
Trust									
Due From Other Funds	\$ 127,244						\$ 0	\$ 127,244	\$ 84,829
Due From Other Governments	\$ 3,500						\$ 0	\$ 3,500	\$ 17,228
Due From Other Courts	\$ 0						\$ 0	\$ 0	\$ 0
Due From State	\$ 95,798	\$ 9,899	\$ 127,244					\$ 232,941	\$ 237,112
Trust Due To/From									\$ 0
Distribution Due To/From									
Civil Filing Fee Due To/From							\$ 255	\$ 255	
General Due To/From	\$ 494							\$ 494	\$ 339
Total Receivables	\$ 232,187	\$ 9,945	\$ 127,244				\$ 255	\$ 369,631	\$ 344,729
Prepaid Expenses - General	\$ 0							\$ 0	\$ 10,000
Salary and Travel Advances									
Counties									
Total Prepaid Expenses	\$ 0							\$ 0	\$ 10,000
Other Assets	\$ 45,620							\$ 45,620	
Total Other Assets	\$ 45,620							\$ 45,620	
Total Assets	\$ 2,517,052	\$ 118,971	\$ 127,244				\$ 3,210,128	\$ 5,973,395	\$ 6,751,144
LIABILITIES AND FUND BALANCES									
Accrued Liabilities	\$ 74,758							\$ 74,758	\$ 130,720
Accounts Payable - General	\$ 308		\$ 0				\$ 3,766	\$ 4,075	\$ 0
Due to Other Funds	\$ 255	\$ 0	\$ 127,244				\$ 494	\$ 127,992	\$ 85,168
Due to Other Courts									
Due to State	\$ 0							\$ 0	
TC145 Liability							\$ 559,517	\$ 559,517	\$ 520,356
Due to Other Governments	\$ 57,077		\$ 0				\$ 0	\$ 57,077	\$ 45,341
AB145 Due to Other Government Agency									
Due to Other Public Agencies									
Sales and Use Tax	\$ 565							\$ 565	\$ 956
Interest							\$ 16	\$ 16	\$ 65
Miscellaneous Accts. Pay. and Accrued Liab.									
Total Accounts Payable and Accrued Liab.	\$ 132,963	\$ 0	\$ 127,244				\$ 563,793	\$ 824,000	\$ 782,607
Civil							\$ 713,065	\$ 713,065	\$ 645,014
Criminal							\$ 218,070	\$ 218,070	\$ 216,606
Unreconciled - Civil and Criminal							\$ 7,773	\$ 7,773	\$ 7,773
Trust Held Outside of the AOC									
Trust Interest Payable							\$ 17,675	\$ 17,675	\$ 17,585
Miscellaneous Trust									
Total Trust Deposits							\$ 956,584	\$ 956,584	\$ 886,977
Accrued Payroll	\$ 235,324							\$ 235,324	\$ 243,262
Benefits Payable	\$ 0						\$ 1,600,000	\$ 1,600,000	\$ 66,535
Deferred Compensation Payable	\$ 0							\$ 0	\$ 0
Deductions Payable	\$ 0							\$ 0	\$ 2,379
Payroll Clearing	\$ 0							\$ 0	\$ 0
Total Payroll Liabilities	\$ 235,324						\$ 1,600,000	\$ 1,835,324	\$ 312,176
Revenue Collected in Advance									
Liabilities For Deposits	\$ 33,615						\$ 85,071	\$ 118,686	\$ 109,596
Jury Fees - Non-Interest							\$ 4,631	\$ 4,631	\$ 19,350
Fees - Partial Payment & Overpayment									
Uncleared Collections	\$ 0						\$ 50	\$ 50	\$ 0
Other Miscellaneous Liabilities									
Total Other Liabilities	\$ 33,615						\$ 89,751	\$ 123,367	\$ 128,946
Total Liabilities	\$ 401,902	\$ 0	\$ 127,244				\$ 3,210,128	\$ 3,739,274	\$ 2,110,706
Fund Balance - Nonspendable									
Fund Balance - Restricted	\$ 0	\$ 13,158						\$ 13,158	\$ 12,614
Fund Balance - Committed	\$ 56,758							\$ 56,758	\$ 900,000
Fund Balance - Assigned	\$ 4,570,523							\$ 4,570,523	\$ 3,860,562
Fund Balance - Unassigned	\$ 0	\$ 0	\$ 0					\$ 0	\$ 0
Excess (Deficit) of Rev. Over Expenses/Op. Transfers	\$ (2,512,131)	\$ 105,813	\$ 0					\$ (2,406,318)	\$ (132,737)
Total Fund Balance	\$ 2,115,149	\$ 118,971	\$ 0					\$ 2,234,121	\$ 4,640,439
Total Liabilities and Fund Balance	\$ 2,517,052	\$ 118,971	\$ 127,244				\$ 3,210,128	\$ 5,973,395	\$ 6,751,144

Superior Court of California, County of Marin
 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								
REVENUES											
State Financing Sources											
Trial Court Trust Fund	\$ 12,661,650	\$ 108,972					\$ 12,770,622	\$ 12,347,386	\$ 16,127,008	\$ 16,655,138	
Improvement and Modernization Fund	\$ 42,262						\$ 42,262	\$ 36,441	\$ 36,448	\$ 36,376	
Judges' Compensation (45.25)											
Court Interpreter (45.45)	\$ 518,394						\$ 518,394	\$ 490,346	\$ 555,604	\$ 537,000	
Civil Coordination Reimbursement (45.55)											
MOU Reimbursements (45.10 and General)	\$ 149,681						\$ 149,681	\$ 148,828	\$ 258,159	\$ 259,035	
Other Miscellaneous	\$ 984,839						\$ 984,839	\$ 894,972	\$ 587,765	\$ 587,765	
	\$ 14,356,826	\$ 108,972					\$ 14,465,798	\$ 13,917,973	\$ 17,564,985	\$ 18,075,314	
Grants											
AB 1058 Commissioner/Facilitator			\$ 249,717				\$ 249,717	\$ 291,269	\$ 272,492	\$ 321,782	
Other AOC Grants			\$ 10,187				\$ 10,187	\$ 13,756	\$ 13,756	\$ 11,497	
Non-AOC Grants											
			\$ 259,904				\$ 259,904	\$ 305,025	\$ 286,248	\$ 333,279	
Other Financing Sources											
Interest Income	\$ 15,395	\$ 128					\$ 15,523	\$ 3,000	\$ 26,398	\$ 24,000	
Investment Income											
Donations	\$ 0						\$ 0		\$ 6		
Local Fees	\$ 413,182	\$ 11,475					\$ 424,657	\$ 341,600	\$ 344,688	\$ 327,580	
Non-Fee Revenues	\$ 40,929						\$ 40,929	\$ 54,000	\$ 54,880	\$ 57,000	
Enhanced Collections											
Escheatment											
Prior Year Revenue											
County Program - Restricted		\$ 6,293					\$ 6,293	\$ 7,200	\$ 7,220	\$ 8,000	
Reimbursement Other	\$ 29,632						\$ 29,632	\$ 28,000	\$ 106,594	\$ 108,323	
Sale of Fixed Assets											
Other Miscellaneous	\$ 9,473						\$ 9,473	\$ 9,350	\$ 2,829	\$ 2,600	
	\$ 508,612	\$ 17,896					\$ 526,508	\$ 443,150	\$ 542,615	\$ 527,503	
Total Revenues	\$ 14,865,437	\$ 126,868	\$ 259,904				\$ 15,252,210	\$ 14,666,148	\$ 18,393,848	\$ 18,936,096	
EXPENDITURES											
Personal Services											
Salaries - Permanent	\$ 8,480,250	\$ 15,723	\$ 138,411				\$ 8,634,384	\$ 8,761,899	\$ 8,886,413	\$ 8,802,958	
Temp Help	\$ 37,775						\$ 37,775	\$ 39,772	\$ 158,295	\$ 159,050	
Overtime	\$ 14,102						\$ 14,102	\$ 15,120	\$ 14,438	\$ 15,900	
Staff Benefits	\$ 4,073,415	\$ 5,331	\$ 69,953				\$ 4,148,699	\$ 4,360,671	\$ 4,005,177	\$ 4,107,154	
	\$ 12,605,541	\$ 21,054	\$ 208,364				\$ 12,834,960	\$ 13,177,462	\$ 13,064,322	\$ 13,085,062	
Operating Expenses and Equipment											
General Expense	\$ 283,262		\$ 2,559				\$ 285,821	\$ 320,954	\$ 238,900	\$ 281,122	
Printing	\$ 56,502						\$ 56,502	\$ 59,000	\$ 66,576	\$ 68,000	
Telecommunications	\$ 18,345						\$ 18,345	\$ 18,500	\$ 20,170	\$ 21,200	
Postage	\$ 111,208						\$ 111,208	\$ 107,000	\$ 120,411	\$ 121,261	
Insurance	\$ 3,512						\$ 3,512	\$ 3,512	\$ 3,328	\$ 3,328	
In-State Travel	\$ 9,309		\$ 977				\$ 10,286	\$ 12,000	\$ 14,331	\$ 16,200	
Out-of-State Travel											
Training	\$ 5,580						\$ 5,580	\$ 6,500	\$ 8,044	\$ 10,500	
Security Services									\$ 0	\$ 33,000	
Facility Operations	\$ 185,825						\$ 185,825	\$ 184,890	\$ 274,779	\$ 273,512	
Utilities											
Contracted Services	\$ 515,892		\$ 10,187				\$ 526,079	\$ 536,206	\$ 598,374	\$ 626,336	
Consulting and Professional Services	\$ 1,400						\$ 1,400	\$ 1,190	\$ 1,040	\$ 1,010	
Information Technology	\$ 1,860,199						\$ 1,860,199	\$ 1,990,915	\$ 2,844,752	\$ 2,861,460	
Major Equipment	\$ 65,494						\$ 65,494	\$ 129,524	\$ 85,788	\$ 130,263	
Other Items of Expense											
	\$ 3,116,528		\$ 13,723				\$ 3,130,251	\$ 3,370,191	\$ 4,276,493	\$ 4,447,192	
Special Items of Expense											
Grand Jury											
Jury Costs	\$ 93,317						\$ 93,317	\$ 110,200	\$ 92,080	\$ 95,600	
Judgements, Settlements and Claims											
Debt Service											
Other	\$ 1,600,000						\$ 1,600,000	\$ 1,600,000	\$ 1,000,000	\$ 1,000,000	
Capital Costs											
Internal Cost Recovery	\$ (41,673)		\$ 41,673				\$ 0	\$ 0	\$ 0	\$ 0	
Prior Year Expense Adjustment									\$ 93,691		
	\$ 1,651,645		\$ 41,673				\$ 1,693,317	\$ 1,710,200	\$ 1,185,770	\$ 1,095,600	
Total Expenditures	\$ 17,373,714	\$ 21,054	\$ 263,759				\$ 17,658,528	\$ 18,257,853	\$ 18,526,584	\$ 18,627,854	
Excess (Deficit) of Revenues Over Expenditures	\$ (2,508,277)	\$ 105,813	\$ (3,855)				\$ (2,406,318)	\$ (3,591,705)	\$ (132,737)	\$ 308,242	
Operating Transfers In (Out)	\$ (3,855)		\$ 3,855				\$ 0	\$ 0	\$ 0	\$ 0	
Fund Balance (Deficit)											
Beginning Balance (Deficit)	\$ 4,627,281	\$ 13,158	\$ 0				\$ 4,640,439	\$ 4,640,439	\$ 4,773,175	\$ 4,773,175	
Ending Balance (Deficit)	\$ 2,115,149	\$ 118,971	\$ 0				\$ 2,234,121	\$ 1,048,734	\$ 4,640,439	\$ 5,081,417	

Superior Court of California, County of Marin
 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)
PROGRAM EXPENDITURES:										
Judges & Courtroom Support	\$ 4,431,010	\$ 368,200			\$ 0		\$ 4,799,210	\$ 4,794,721	\$ 4,835,778	\$ 4,705,415
Traffic & Other Infractions	\$ 999,153	\$ 19,955					\$ 1,019,108	\$ 1,006,193	\$ 1,133,855	\$ 1,203,710
Other Criminal Cases	\$ 660,460	\$ 51,368					\$ 711,828	\$ 808,905	\$ 699,726	\$ 766,490
Civil	\$ 1,823,937	\$ 14,042					\$ 1,837,979	\$ 1,873,877	\$ 1,872,780	\$ 1,901,883
Family & Children Services	\$ 802,498	\$ 27,091			\$ 0		\$ 829,589	\$ 963,530	\$ 821,439	\$ 857,764
Probate, Guardianship & Mental Health Services	\$ 319,484	\$ 5,776					\$ 325,260	\$ 328,043	\$ 320,157	\$ 312,619
Juvenile Dependency Services		\$ 340					\$ 340	\$ 500	\$ 6,840	\$ 7,500
Juvenile Delinquency Services		\$ 8,600					\$ 8,600	\$ 9,000	\$ 13,950	\$ 14,786
Other Court Operations	\$ 236,625	\$ 27,239					\$ 263,864	\$ 344,508	\$ 251,699	\$ 192,201
Court Interpreters	\$ 496,938	\$ 59,737					\$ 556,674	\$ 561,723	\$ 590,203	\$ 538,622
Jury Services	\$ 168,793	\$ 17,324	\$ 93,317				\$ 279,434	\$ 301,308	\$ 282,379	\$ 289,993
Security									\$ 91,284	\$ 33,000
Trial Court Operations Program	\$ 9,938,897	\$ 599,671	\$ 93,317		\$ 0		\$ 10,631,886	\$ 10,992,308	\$ 10,920,091	\$ 10,823,983
Enhanced Collections										
Other Non-Court Operations										
Non-Court Operations Program										
Executive Office	\$ 401,801	\$ 7,340					\$ 409,141	\$ 395,038	\$ 421,908	\$ 454,844
Fiscal Services	\$ 713,848	\$ 70,413	\$ 1,600,000				\$ 2,384,262	\$ 2,391,194	\$ 1,849,796	\$ 1,881,160
Human Resources	\$ 791,415	\$ 16,713					\$ 808,128	\$ 830,481	\$ 806,284	\$ 809,296
Business & Facilities Services		\$ 424,177					\$ 424,177	\$ 426,570	\$ 559,725	\$ 577,764
Information Technology	\$ 988,998	\$ 2,011,936					\$ 3,000,934	\$ 3,222,262	\$ 3,968,780	\$ 4,080,807
Court Administration Program	\$ 2,896,062	\$ 2,530,580	\$ 1,600,000				\$ 7,026,642	\$ 7,265,545	\$ 7,606,493	\$ 7,803,871
Expenditures Not Distributed or Posted to a Program		\$ 0					\$ 0		\$ 0	
Prior Year Adjustments Not Posted to a Program										
Total	\$ 12,834,960	\$ 3,130,251	\$ 1,693,317		\$ 0		\$ 17,658,528	\$ 18,257,853	\$ 18,526,584	\$ 18,627,854

PURPOSE AND SCOPE

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

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

The scope of audit work included reviews of the Court's major functional areas, including but not limited to: cash collections, contracting and procurement, accounts payable, financial accounting and reporting, payroll processing, information technology, and exhibits handling. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2012–2013.

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

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on July 9, 2013.
The entrance meeting was held with the Court on July 23, 2013.
Audit fieldwork commenced on August 5, 2013.
Onsite fieldwork was completed on October 31, 2013.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary review of the audit results was held on June 9, 2014, with the following:

- Kim Turner, Executive Officer
- Neil Cossman, Chief Financial Officer
- Rachel Creyer, Financial Services Associate
- Bill Bretag, Facilities and Procurement Specialist

IAS received the Court's final management responses to the IAS recommendations on June 13, 2014. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the audit report for its review and comment on June 17, 2014. The Court did not consider another in-person review of the report necessary before IAS issued the pending audit report the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch and Judicial Council.

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

Fae Li, Senior Auditor (auditor-in-charge)
Ryan Mendoza, Auditor I

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Expenditures				
* 920500 - DUES AND MEMBERSHIPS	3,354	2,845	509	18%
* 933100 - TRAINING	5,580	8,044	(2,464)	-31%

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

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

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

We did not identify any significant issues to bring to management's attention, but did identify a minor issue that is contained in Appendix A.

2. Fiscal Management and Budgets

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Liabilities				
374201 VOLUNTARY DEDUCTIONS EE	-	(2,379)	(2,379)	-100%
374701 HEALTH BENEFITS PAYABLE E	-	(66,535)	(66,535)	-100%
375001 ACCRUED PAYROLL	(235,324)	(243,262)	(7,938)	-3%
Expenditures				
* 900300 - SALARIES - PERMANENT	8,154,913	8,250,558	(95,645)	-1%
* 903300 - TEMP HELP	37,775	158,295	(120,520)	-76%
* 906300 - SALARIES - JUDICIAL OFFI	479,471	635,855	(156,384)	-25%
* 908300 - OVERTIME	14,102	14,438	(336)	-2%
** SALARIES TOTAL	8,686,260	9,059,145	(372,885)	-4%
* 910300 - TAX	112,546	118,153	(5,607)	-5%
* 910400 - HEALTH INSURANCE	1,684,250	1,607,192	77,058	5%
* 910600 - RETIREMENT	2,175,401	2,064,672	110,729	5%
* 912500 - WORKERS' COMPENSATION	143,364	161,161	(17,797)	-11%
* 912700 - OTHER INSURANCE	15,080	34,160	(19,080)	-56%
* 913800 - OTHER BENEFITS	18,059	19,839	(1,780)	-9%
** STAFF BENEFITS TOTAL	4,148,699	4,005,177	143,523	4%
*** PERSONAL SERVICES TOTAL	12,834,960	13,064,322	(229,362)	-2%

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

The Court contracts with Automatic Data Processing, Inc. for payroll processing and time management services, has an MOU with the County for benefits administrative services, and relies on Phoenix shared services support staff for payroll reconciliation 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.

We did not identify any significant issues to bring to management's attention, but did identify a minor issue that is contained in Appendix A.

3. Fund Accounting

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Fund Balance				
535001 RESERVE FOR ENCUMBRANCES	(154,634)	(56,758)	(97,876)	172%
552001 FUND BALANCE - RESTRICTED	(13,158)	(12,614)	(544)	4%
552002 FUND BALANCE - COMMITTED	(56,758)	(900,000)	843,242	-94%
553001 FUND BALANCE - ASSIGNED	(4,570,523)	(3,860,562)	(709,961)	18%
615001 ENCUMBRANCES	154,634	56,758	97,876	172%
700000..999999 CY Fund Balance	2,406,318	132,737	2,273,581	1713%
** Fund Balances	(2,234,121)	(4,640,439)	2,406,318	-52%

The Court uses the Statewide Phoenix Financial System, which has set of governmental, proprietary, and fiduciary funds for the Court to separately account for and report the fiscal activity of its programs. We reviewed the Court’s financial reports and general ledger transactions to determine whether it separately accounted for restricted funding sources and expenditures.

The following issues were considered significant enough to bring to management’s attention. An additional minor issue is contained in Appendix A.

3.1 The Court Did Not Record Certain Transactions in the Appropriate Funds

Background

Courts are required to comply with GAAP to assure uniformity in financial reporting and to provide a reasonable degree of comparability between court and state financial reports. The

Governmental Accounting Standards Board (GASB) establishes standards of accounting and financial reporting for U.S. state and local government.

GASB issued two statements related to other postemployment benefits (OPEB): Statement 43 titled Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and Statement 45 titled Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. Statement 43 applies to a trustee or administrator of an OPEB plan, or to an employer or sponsor that includes the plan as a trust or agency fund in its financial report. It establishes the requirements for reporting the responsible entity's stewardship of the assets that will be used to finance the payment of benefits as they come due; thus, it requires reporting statements of the plan net assets and the changes in the plan net assets administered. Statement 45 applies to any employer that provides OPEB. It establishes the requirements for measurement and recognition of the employer's expense or expenditures and liabilities and for related disclosures and required supplementary information related to the employer's OPEB commitment. The JC adopted various policy directives on October 23, 2009 to provide courts with guidance and authorization protocols for prefunding OPEB obligations (OPEB policy), and revisions to the OPEB policy on July 27, 2012 relating to authorization protocols. The AOC drafted a memo dated June 27, 2013 titled "Guidance for Prefunding Other Post Employment Benefits (OPEB)" (OPEB memo) to provide recommended financial accounting with the financial system to record trial court transactions for prefunded OPEB.

GASB Cod. Sec. 1300 requires governmental accounting systems to be organized and operated on a fund basis. Each fund must be accounted for in a separate self-balancing set of accounts for its assets, liabilities, equity, revenues, expenditures or expenses (as appropriate), and transfers. FIN 3.01 provides uniform fund accounting guidelines for courts to maintain accountability over the public resources used to finance its operations. The AOC shall establish and maintain separate funds within the accounting system for the courts. The Trial Court Operations Fund, treated as a general fund type, is used to account for the financial activities associated with the monies held by and under the control of the court. All state funding, whether out of the Trial Court Trust Fund, Judicial Administration Efficiency and Modernization Fund or Trial Court Improvement Fund shall be recorded in the Trial Court Operations Fund. Special Revenue Funds are used to account for the activities related to specific revenue sources and are legally restricted to expenditures for specified purposes. The trial court must establish and maintain Special Revenue Funds to separately account for revenues and expenditures related to grant and other legally restricted activities.

Issues

During our review of the Court's financial statements and general ledger for fiscal year 2012 – 2013, we identified the following instances where the Court did not comply with accounting principles required by standards and policy:

1. Based on inaccurate guidance from the AOC, the Court incorrectly recorded OPEB prefunding of \$1.6 million as a deposit in trust (fund 500010). Courts constantly seek guidance from the AOC for various operational and technical matters and IAS believes this was an isolated occurrence. Since the Court already recorded the expenditure and transferred the amount into an externally administered irrevocable trust, recording the

prefunding amount in a trust fund overstates its trust balance. IAS has advised the AOC to issue corrected OPEB guidance to courts.

2. The Court did not record certain fee revenues in the appropriate fund, including the following:
 - The Court did not record the following legally restricted local fee revenue to a special revenue fund to separately identify these legally restricted revenue and related expenditures:

General Ledger Account	Description of Fee	Fiscal year 2012 – 2013 Revenue
821131 – 821133	PC 1001.15 and PC 1001.16: Administrative portion of diversion program enrollment fees to pay for diversion program costs.	49,519
821129	GC 26840.3: Portion of marriage license fees transferred from the County to support family conciliation or conciliation or mediation services.	9,315
812151 & 812158	GC 70678: Fees charge on motion or order to show cause to modify or enforce custody or visitation to support mediation and family law facilitator services.	4,343
TOTAL		63,177

The Court recorded the above revenues in the NTCTF general fund 120001 since unique special revenue funds were not available in the financial system at the time. However, the AOC created special revenue fund 120021 in May 2013 to separately record legally restricted local revenue, yet the Court have not used this fund.

- The Court inappropriately recorded Small Claims Service by Mail fee revenue totaling \$3,768 in the Small Claims Advisory special revenue fund. However, this revenue is not legally restricted per CCP 116.232, and therefore should be recorded in the general fund.

Recommendations

We recommend the Court to do the following to ensure it complies with accounting standards and related policy:

1. Discontinue accounting for OPEB prefunding expenditures in its trust fund. The Court may continue to monitor and periodically update the OPEB prefunding balance off the books.
2. Separately account for legally restricted revenue and related expenditures in the appropriate special revenue funds, and account for revenue that is not legally restricted in the appropriate general fund. The Court should use the special revenue fund 120021 to account for any legally restricted funding sources and related expenditures that are not assigned to unique special revenue funds.

Superior Court Response By: Neil Cossman, CFO Date: February 13, 2014

Date of Corrective Action: January 2014

Responsible Person(s): Neil Cossman, CFO

1. While the Court acknowledges that the recording of OPEB accounting was incorrect, the Court strongly disagrees that this audit issue should be reported as a finding for the Court. As IAS has noted, AOC provided incorrect guidance to courts in accounting for OPEB prefunding contributions. AOC has corrected OPEB accounting entries for the Court and in May 2014 provided new guidance to all trial courts on the proper accounting for OPEB prefunding contributions.
2. The Court relied on AOC guidance to account for various minor fee revenues. The Court and AOC have corrected the entries noted by the auditor.

4. Accounting Principles and Practices

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Assets				
** Receivables	369,631	344,729	24,902	7%
** Prepaid Expenses	-	10,000	(10,000)	-100%
** Investments	1,600,000	-	1,600,000	n/a
*** Accounts Receivable	1,969,631	354,729	1,614,902	455%
260010 DEPOSITS WITH OTHERS	45,620	-	45,620	n/a
*** Other Assets	45,620	-	45,620	n/a
Liabilities				
407002 OPEB LIABILITY FUNDED	(1,600,000)	-	1,600,000	n/a
*** Long Term Liabilities	(1,600,000)	-	1,600,000	n/a
Revenues				
** 812100-TCTF - PGM 10 OPERATIONS	(12,770,622)	(16,127,008)	(3,356,386)	-21%
** 816000-OTHER STATE RECEIPTS	(984,839)	(587,765)	397,074	68%
** 821000-LOCAL FEES REVENUE	(424,657)	(344,688)	79,969	23%
** 822000-LOCAL NON-FEES REVENUE	(40,929)	(54,880)	(13,950)	-25%
** 823000-OTHER - REVENUE	(9,473)	(2,835)	6,638	234%
** 825000-INTEREST INCOME	(15,523)	(26,398)	(10,875)	-41%
*** TRIAL COURTS REVENUE SOURCES	(14,246,044)	(17,143,574)	(2,897,530)	-17%
** 831000-GENERAL FUND - MOU/REIMBUR	(12,335)	(59,756)	(47,421)	-79%
** 832000-PROGRAM 45.10 - MOU/REIMBU	(137,346)	(198,403)	(61,057)	-31%
** 834000-PROGRAM 45.45 - REIMBURSEM	(518,394)	(555,604)	(37,210)	-7%
** 837000-IMPROVEMENT FUND - REIMBUR	(42,262)	(36,448)	5,813	16%
** 838000-AOC GRANTS - REIMBURSEMENT	(259,904)	(286,248)	(26,344)	-9%
** 840000-COUNTY PROGRAM - RESTRICTE	(6,293)	(7,220)	(927)	-13%
** 860000-REIMBURSEMENTS - OTHER	(29,632)	(106,594)	(76,962)	-72%
*** TRIAL COURTS REIMBURSEMENTS	(1,006,166)	(1,250,273)	(244,108)	-20%
**** REVENUE TOTAL	(15,252,210)	(18,393,848)	(3,141,638)	-17%

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Expenditures				
* 971000 - OTHER-SPECIAL ITEMS OF E	1,600,000	1,000,000	600,000	60%
* 999900 -PRIOR YEAR EXPENSE ADJUST	-	93,691	(93,691)	-100%

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

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

We did not identify any significant issues to bring to management's attention, but did identify a minor issue that is contained in Appendix A.

5. Cash Collections

Background

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

The Court accepts payments and deposits from the public and records the transactions in its case management and cashiering systems. Amounts are deposited daily into either the County Treasury or AOC-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 Enhanced Court Collections Unit, assessing delinquent fees, and notifying the Department of Motor Vehicles (DMV).

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 Could Strengthen Some of Its Cash Handling Procedures

Background

Courts collect cash, check, and credit card payments received from the public for fines, fees, and other assessments. The FIN Manual, FIN 10.02 provides cash handling procedures for courts to follow that assure the safe, secure collection, and accurate accounting of all payments. The following are select sections of the FIN Manual.

Change Funds

For instance, FIN 10.02, 6.3.1 authorizes courts to establish change funds to provide cashiers with small denominations of cash to make change. This section provides basic controls to physically secure and accurately account for all change funds, and additional controls to safeguard change funds in excess of \$500. For all change funds, paragraph 6 requires the Change Fund custodian to verify that Change Fund monies at the end of the day are reconciled to the day's beginning balance in the presence of a Court Manager or Supervisor at the end of each business day.

VOIDS

To ensure that transactions are voided in the cashiering system only for appropriate reasons, section 6.3.8 requires supervisory employees to approve all voided transactions. Where possible, the security access levels to the system should be adjusted so that supervisory employees must approve a void before it takes effect in the system. The court is also required to retain all void receipts, including the details of any re-receipting of the original voided transaction for at least five years. To allow for this, the court's cashiering system should keep an appropriate audit trail of voided transactions by showing both the original transactions entered into the case management system as well as the subtraction caused by the void. Furthermore, once the daily close out process has been performed, the system should prevent payments included in the daily close out from being voided.

Surprise Cash Counts

To assure that payment processing errors and irregularities do not go undetected, section 6.3.12 requires courts to conduct surprise cash counts on all court 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 court supervisor, manager, or fiscal officer who does not have direct responsibility for processing payments. A record of these cash audits should be maintained for audit and management purposes. 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. Surprise cash counts should be conducted at a minimum quarterly and as frequently as monthly.

Daily Balancing and Closeout

Section 6.3.10 provides procedures for daily balancing and closeout. All cashiers are required to balance their own cash drawer or register at the end of each work day. This daily balancing and closeout process includes completing and signing the daily report; attaching a calculator tape for checks; turning in the report, money collected, and change fund to the supervisor; and verifying the report with the supervisor.

Daily Deposit

FIN 13.01, 6.3 provides procedures for depositing daily collections at the bank or county treasury. Section 6.3 (4) requires, in part, that the coin and paper currency portion of any bank deposit be counted by one person and verified and initialed by a second person. Additionally,

the policy requires an employee other than the person who prepares the bank deposit (preferably a supervisor or higher level of management) to sign and date a voucher verifying the cash receipts have been deposited in total. A single court employee will not transport more than \$3,000 in currency at one time. If the currency exceeds \$3,000 and armored car service is either not available or excessively expensive, two court employees should be assigned to deliver the deposit jointly. The currency deposit may be also be divided into smaller amounts and delivered to the bank in separate deposits to reduce the amount of cash transported in any single delivery. Occasionally, exceptionally large deposits may be handled by requesting an escort from the local police department or sheriff's office.

Alternative Procedures

Finally, the FIN Manual, Policy No. FIN 1.01, 6.4 (4), requires courts to document and obtain AOC approval of their alternative procedures if court procedures differ from the procedures in the FIN Manual. The paragraph further states that alternative procedures not approved by the AOC will not be considered valid for audit purposes.

Issues

During our review of the Court's cash handling procedures, we identified various control weaknesses and instances of non-compliance as listed below:

1. Void Approval: Although the Court implemented a process for supervisory staff to manually review and approve reversals in CJIS to compensate for systems limitations, it did not ensure that the process was consistently followed. During our review of CJIS reversals within a selected month, four of nine reversals reviewed were not supported by an approved reversal form. Additionally, although the Court requires County collections officers to e-mail justification to support reversals they perform in CMS, two of three reversals reviewed did not include such documentation.
2. Exception Reporting: Traffic Division clerks may modify the amount owed on cases in the system without proper oversight. The 2008 audit report identified a similar issue where traffic cashiering clerks had the ability to process payment reversals, suspend payments, and override bail amounts in CJIS without supervisory review or system controls. The Court has since transitioned to a new system for traffic cases – JURIS – that has enhanced systems controls, including the capability to restrict the ability to void transactions to supervisory users. However, cashiering clerks were still allowed to reduce the amount owed on traffic cases in JURIS, including converting amounts owed to community work service (CWS), without supervisory review or approval. When we communicated this issue to the Court, it informed us that it will create exception reporting enhancements in JURIS to identify cases where the balance owed has been modified for fiscal and supervisory review.
3. Daily Deposit Process: The Court did not comply with certain FIN Manual requirements for preparing, securing, and transporting the daily deposit, as follows:
 - The Court did not require a separate individual to verify at least the coin and currency portion of the deposit. Since the same Accounting employee who prepared the deposit may also deliver the money to the County Treasurer and reconcile amounts deposited

- to bank and financial statements, a secondary review is needed to mitigate insufficient segregation in deposit procedures.
- The Court prepared the civil fees deposit daily, but only delivered the deposits to the bank semi-weekly. However, it did not properly secure the daily civil fees deposit in the safe once it has been prepared so that it is properly safeguarded until delivered to the bank.
 - Issue redacted for security sensitivity purposes
4. *Balancing and Closeout Verification*: Although the daily balancing and closeout verification process includes counting and reconciling the currency collected to the daily systems report, the checks are not counted and reconciled until the following morning. As a result, the daily balancing and closeout verification process is insufficient to timely identify and resolve discrepancies in check collections, when the reviewer and cashier are present. Additionally, the reviewer does not sign or initial and date the daily systems report to document approval.
 5. *Change Funds*: Each Court Division that collects payments made by the public and the Accounting Office maintained their own change funds. The Administration Division's change fund was not counted daily in the presence of a manager, supervisor, or other appropriate individual. Although the Accounting Office change fund was counted daily, the verification is not performed in the presence of a manager, supervisor, or other appropriate individual.
 6. *Surprise Cash Counts*: The Court has not implemented surprise cash counts on at least a quarterly basis since the FIN Manual requirement became effective in 2009.

Recommendations

We recommend the following improvements to the Court's cash handling procedures to ensure the safe, secure collection, and accurate accounting of all payments:

1. Ensure that the manual review and approval process for CJIS reversals is consistently followed. Specifically, the individual who performs the balancing and closeout verification or prepares the deposit should verify that reversal amounts listed on the cashiers' payment summary reports are supported by approved reversal forms.
2. Continue its efforts to create exception reporting capabilities in JURIS to identify cases where the balance owed has been modified for fiscal and supervisory review, at least on a sample basis.
3. Implement sufficient control activities within the deposit preparation and delivery procedures required by the FIN Manual, including the following:
 - Require a second individual to verify at least the currency portion of the deposit and initial deposit slip or form to document his or her approval.
 - Once the deposit is prepared, secure any money that will not be immediately delivered for deposit in the safe.

- Issue redacted for security sensitivity purposes
4. Require the reviewer performing the daily balancing and closeout verification to verify checks collected to the systems report or attached adding machine tape, and to initial and date the systems report.
 5. Require each change fund custodian to count his or her change fund daily in the presence of a manager, supervisor, or other appropriate individual.
 6. Implement surprise cash counts in accordance with procedures provided in FIN 10.02, 6.3.12.
 7. Prepare and submit alternative procedure requests to the AOC for approval if the Court cannot implement recommended procedures that are required by the FIN Manual. 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: Neil Cossman, CFO Date: March 10, 2014

1. The Court agrees with this finding. The Court's procedure is to verify that void amounts listed on the cashiers' payment summary reports are supported by approved forms. That should have been done in the instances cited. Those voids were primarily from one clerk who voided minor typos and re-entered the correct amounts. The clerk has acknowledged that the form is required regardless of how small the typo is. The Court considers this issue resolved.
2. The Court will develop an exception report for JURIS that will be reviewed daily.
3. There are sufficient controls for the currency portion of the deposit, which involve two individuals. The first person (fiscal staff) receives the day's cash from each cashier, then counts and matches it to the cashier's daily report in the presence of the cashier. Each cashier's deposit and report are immediately locked in the safe. The next morning a second person counts each cashier's cash again, matches it to the daily report and prepares the bank deposit. It's unnecessary and inefficient for another person to recount the deposit in the morning if the totals match the daily report. The court will submit an alternate procedure.

The trust, civil and operations deposits are secured in the safe until the day of the deposit. When deposits are removed from the safe on the day of the deposit, the Court will ensure that they are secured in a locked cabinet until ready for delivery to the bank.

Issue redacted for security sensitivity purposes

4. There is not enough time at the end of the day, due to limited staff, to compare every check to the systems report or adding machine tape and it's unnecessary. Only the cash is verified against the report at the end of the day. The verification of checks is done by the person who prepares the total deposit the next morning and any discrepancy can be resolved at that time. The risk of loss to the Court if a check is missing is minimal, as these checks cannot be negotiated by any unauthorized person. Initialing the systems report at the end of the day is unnecessary, because the only discrepancy that would be discovered at that time is cash over or short, in which case an over/short form would be included with the report. The Court will submit an alternate procedure.
5. The Court partially agrees with this finding. Change funds are counted daily by fiscal staff and each cashier for criminal/traffic, civil and records cashiers. No improvements are needed in this procedure. The administration and accounting change funds are counted daily by their respective custodians. The amounts in these change funds are small and there has never been a shortage in these change funds. The risk here is extremely low, but the Court agrees to have accounting and administrative staff count each other's change funds daily starting in March 2014.
6. Surprise cash counts are unnecessary, because cash is counted at the end of each day when cash is turned in and in the morning when the deposit is prepared. Surprise cash counts would be disruptive and counterproductive to maintaining trust and individual responsibility in the workplace. Moreover, they would create unnecessary tension in the workplace between court staff and court administration. These kinds of controls should not be implemented unless there is a history of cash shortages or other cash handling problems. The cash is very closely monitored in this Court, as is evidenced by the daily counting of cash in the morning and evening by cashiers and accounting staff. This recommendation is counterproductive to building positive working relationships between management and staff. The Court will submit an alternate procedure.
7. The Court agrees with this recommendation. The Court will submit alternative procedures for any of the above that are required by the FIN manual.

6. Information Systems

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Expenditures				
* 943200 - IT MAINTENANCE	353,100	195,760	157,340	80%
943301 IT COMMERCIAL CONTRACTS	-	12,238	(12,238)	-100%
* 943300 - IT COMMERCIAL CONTRACT	-	12,238	(12,238)	-100%
943401 IT INTER-JURISDICTIONAL C	1,173,247	2,532,390	(1,359,143)	-54%
* 943400 - IT INTER-JURISDICTIONAL	1,173,247	2,532,390	(1,359,143)	-54%
943701 IT OTHER	333,853	104,365	229,488	220%
* 943700 - IT OTHER	333,853	104,365	229,488	220%
** INFORMATION TECHNOLOGY (IT) TOTAL	1,860,199	2,844,752	(984,553)	-35%

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

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

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

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

6.1 The Court Needs to Improve the Calculation and Distribution of Certain Collections in Accordance with Statutes and Guidelines

Background

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

Issues

The Court uses CJIS as its criminal case management system (CMS) and JURIS as its traffic CMS. Both systems are capable of base-up and top-down distribution methodologies and automatically perform all necessary distribution calculations except for some CJIS distributions. Specifically, at month-end, the Court manually calculates PC §1463.22 - special base fine reductions and GC §68090.8 - 2 Percent State Automation (2 percent) distributions for CJIS cases.

To determine whether the Court distributed its collections in accordance with applicable statutes and guidelines, we reviewed select automated and manual distributions from calendar year 2013, and several CJIS and JURIS distribution configurations to further support IAS’ understanding and case-level testing. We focused our review on high-volume cases, such as Speeding and Red Light, and on cases with violations involving complex or special distributions, such as Driving Under-the-Influence (DUI) and traffic school dispositions. We also reviewed the Court’s most recent SCO revenue audit, issued in September 2012, to identify any revenue calculation or distribution issues needing additional attention.

Our review of Court distributions found the following calculation and distribution exceptions:

CJIS collections calculation and distribution errors

1. The Court incorrectly calculated the 2 percent distribution to the State for misdemeanor and felony cases. Our review found that the Court did not apply the 2 percent transfer for automation to the following penalties, fees, and base fine reductions:
 - GC §70372(a) - State Court Facilities Construction Penalty (State Facilities Penalty),
 - GC §76000.5 - Additional Emergency Medical Services Penalty (Additional EMS Penalty),
 - HS §11372.7 - Drug Program Fee of \$150 for Health and Safety Code (H&S) violations,
 - PC §1463.22 - special base fine reductions totaling \$30.50 for proof of insurance cases.

Furthermore, the Court incorrectly applied the 2 percent transfer for automation to the following fees and assessments:

- Local clerk fees (fund code MC001),
 - VC §40508.6b - Administrative Assessment,
 - VC §42006 - Night Court Assessment and VC §40508.5 - Automated Warrant System Assessment. However, since the Court did not impose these fees for misdemeanor and felony cases, the errors did not have a monetary impact.
2. For one of three DUI cases reviewed, the Court incorrectly distributed the PC §1202.4 - State Restitution Fine to fund MC001, which is intended for local clerk fees, and as a result, understated distributions to the State. The Court acknowledged the error and stated that it will further research if other CJIS collections are incorrectly distributed to fund MC001.
 3. The Court incorrectly distributed the following base fine reductions as additional fees, but statute requires these amounts to be distributed (reduced) from the base fines:
 - PC §1463.14(a) - Lab Analysis Fee of \$50 and PC §1463.16 - Alcohol Program Fee of \$50 for DUI and Reckless Driving cases.
 - PC §1463.18 - DUI Indemnity Fee of \$20 for DUI cases only.
 4. The Court also incorrectly distributed the following base fine enhancements for certain H&S cases as additional fees, but statute requires these amounts to be added to the base fine:
 - HS §11372.5 - Criminal Lab Fee of \$50
 - HS §11372.7 - Drug Program Fee of \$150
 5. For both installment plans reviewed, the Court did not distribute the payments according to the priorities established in PC §1203.1d, as certain fees were given higher priority than the PC §1465.7 – 20 Percent State Surcharge (20 percent surcharge).

JURIS collections calculation and distribution errors

6. For both Red Light bail forfeiture cases reviewed, the Court did not apply the PC §1463.11 - 30 percent allocation to the State Facilities Penalty and GC §76000.10 – Emergency Medical Air Transportation Penalty (EMAT Penalty).
7. The Court incorrectly distributed all three traffic school cases reviewed in the following manner:
 - The Court incorrectly distributed the EMAT Penalty to the State EMAT fund instead of to the County General Fund pursuant to VC §42007.
 - The Court did not accurately calculate the GC §76104 - EMS Penalty portion of GC §76000 Penalties (2/7) because it rounded up the distribution percentage to the nearest whole number (29%). As a result, it overstated distribution to the County EMS Fund and understated distribution to the County General Fund.

- Of the cases that were city arrests, the Court over distributed the city portion of the base fine because it was not net of 2 percent. VC §42007 (c) requires the city distribution to follow PC §1463.001(b)(3) and apply the 2 percent, but distribute the 2 percent amount to the County pursuant to VC §42007 instead of to the State.

We also identified the following errors for those traffic school cases that were Red Light violations:

- The Court understated distributions for the EMS and State Facilities Penalties. It distributed these penalties as net of the VC §42007.3 – 30 percent allocation, but VC §42007(b) and VC §42007.3 requires the full amounts to be distributed.
 - The Court did not apply the 30 percent allocation to the EMAT Penalty and the County portion of the base fine.
 - The Court inappropriately distributed \$2 (\$1 to GC §76100 - Local Court Construction Fund (LCCF) and \$1 to GC 76101 – Local Criminal Justice Facilities Fund (LCJF)) from the GC §76104.6 - DNA Penalty before applying the 30 percent allocation. As a result, the error understated the 30 percent allocation by \$0.60 (30% of \$2) per case.
8. For one H&S infraction case reviewed, the Court did not distribute the base fine pursuant to HS §11502 (75% State and 25% County or City).
 9. For one case with a reduced judge-ordered fine, the Court did not prorate the reduction equally among the fines and penalties. The Court did not prorate the reduction to the County portion of the PC 1464 Penalty, LCCF Penalty, LCJF Penalty, and EMAT Penalty, thus overstating these distributions.

Recommendations

To ensure its calculation and distribution of fines, fees, penalties, and other assessments are consistent with applicable statutes and guidelines, the Court should consider the following:

1. Adjust the CJIS manual distribution spreadsheet to properly transfer 2 percent to the State from the following penalties, fees, and base fine reductions:
 - State Facilities Penalty
 - Additional EMS Penalty
 - HS §11372.7 – Drug Program Fee of \$150 because it is an enhancement to the base fine
 - PC §1463.22 - special base fine reductions totaling \$30.50

On the other hand, do not transfer 2 percent from the following fees and assessments:

- Fund code MC001 – local clerk fee
- VC §40508.6(b) – Administrative Assessment
- VC §42006 – Night Court Assessment

- VC §40508.5 – Automated Warrant System Assessment
2. Evaluate and identify the appropriateness of all collections distributed to fund code MC001 and correct any errors.
 3. Correct CJIS distribution tables to properly account for base fine reductions for DUI and reckless driving violations. Specifically, the PC Lab Analysis, Drug Program, and DUI Indemnity Fees are base fine reductions and should be distributed from the base fine.
 4. Furthermore, correct CJIS distribution tables to properly account for base fine enhancements for certain H&S violations. Specifically, the H&S Criminal Lab and Drug Program Fees are base fine enhancements and should be added to the base fine. The total base fine amount (base fine + enhancements) is then used to calculate penalties and the 20 percent surcharge.
 5. Correct the distribution priorities for installment payments to conform to PC §1203.1d, which requires the following distribution priority:
 - Victim restitution
 - 20 percent surcharge
 - Fines, penalties, and restitution fines
 - Other reimbursable costs, including court operations and criminal conviction assessments
 6. Update JURIS distribution tables to apply the 30 percent allocation to the State Facilities Penalty and the EMAT Penalty for Red Light bail forfeiture cases pursuant to PC §1463.11.
 7. Correct VC §42007 traffic school calculation and distribution and update associated JURIS traffic school distribution tables with the following:
 - Continue assessing the GC §76000.10 EMAT penalty but distribute it as part of the VC §42007 Traffic Violator School Fee (TVS Fee) to the County General Fund.
 - Increase the distribution percentage accuracy of the EMS Penalty portion of GC §76000 penalties (2/7) by to at least 2 decimal places to 28.57% rather than rounding up to a whole number (29%).
 - For city arrests, distribute to the city its portion of the base fine net of 2 percent, and distribute the 2 percent amount as part of the TVS Fee to the County General Fund.

Make the following corrections for Red Light traffic school cases:

- Distribute the full (100%) amount of the EMS and State Facilities Penalties. Although 30 percent is allocated from these penalties pursuant to VC §42007.3(a)(1), required distributions pursuant to VC §42007(b)(2) and (b)(3) expressly state EMS

and State Facilities Penalties shall equal the amounts that would have been collected based on their respective statutes. This means that the full amounts these and other required distributions under VC §42007(b) shall be collected and distributed.

- Apply the 30 percent allocation pursuant to all TVS Fee components, which includes the EMAT Penalty and County portion of the base fine.
 - Apply the 30 percent allocation first to the DNA Penalty, and then reduce the remaining balance by \$2 (\$1 LCCF and \$1 LCJF).
8. Configure JURIS to distribute base fines of violations under division 10 of the Health and Safety code pursuant to HS §11502, which requires the distribution as follows: 75% to the State and 25% to either the City or County depending on where the offense occurred.
 9. Reevaluate its JURIS top-down distribution methodology for reduced or judge-ordered fines. With the absence of clear statutory guidance, the Court is responsible to ensure that its chosen top-down methodology, whether full proration (all distribution components), partial proration (fines and/or penalties only) or other, promotes reasonable and equitable distribution among receiving entities and is applied consistently unless otherwise expressly stated in the judge's order.

Superior Court Response By: Neil Cossman, CFO Date: April 14, 2014

The Court agrees with Recommendation 1 and has revised the 2% CJIS distribution spreadsheet effective with the April 2014 distribution.

Regarding Recommendation 2, as stated earlier, the Court and County separately discovered on October 23, 2013, that some state restitution fines were distributing incorrectly as a result of a distribution code not properly transferred from the old to the new CJIS platform during the Lift and Shift on April 15, 2013. The Court has corrected this distribution and reimbursed the state restitution fund for all affected cases.

Recommendations 3, 4 and 5 would be very difficult and extremely costly to reprogram for relatively minor changes in the final distribution amounts. The Court has historically used these distribution formulas and passed numerous audits by the State Controller's Office and AOC.

The Court agrees with Recommendations 6, 7 and 8 and corrected the distributions in JURIS effective April 1, 2014.

Per Recommendation 9, the Court reevaluated its JURIS top-down distribution methodology and determined that it is appropriate. The top-down methodology applies in very few cases, where there are reduced or judge-ordered fines, and in those cases, the distributions are reasonable and equitable among receiving entities. A different methodology would be time consuming and subject to error and apply to very few cases, with immaterial differences in the distributions.

6.2 Court Did Not Have Proper Change Management Controls in CJIS

Background

Change or configuration management entails identifying and managing the changes at a given point for all levels of an information system during its life cycle. Determining and documenting changes of an information system – at an entity-level, system-level, network-level and/or business application process-level – will allow an organization to adequately assess the potential security impact of specific changes. The US Government Accountability Office’s *Federal Information System Controls Audit Manual* (FISCAM) provides a methodology for performing information system (IS) control audits of federal and other governmental entities in accordance with professional standards. Chapter 3.3 of FISCAM covers configuration management controls and procedures for reviewing these controls, and references standards provided by the National Institute of Standards and Technology in its *Special Publication 800-53* (SP 800-53) – *Recommended Security Controls for Federal Information Systems and Organizations, Appendix F: Security Controls Catalog on Configuration Management*. The NIST developed SP 800-53 after considering security controls from various industries and national and international standards organizations, and is intended to be consistent with and complementary to other established IS standards. State, local, and tribal governments, as well as private sector organizations are encouraged to consider using these guidelines, as appropriate.

According to FISCAM and as referenced in SP 800-53, one of the critical elements of an effective configuration management is the proper authorization, testing, approval and tracking of all configuration changes. Success in this element is based on, but not limited to, proper documentation or audit trail at each step, establishment of a baseline configuration to adequately identify changes made, employing a disciplined process in testing and approval of changes, use of separate but controlled libraries for modifications being tested by users (test system) and for updates approved for use (production system), and limited access to various environments including having a separate individual to move tested and verified changes into production.

Issues

The Court’s criminal case management system, CJIS, is housed at the county data center. Several key court staff including the CEO can access the CJIS production system with the ability to make changes to the distribution allocation tables that impact distribution of revenues collected. However, the County is responsible for any changes/updates related to the CJIS source or program code.

Based on information gathered (interviews and emails), we identified that the Court did not follow proper change management controls when updating distribution allocation tables in CJIS. According to the Court, the issues identified below resulted from the CJIS “Lift and Shift” project (completed on April 2013) where CJIS was migrated from an antiquated mainframe environment to a more modern SQL environment.

1. The Court makes and tests updates directly in the production environment rather than a test environment first, and a separate individual does not monitor and verify these updates. According to the Court, the “Lift and Shift” project resulted in some inconsistencies among

the CJIS production, stage and test environments thus updates are made directly to production, which is the most complete and accurate CJIS environment.

2. The Court does not have a transfer of knowledge or succession planning strategy for its calculation and distribution process in CJIS thus proper change verification control cannot be performed; that is, a different individual cannot verify updated distribution processes are performing as intended. Only one court staff is knowledgeable of misdemeanor and felony revenue calculation and distribution, which poses significant business risk when this person leaves employment. According to the Court, it has postponed necessary training because it is re-developing and stabilizing its technology strategy through several system enhancements such as the CJIS “Lift and Shift” project.

Recommendations

To ensure the Court minimizes potential risks to production data when making updates to CJIS distribution allocation tables, the Court should consider the following best business practices:

1. Test and verify any updates or changes to the CJIS distribution allocation tables in the test environment before implementation in the production environment. Verification should be performed by a different person may it be court or county staff. Also, change control documentation should be retained showing how modifications were tested, verified, approved and moved from test to production.

The Court should coordinate with the County to develop a change management process as described that includes establishing configuration baselines in CJIS to resolve the inconsistencies among the various CJIS environments.

2. Develop an overall transfer of knowledge or succession planning strategy that can be implemented on any court business process, starting with the revenue calculation and distribution process in CJIS. The strategy should be reviewed periodically to ensure that sufficient and appropriate court staff is knowledgeable and assigned to critical business processes.

Superior Court Response By: Neil Cossman, CFO Date: April 22, 2014

The Court agrees with recommendations #1 and #2, now that the transfer of CJIS from the County mainframe to an SQL server has been completed.

Regarding #1, with the SQL server, it’s much less cumbersome for one person to verify updates and changes in the test environment and another person to implement them in the production environment.

Regarding #2, the Court has already stated that training was postponed until several system enhancements are completed, including CJIS transfer to an SQL server. In addition, the criminal/traffic operations manager recently retired. The new operations manager has extensive knowledge of CJIS and will receive further training in the calculation and distribution process.

7. Banking and Treasury

Background

GC §77009 authorizes the JC 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 year-end general ledger account balances from the Court that we consider to be associated with Banking and Treasury. A description of these accounts and audit procedures we performed to review the Court's banking procedures follows.

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Assets				
100000 POOLED CASH	1,595,122	1,207,155	387,967	32%
100001 TRUST CASH IN OPS	-	18,662	(18,662)	-100%
100021 DISB DEPOSIT	-	(0)	0	100%
100025 DISB CHECK-OPERATIONS	(201,345)	(88,471)	(112,873)	-128%
100026 DISB CHECK-TRUST	-	(18,662)	18,662	100%
100027 DISB OUTGOING EFT	(2,990)	(137)	(2,852)	-2078%
100157 TRUST OUTGOING EFT	(269)	-	(269)	n/a
100165 TRUST DISBURSEMENT CHECK	(423,778)	(192,127)	(231,651)	-121%
114000 CASH-REVOLVING	15,000	15,000	-	0%
119001 CASH ON HAND - CHANGE FUN	2,745	2,745	-	0%
120050 SHORT TERM INVESTMENTS-LA	2,252,801	4,787,839	(2,535,038)	-53%
120051 SHORT TERM INVESTMENTS-CA	720,857	664,412	56,445	8%
*** Cash and Cash Equivalents	3,958,144	6,396,415	(2,438,271)	-38%
Liabilities				
351003 LIABILITIES FOR DEPOSITS	(33,615)	(33,615)	-	0%
353002 CIVIL TRUST-CONDEMNATION	(691,397)	(636,595)	54,802	9%
353003 CIVIL TRUST-OTHER(RPRTR	(21,668)	(8,419)	13,250	157%
353004 JURY FEES- NON-INTEREST B	(4,631)	(19,350)	(14,719)	-76%
353006 CRIMINAL - GENERAL	(218,070)	(216,606)	1,464	1%
353039 UNRECONCILED TRUST - CIVI	(7,773)	(7,773)	-	0%
353080 LIABILITIES FOR DEPOSITS	(85,071)	(75,981)	9,090	12%
353999 TRUST INTEREST PAYABLE	(17,675)	(17,585)	91	1%
373001 UNCLEARED COLLECTIONS	(50)	-	50	n/a
Expenditures				
920302 BANK FEES	8,371	9,286	(915)	-10%
* 920300 - FEES/PERMITS	8,371	9,286	(915)	-10%

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

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

We identified a minor issue associated with this section that is contained in Appendix A.

8. Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into 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 AOC Office of Security provides courts with guidance on developing a sound court security plan and on other court security best practices.

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

We identified minor issues associated with this section that are contained in Appendix A.

9. Procurement

Background

Judicial branch entities including superior courts are required to comply with provisions of the Public Contract Code (PCC) that are applicable to state agencies and departments related to the procurement of goods and services. In accordance with PCC §19206, the JC 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 Contracting Manual and the FIN Manual where appropriate. Additionally, we reviewed sample purchase card (p-card) transactions to assess compliance with applicable requirements.

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

9.1 Certain Procurement Processes and Controls Need Improvement

Background

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

PCC § 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 PCC, "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.

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

Issues

During our review of the Court's local policies and procedures, and select procurement and contract files, we identified the following areas of control deficiencies and instances of non-compliance:

1. The Court's actual purchasing and payment approval practices were not consistent with its approved authorization matrix

- a. The Court maintains an authorization matrix updated and approved annually by the PJ that lists positions who may approve procurements, contracts and unencumbered expenditures; and their approval thresholds. During our review of select purchases, we identified some purchases, including p-card purchases that were approved by the IT Manager, HR Manager, and Jury Services Supervisor who are not listed on the matrix.
 - b. Individuals who may approve requisitions in the financial system were set up with limits that were higher than the thresholds provided in the authorization matrix. For instance, the CFO may authorize procurements below \$15,000 per the matrix but was set up to approve requisitions up to \$25,000 in the financial system, and the Financial Services Associate had an authorization threshold up to \$2,500 but may actually approve requisitions up to \$10,000. Although the CFO asserted that he reviewed all requisitions between \$2,500 and \$10,000 before forwarding to the Financial Services Associate for approval, a similar mitigating control is not in place for the CFO for requisitions between \$15,000 and \$25,000. Furthermore, the limits on the authorization matrix conflict with the AP certification authorization limits on the Signature Authorization Form completed for the financial system.
2. The Court did not establish POs in the financial system to encumber funds for all 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. However, the Court did not establish POs for 11 of 20 procurements reviewed. The CFO felt it unnecessary to set up POs for all contracts and other purchases since they are monitored during the monthly budget-to-actual reviews by senior management. However, the Court has not documented these mitigating controls in an alternative procedure and submitted to the AOC for approval.
3. The Court could not demonstrate that certain purchases were approved by authorized individuals within its approval limits. For example, 4 of 20 procurements selected for review were not supported by documented purchase approvals. Specifically, 3 routine purchases for document retrieval, printing, and recording service renewal lacked current and approved contracts; and a routine office supplies purchase also lacked approval documentation. P-card purchases for custodial and other facilities related goods and services made by the Procurement Specialist, and office supplies and miscellaneous supplies made by the Administrative Services Associate also lacked purchase approval documentation. The Procurement Specialist may not have obtained approval for facilities related purchases because he also oversees Court facilities operations, but he needs to obtain purchase approval from an authorized individual since he may not approve his own purchases.
4. The Court did not engage in competitive procurement practices for 7 of 20 procurements reviewed that exceeded \$5,000. Most of these purchases were to renew, extend, or continue obtaining services with existing vendors. Although the Court may have

reasonable justifications for automatically renewing some agreements, for instance if the existing vendor is the only vendor that provides the goods or services needed, the Court did not document these sole source justifications. Furthermore, the Court issued an RFQ for an 8th procurement reviewed, but the contract file did not contain documentation of vendor quotes or vendor selection process. Lastly, for 5 procurements reviewed that were supported by approved sole source justifications, the Court cited an existing relationship with the vendor as justification for 2 of these procurements, which is not a justification allowed by the JCBM.

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. Update the authorization matrix to include all Court positions that may approve purchases and their corresponding approval thresholds. Ensure that approval limits for financial system users set up to approve requisitions are consistent with the authorization matrix, or establish mitigating controls to address inconsistencies and document these alternative procedures. Furthermore, ensure AP certification limits provided in the Signature Authorization Form are consistent with the Court's authorization matrix.
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. The Court may also submit an alternative procedure for approval by the AOC detailing mitigating controls to monitor encumbrances.
3. Ensure purchases, including p-card purchases, are supported by sufficiently detailed requests approved by an authorized individual in accordance with its authorization matrix.
4. 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 JCBM. Additionally, require purchases exceeding \$5,000 that do not qualify for non-competitive procurement to be purchased using appropriate competitive procurement methods in accordance with the JCBM. 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.

Superior Court Response By: Neil Cossman, CFO Date: February 20, 2014

Date of Corrective Action: January 2014.

Responsible Person(s): Neil Cossman

1. The Court agrees and updated the authorization matrix January 2, 2014. The AP certification limits in the signature authorization form were also updated consistent with the authorization matrix.
2. The Court disagrees that it's necessary or efficient to encumber funds for procurements over \$500. The Court carefully monitors budget to actual reports every month, with detailed schedules for various accounts as needed. The Court has always and will continue to incur obligations only when there are sufficient funds. The Court submitted a request for alternative procedure in February that was denied in June. As a result, the Court will prepare POs for purchases over \$500 as required.
3. The Court agrees to retain documentation of purchases, including p-card purchases, in accordance with the authorization matrix. This will include copies of emails confirming verbal authorization of minor purchases.
4. The Court agrees to include in the file a sole source request form with sufficient justification to support the sole source purchase. All seven of the sole source procurements referenced in Issue 4 have reasonable justifications, but these were not appropriately documented in sufficient detail. For the 8th procurement referred to in Issue 4, the Court received quotes in response to an RFQ, but the quotes were not in the file. The Court will take care to consistently file such quotes. For the two procurements referenced in Issue 4 for which an existing relationship was cited as the sole source justification, more detail should have been provided regarding the special factors that affect the procurement. When cost differences are immaterial, the ease and efficiency in working with a vendor who is responsive, knows the Court's needs, is local and perhaps smaller, provide sufficient justification for sole source. The court will document such special factors in future procurements.

10. Contracts

Background

As described in Section 9 of the audit report related to procurement above, the JC adopted and published the 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). For instance, Chapter 8 of the JBCM identifies processes applicable to preparing and approving contracts, typical contracts and contract-related documents, and certain provisions required by law or recommended for inclusion in a contract or contract-related document. Furthermore, Chapter 11 of the JBCM describes the requirements and recommended practices associated with contract administration.

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Expenditures				
* 938300 - GENERAL CONSULTANT AND P	130,018	252,672	(122,654)	-49%
938502 COURT INTERPRETER TRAVEL	20,272	28,016	(7,744)	-28%
938504 COURT INTERPRETERS - CERT	34,887	29,600	5,287	18%
938506 COURT INTERPRETERS - NONC	1,679	3,911	(2,232)	-57%
* 938500 - COURT INTERPRETER SERVIC	56,837	61,526	(4,689)	-8%
938601 COURT REPORTERS SERVICES	132,322	145,196	(12,873)	-9%
* 938600 - COURT REPORTER SERVICES	132,322	145,196	(12,873)	-9%
938701 COURT TRANSCRIPTS	152,945	83,750	69,195	83%
* 938700 - COURT TRANSCRIPTS	152,945	83,750	69,195	83%
938803 COURT-APPOINTED COUNSEL C	1,631	1,347	284	21%
* 938800 - COURT APPOINTED COUNSEL	1,631	1,347	284	21%
939002 PSYCHIATRIC EVALUATIONS	44,520	47,347	(2,827)	-6%
* 939000 - COURT ORDERED PROFESSION	44,520	47,347	(2,827)	-6%
939101 MEDIATORS/ARBITRATORS	375	900	(525)	-58%
* 939100 - MEDIATORS/ARBITRATORS	375	900	(525)	-58%
939701 BANKING AND INVESTMENT SE	7,430	5,636	1,794	32%
* 939700 - BANKING AND INVESTMENT S	7,430	5,636	1,794	32%
** CONTRACTED SERVICES TOTAL	526,079	598,374	(72,295)	-12%
941101 SHERIFF - REIMBURSEMENTS	1,400	1,040	360	35%
* 941100 - SHERIFF	1,400	1,040	360	35%
** CONSULTING AND PROFESSIONAL SERVI	1,400	1,040	360	35%

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. Additional minor issues are contained in Appendix A.

10.1 Certain Court Contracts Did Not Contain Mandatory Clauses and Provisions

Background

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

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:

Mandatory Clauses and Provisions Required by the Judicial Branch Contracting Manual for Vendor Contracts	
Contractor Certification Clauses	Contracts Affected
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.
Provisions	Contracts Affected
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 memorandum of understanding (MOU). These requirements are consistent with requirements for court-county agreements provided in GC § 77212.

Issues

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

1. The Court did not ensure that its contracts included mandatory clauses and provisions required by the JBCM. Specifically, three recently executed contracts selected for review did not include the following mandatory contractor compliance clauses:
 - Compliance with National Labor Relations Board orders
 - Nondiscrimination in providing benefits for domestic partners (for two contracts over \$100,000)
 - Compliance with child and family support enforcement (for two contracts over \$100,000)

The Court executed two of the three contracts using JC contract templates. Although one template used, the Standard Agreement, contains all mandatory clauses and provisions, the Court deleted the three compliance clauses listed above when customizing the template for the particular vendor. In the second instance, the Court renewed a non-IT services contract using an outdated template instead of the current Standard Agreement template. Lastly, the Court did not use the IT Agreement template to execute the third contract for IT services even though it involves a large project and exceeded \$280,000. As a result, in addition to the three certification clauses listed above, the contract also lacked the following mandatory provisions and clauses:

- Independent contractor provision
- Nondiscrimination certification
- Requirements for minimum Worker’s Compensation and Employer’s Liability insurance
- BSA audit rights provision

- Qualified to do business in California certification
 - Provision that contractor will not assist, promote, or deter union organizing activities
2. The Court-County MOU does not identify the costs of services to be provided, including individually identifying indirect or overhead costs with the methods for calculating those costs, as required by GC § 77212(d) and the JBCM. The CFO asserted that the Court has a process to review and approve the annual budget for county services so that, although the MOU lacks cost information, invoices may be verified against budgeted costs to ensure service costs are appropriate. However, the Court can improve upon existing controls by documenting approved budgeted costs in the MOU.

Recommendations

We recommend that the Court do the following to ensure that it has adequate contracting processes and controls, and complies with legal and policy requirements:

1. Use the most current JC templates to execute vendor contracts, including renewing contracts executed using outdated templates, and ensure that all mandatory clauses and provisions applicable to the vendor or contract terms are retained. If JC templates cannot be used, ensure that the contract incorporates applicable mandatory clauses and provisions.
2. Negotiate with the County to include the minimum cost information required by GC 77212(d) and JBCM in the Court-County MOU when the MOU is due for renewal. The parties may consider incorporating the approved budgeted county services costs as annual amendments to the multi-year MOU.

Superior Court Response By: Neil Cossman, CFO Date: February 26, 2014

Date of Corrective Action: January 1, 2014

Responsible Person(s): Neil Cossman, CFO

1. The Court agrees and ensures that its contracts include mandatory clauses and provisions required by the JCBM.
2. Except for the amount of indirect or overhead costs, the Court believes that Exhibit A, Charges for County Services, of the current Court-County MOU complies with the requirement of GC 77212(d) to identify the cost of services. Since the need for detailed indirect or overhead costs is specified in statute, the Court will discuss with the County and document the response. MOU sections 2 and 3 describe costs for Information Systems and Technology (IS&T) and Department of Public Works (DPW), respectively. In each section, there are two types of costs: project or job costs and annual services costs. The method for determining each type of cost is described in the project and job subsections (New Technology Project Development; Printing; Building Maintenance) and in the annual services subsections (Automation Support, Infrastructure and Operations; Janitorial; Shipping and Receiving).

For multi-year MOUs, it is not feasible to include the actual amounts that the County will bill the Court for these services in each fiscal year, particularly since the Court may, at its own discretion, give notice to the County to terminate a service even during the term of the MOU. The methodology described in Exhibit A provides a ‘tried and true’ approach to determining the factors that will be included in the County’s charges to the Court. Using the methodology described in the MOU, each year the County and Court discuss and negotiate the actual costs for the services provided for the fiscal year.

In recent years, the Court has substantially reduced the costs of all three annual services by transferring a large case management system from the County mainframe to a County-maintained SQL server and by engaging private contractors for significant parts of janitorial and shipping/receiving tasks. These reductions support the Court’s view that it has been extremely prudent in managing County costs in compliance with GC 77212 (d) and the JBCM.

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Liabilities				
301001 A/P - GENERAL	(3,783)	-	3,783	n/a
301004 A/P - ELECTRONIC PAYABLES	(291)	-	291	n/a
314010 OPERATIONS-DUE TO UCF	(255)	-	255	n/a
314011 TRUST-DUE TO OPERATIONS	(494)	(339)	154	46%
314014 SPECIAL REVENUE-DUE TO GE	(127,244)	(84,829)	42,415	50%
321600 A/P - TC145 LIABILITY	(559,517)	(520,356)	39,161	8%
322001 A/P - DUE TO OTHER GOVERN	(57,077)	(45,341)	11,737	26%
323001 A/P - SALES & USE TAX	(565)	(956)	(391)	-41%
323010 TREASURY INTEREST PAYABLE	(16)	(65)	(49)	-76%
330001 A/P - ACCRUED LIABILITIES	(74,758)	(130,720)	(55,963)	-43%
*** Accounts Payable	(824,000)	(782,607)	41,393	5%
Expenditures				
* 920600 - OFFICE EXPENSE	77,592	79,297	(1,705)	-2%
922303 LEGAL PUBLICATIONS-HARDCO	12,441	12,778	(337)	-3%
922304 LEGAL PUBLICATIONS-ON-LIN	31,132	37,563	(6,431)	-17%
922399 LIBRARY PURCHASES AND SUB	5,420	2,868	2,552	89%
* 922300 - LIBRARY PURCHASES AND SU	48,993	53,209	(4,216)	-8%

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Expenditures				
* 923900 - GENERAL EXPENSE - SERVIC	56,185	39,463	16,721	42%
** GENERAL EXPENSE TOTAL	285,821	238,900	46,921	20%
924599 PRINTING	56,502	66,576	(10,074)	-15%
* 924500 - PRINTING	56,502	66,576	(10,074)	-15%
** PRINTING TOTAL	56,502	66,576	(10,074)	-15%
925101 TELECOMMUNICATIONS	18,345	20,170	(1,824)	-9%
* 925100 - TELECOMMUNICATIONS	18,345	20,170	(1,824)	-9%
** TELECOMMUNICATIONS TOTAL	18,345	20,170	(1,824)	-9%
926099 POSTAGE	111,208	115,710	(4,502)	-4%
* 926100 - POSTAGE	111,208	115,710	(4,502)	-4%
926101 STAMPS	-	2,662	(2,662)	-100%
926102 EXPRESS DELIVERY	-	2,039	(2,039)	-100%
* 926200 - STAMPS, STAMPED ENVELOPE	-	4,701	(4,701)	-100%
** POSTAGE TOTAL	111,208	120,411	(9,203)	-8%
928801 INSURANCE	3,512	3,328	184	6%
* 928800 - INSURANCE	3,512	3,328	184	6%
** INSURANCE TOTAL	3,512	3,328	184	6%
929299 TRAVEL IN STATE	10,286	14,331	(4,046)	-28%
* 929200 - TRAVEL- IN STATE	10,286	14,331	(4,046)	-28%
* 935300 - JANITORIAL	165,886	150,216	15,670	10%
935499 MAINTENANCE & SUPPLIES	-	96,618	(96,618)	-100%
* 935400 - MAINTENANCE AND SUPPLIES	-	96,618	(96,618)	-100%
* 965100 - JUROR COSTS	93,317	92,080	1,238	1%

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.

We identified numerous minor issues associated with this section that are contained in Appendix A.

12. Fixed Assets Management

Background

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

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Expenditures				
* 922600 - MINOR EQUIPMENT - UNDER	91,326	54,799	36,526	67%
* 945200 - MAJOR EQUIPMENT	65,494	85,788	(20,294)	-24%

We reviewed the fixed assets information the Court prepared for inclusion in the State CAFR. We also reviewed sample equipment purchases as part of the procurement and AP to determine whether these expenditures were properly categorized.

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

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. We also reviewed the most recent Court Revenue Audit issued by the State Controller's Office in September 2012 for the period July 1, 2004 through June 30, 2010 during our revenue distribution review to determine whether the Court made appropriate corrections in response to the audit.

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

14. Records Retention

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2013	2012		
Expenditures				
935203 STORAGE	19,939	27,944	(8,006)	-29%
* 935200 - RENT/LEASE	19,939	27,944	(8,006)	-29%

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

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

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 IAS 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 the Domestic Violence Fines and Fees Required By Statute

Background

As a part of the audit report that IAS issued in March 2004, IAS 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 (PC) 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, and \$280 effective January 1, 2013) for a felony conviction and not less than \$100 (\$120 effective January 1, 2012, and \$140 effective January 1, 2013) 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.

- PC 1202.44 (or PC 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 PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed.
- PC 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.
- PC 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 (GC) 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.

Issue

The DV bench alert used by judicial officers was outdated and incomplete. Specifically, it identified the mandatory Domestic Violence Fee of \$400 even though the fee increased to \$500 effective January 1, 2013. It also did not identify other mandatory fines and assessments to be imposed. As a result, the Court did not consistently impose the correct fines, fees, and assessments required by statute for 30 criminal domestic violence cases selected for review, as follows:

- The Criminal Conviction Assessment was not imposed for all 30 cases.
- The Court Operations Assessment was not assessed in four cases, was incorrectly assessed at \$20 instead of \$40 in a fifth case, and was incorrectly assessed at \$40 in a sixth case with two convictions where \$80 would have been appropriate.
- The State Restitution Fine was not assessed in two cases.
- Of the remaining 28 cases where the State Restitution Fine was appropriately assessed, the Probation Revocation Restitution Fine was not assessed in two of these cases.

When we brought these issues to the CEO's attention, she immediately updated the DV bench alert and informed us that she will notify the judicial officers of the Court and County Probation Department.

Recommendation

The Court should continue its efforts to ensure that required minimum fines, fees, and assessments are consistently imposed for criminal DV cases.

Superior Court Response By: Neil Cossman, CFO Date: February 13, 2014

Date of Corrective Action: October 2013

Responsible Person(s): Dorothy McCarthy

The Court agrees and has changed the way the Criminal Conviction Assessment (CCF) and the Court Operations Assessment (CSF) are made in order to ensure that the required amounts are imposed. The Court has implemented specific codes in the CJIS case management system, CCF and CSF, to impose assessments that were previously imbedded in the total fine.

The Court has also updated bench reminder cards to ensure that bench officers are mindful of the various fines and fees that must be ordered when sentencing DV cases. These cards were distributed to the judges in September, 2013.

16. Exhibits

Background

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

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

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

We identified minor issues associated with this section that are contained in Appendix A.

APPENDIX A

Issue Control Log

**Superior Court of California,
County of Marin**

Note:

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

Those issues that are complete at the end of the audit are indicated by the ‘C’ in the column labeled C. Issues that remain open at the end of the audit have an ‘I’ for incomplete in the column labeled I and have an Estimated Completion Date.

Internal Audit Services will periodically contact the court to monitor the status of the corrective efforts indicted by the court.

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration								
	Log		The Court did not appropriately segregate an employee's user security roles in the financial system, as this user may approve purchase requisitions up to \$10,000 and park and post vendor payments.		C	The employee can approve only requisitions initiated by another user with prior written approval from an authorized manager or the CEO. The employee is one of three who can approve purchase requisitions in SAP. The other two are the CEO and CFO, who receive a copy of every requisition and know who initiates it and who approves it in SAP. Regarding vendor payments, in view of the limitations of the SAP financial system to prevent park and post by the same user, the Court has returned to the procedure that was in place for many years following implementation of SAP, which is to temporarily remove the post role in SAP when the park role is needed in the absence of the employee who regularly parks. In any case, the Court's internal procedure which prohibits an employee from parking and posting the same transaction has always been followed. In summary, there are always more than two employees involved in the payment of bills and the ordering of goods and services and all of those transactions are documented on paper or electronically or both for review at any time.	Neil Cossman, Chief Financial Officer	Completed
2 Fiscal Management and Budgets								
	Log		The Court's budget-to-actual reports used for monthly budget monitoring did not separately identify actual expenditures incurred for the previous month as required by FIN 4.02, 6.2 (1)a, although the reports did include other required elements, including expenditures incurred for the fiscal year-to-date, the variance between actual and budgeted expenditures, and the remaining balance for each program element and object.		C	Effective February 2014, the Court's budget-to-actual reports include a separate column for actual revenue received and expenditures incurred for the previous month as required by FIN 4.02, 6.2 (1)a.	Neil Cossman, Chief Financial Officer	Completed
3 Fund Accounting								
	3.1	10	The Court Did Not Record Certain Transactions in the Appropriate Funds					
			Based on inaccurate guidance from the AOC, the Court incorrectly recorded OPEB prefunding of \$1.6 million as a deposit in trust (fund 500010).		C	While the Court acknowledges that the recording of OPEB accounting was incorrect, the Court strongly disagrees that this audit issue should be reported as a finding for the Court. As IAS has noted, AOC provided incorrect guidance to courts in accounting for OPEB prefunding contributions. AOC has corrected OPEB accounting entries for the Court and in May 2014 provided new guidance to all trial courts on the proper accounting for OPEB prefunding contributions.	Neil Cossman, Chief Financial Officer	Completed
			The Court did not record certain fee revenues in the appropriate fund.		C	The Court relied on AOC guidance to account for various minor fee revenues. The Court and AOC have corrected the entries noted by the auditor.	Neil Cossman, Chief Financial Officer	Completed
	Log		When transferring grant-funded benefits expenditures from the general fund to the grant fund, the Court charged expenditures to the Other Benefits account instead of allocating these costs to the individual benefits accounts. As a result, the general fund showed a credit balance of \$57,225 in the Other Benefits expenditure account.	I		In future years, the Court will allocate grant-funded benefits expenditures to the individual benefits accounts instead of to the Other Benefits account.	Neil Cossman, Chief Financial Officer	Fiscal year 2014 - 2015

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
4 Accounting Principles and Practices								
	Log		The Court did not accrue local revenue collected (and therefore earned) in June and typically received via distribution #14 in August in the fiscal year earned.	I		Due to the timing of TC-145 preparation, actual June revenue is not available until after the year-end close in July, so an accrual would need to be estimated. AOC TCAFS advises that it's inappropriate to accrue an estimate, but even if it were OK, the current year would report 13 months of revenue. FY 2013-14 is the first year of the 1% fund balance cap, not a good year to change revenue reporting. The Court has consistently reported 12 months of local revenue, for the months of June of the prior year through May of the current year, which is accrued, because it is known. The difference between that total and the total of July through June of the current year is immaterial. If this remains an issue, the Court will address it in FY 2014-15.	Neil Cossman, Chief Financial Officer	Fiscal year 2014 - 2015
5 Cash Collections								
	5.1	3	Court Could Strengthen Some of Its Cash Handling Procedures					
			The Court did not ensure the supervisory review and approval process for CJIS reversals was consistently followed.		C	The Court agrees with this finding. The Court's procedure is to verify that void amounts listed on the cashiers' payment summary reports are supported by approved forms. That should have been done in the instances cited. Those voids were primarily from one clerk who voided minor typos and re-entered the correct amounts. The clerk has acknowledged that the form is required regardless of how small the typo is. The Court considers this issue resolved.	Neil Cossman, Chief Financial Officer	Completed
			Traffic and Division clerks may modify the amount owed on cases in the JURIS CMS without proper oversight.	I		The Court will develop an exception report for JURIS that will be reviewed daily.	Neil Cossman, Chief Financial Officer	December 31, 2014
			The Court did not require a separate individual to verify at least the coin and currency portion of the deposit to mitigate insufficient segregation in deposit procedures.	I		There are sufficient controls for the currency portion of the deposit, which involve two individuals. The first person (fiscal staff) receives the day's cash from each cashier, then counts and matches it to the cashier's daily report in the presence of the cashier. Each cashier's deposit and report are immediately locked in the safe. The next morning a second person counts each cashier's cash again, matches it to the daily report and prepares the bank deposit. It's unnecessary and inefficient for another person to recount the deposit in the morning if the totals match the daily report. The court will submit an alternate procedure.	Neil Cossman, Chief Financial Officer	June 30, 2014
			The Court did not properly secure the daily civil fees deposit in the safe once it has been prepared so that it is properly safeguarded until delivered to the bank semi-weekly.	C		The trust, civil and operations deposits are secured in the safe until the day of the deposit. When deposits are removed from the safe on the day of the deposit, the Court will ensure that they are secured in a locked cabinet until ready for delivery to the bank.	Neil Cossman, Chief Financial Officer	Completed
			Issue redacted for security sensitivity purposes					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The daily balancing and closeout verification process did not involve counting and reconciliation of checks, and the reviewer did not sign or initial and date the daily systems report to document approval.	I	There is not enough time at the end of the day, due to limited staff, to compare every check to the systems report or adding machine tape and it's unnecessary. Only the cash is verified against the report at the end of the day. The verification of checks is done by the person who prepares the total deposit the next morning and any discrepancy can be resolved at that time. The risk of loss to the Court if a check is missing is minimal, as these checks cannot be negotiated by any unauthorized person. Initialing the systems report at the end of the day is unnecessary, because the only discrepancy that would be discovered at that time is cash over or short, in which case an over/short form would be included with the report. The Court will submit an alternate procedure.	Neil Cossman, Chief Financial Officer	June 30, 2014
			Two change funds were not counted daily in the presence of a manager, supervisor, or other appropriate individual.	C	The Court partially agrees with this finding. Change funds are counted daily by fiscal staff and each cashier for criminal/traffic, civil and records cashiers. No improvements are needed in this procedure. The administration and accounting change funds are counted daily by their respective custodians. The amounts in these change funds are small and there has never been a shortage in these change funds. The risk here is extremely low, but the Court agrees to have accounting and administrative staff count each other's change funds daily starting in March 2014.	Neil Cossman, Chief Financial Officer	Completed
			The Court has not implemented surprise cash counts.	I	Surprise cash counts are unnecessary, because cash is counted at the end of each day when cash is turned in and in the morning when the deposit is prepared. Surprise cash counts would be disruptive and counterproductive to maintaining trust and individual responsibility in the workplace. Moreover, they would create unnecessary tension in the workplace between court staff and court administration. These kinds of controls should not be implemented unless there is a history of cash shortages or other cash handling problems. The cash is very closely monitored in this Court, as is evidenced by the daily counting of cash in the morning and evening by cashiers and accounting staff. This recommendation is counterproductive to building positive working relationships between management and staff. The Court will submit an alternate procedure.	Neil Cossman, Chief Financial Officer	June 30, 2014
			The Court should prepare and submit alternative procedure requests to the AOC for approval if the Court cannot implement recommended procedures that are required by the FIN Manual.	I	The Court agrees with this recommendation. The Court will submit alternative procedures for any of the above that are required by the FIN manual.	Neil Cossman, Chief Financial Officer	June 30, 2014
		Log	Accounting staff issues manual receipt books directly to Criminal/Traffic Division cashiers, but the FIN Manual requires Managers or Supervisors to secure books when not in use. Although accounting clerks review receipt books checked out or returned and books checked out for more than six months for missing and voided receipts, this review is not conducted frequently enough to timely identify and resolve missing receipts. - Repeat	C	Receipt books issued directly to criminal/traffic division cashiers are used and returned to accounting much more frequently than six months. Three receipt books are held by a manager or supervisor and are now being reviewed every three months. The Court has not had a problem with missing or voided receipts.	Neil Cossman, Chief Financial Officer	Completed
		Log	The Civil/Records Division had a backlog in processing records research mail payments. We observed 22 unprocessed payments up to three weeks old. The Court asserted that it will hire an additional employee, which should alleviate the backlog.	C	This backlog varies substantially from week to week and at one point after the August observation, there was no backlog. Besides limited staffing, backlog factors include file location (microfilm, offsite storage, which are more time consuming) and number of requests. The manager and two supervisors sometimes assist with research in order to keep the backlog within a week of the date the research request was recieved.	Neil Cossman, Chief Financial Officer	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log		Accounting's record of when the safe combination was changed did not list the individuals who know the combination in accordance with FIN 10.02, 6.1.1 (3.d).	C		The Court's 2005 procedure for safe combination lists position titles that know the combination. Effective March 2014, the Log of Safe Combination Changes lists the names of persons who know the safe combination.	Neil Cossman, Chief Financial Officer	Completed
	Log		The Court's monitoring of criminal case receivables were inconsistent. Out of 10 criminal cases reviewed, the Court did not add a \$300 civil assessment and timely refer two delinquent cases to collections.	C		For CR18025A and CR183548A defendants obtained court dates to request modifications which delayed sending the cases to collections. The Court sends cases to collections with the \$300 civil assessment added as soon as possible.	Neil Cossman, Chief Financial Officer	Completed
	Log		The Court did not account for cashier overages and shortages in accordance to FIN 10.02, 6.3.11, but netted overages and shortages against Accounting's change fund.	C		The Court agrees and is now depositing overages to a general ledger liability account when the overages are received. The Court's overages are minimal.	Neil Cossman, Chief Financial Officer	Completed
6	Information Systems							
	6.1	11	The Court Needs to Improve the Calculation and Distribution of Certain Collections in Accordance with Statutes and Guidelines					
			The Court incorrectly calculated the 2 percent distribution to the State for misdemeanor and felony cases.	C		The Court agrees with Recommendation 1 and has revised the 2% CJIS distribution spreadsheet effective with the April 2014 distribution.	Neil Cossman, Chief Financial Officer	Completed
			For one of three DUI cases reviewed, the Court distributed the PC §1202.4 - State Restitution Fine to the incorrect fund.	C		Regarding Recommendation 2, as stated earlier, the Court and County separately discovered on October 23, 2013, that some state restitution fines were distributing incorrectly as a result of a distribution code not properly transferred from the old to the new CJIS platform during the Lift and Shift on April 15, 2013. The Court has corrected this distribution and reimbursed the state restitution fund for all affected cases.	Neil Cossman, Chief Financial Officer	Completed
			The Court incorrectly distributed two DUI base fine reductions as additional fees.	I		Recommendations 3, 4 and 5 would be very difficult and extremely costly to reprogram for relatively minor changes in the final distribution amounts. The Court has historically used these distribution formulas and passed numerous audits by the State Controller's Office and AOC.	Neil Cossman, Chief Financial Officer	Not applicable
		The Court also incorrectly distributed two base fine enhancements for certain H&S cases as additional fees.	I		Not applicable			
		For both installment plans reviewed, the Court did not distribute the payments according to the priorities established in PC §1203.1d.	I		Not applicable			
			For both Red Light bail forfeiture cases reviewed, the Court did not apply the PC §1463.11 - 30 percent allocation to certain penalties.	C		The Court agrees with Recommendations 6, 7 and 8 and corrected the distributions in JURIS effective April 1, 2014.	Neil Cossman, Chief Financial Officer	Completed
			The Court incorrectly distributed all three traffic school cases reviewed, including Red Light traffic school cases.	C				Completed
			For one H&S infraction case reviewed, the Court did not distribute the base fine pursuant to HS §11502 (75% State and 25% County or City).	C				Completed
			For one case with a reduced judge-ordered fine, the Court did not prorate the reduction equally among the fines and penalties.	I		Per Recommendation 9, the Court reevaluated its JURIS top-down distribution methodology and determined that it is appropriate. The top-down methodology applies in very few cases, where there are reduced or judge-ordered fines, and in those cases, the distributions are reasonable and equitable among receiving entities. A different methodology would be time consuming and subject to error and apply to very few cases, with immaterial differences in the distributions.	Neil Cossman, Chief Financial Officer	Not applicable
	6.2	13	Court Did Not Have Proper Change Management Controls in CJIS					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court made and tested distribution table updates directly in the production environment rather than a test environment first, and a separate individual does not monitor and verify these updates.	C	Regarding #1, with the SQL server, it's much less cumbersome for one person to verify updates and changes in the test environment and another person to implement them in the production environment.	Neil Cossman, Chief Financial Officer	Completed
			The Court did not have a transfer of knowledge or succession planning strategy for its calculation and distribution process in CJIS thus proper change verification control could not be performed.	I	Regarding #2, the Court has already stated that training was postponed until several system enhancements are completed, including CJIS transfer to an SQL server. In addition, the criminal/traffic operations manager recently retired. The new operations manager has extensive knowledge of CJIS and will receive further training in the calculation and distribution process.	Neil Cossman, Chief Financial Officer	December 31, 2014
		Log	The Court does not have a formal disaster recovery plan (DRP) recommended by federal and state standards. Although the Court established a Continuity of Operations Plan (COOP) using the template provided by the AOC, the COOP does not sufficiently address minimum components of a DRP required for state executive branch agencies.	I	Without direction from the Judicial Council or the FIN, the Court believes it's unnecessary to apply to a relatively small local court procedures that are recommended for federal and state agencies. Court technology staff have an excellent working relationship with the County Information Services & Technology Department. A DRP would have negligible impact on the ability of Court and County technology personnel to react to a disaster that threatened mission-critical case management systems, especially given the extremely low probability of that type of disaster. If and when the Judicial Council adopts requirements and procedures for disaster recovery plans, the Court will prepare one by the due date.	Neil Cossman, Chief Financial Officer	No applicable
		Log	The Court has not completed or periodically tested its Continuity of Operations Plan (COOP). For instance, the Communications Annex Section lacked specific capabilities for communication with internal and external resources.	I	The Court completed the necessary elements of the COOP, such as a detailed Mission Essentials plan, and is in the process of updating those elements. The Communications Annex Section and periodic testing provide minimal value-added relative to the completed sections and the risk probability factor. The Court will test the Coop annually.	Neil Cossman, Chief Financial Officer	June 30, 2014
			Issue redacted for security sensitivity purposes				
			Issue redacted for security sensitivity purposes				
			Issue redacted for security sensitivity purposes				
		Log	The Court did not review DMV information security statements in 2013 to ensure that Court users with DMV access annually recertified. During our review in October 2013, 60 percent of annual recertifications were signed in August 2012, during the last review, and were therefore outdated.	C	The Court completed recertification of Court employees with DMV access in February 2014 and will continue to recertify all Court employees with DMV access in January of each year.	Neil Cossman, Chief Financial Officer	Completed
		Log	The Court did not monitor DMV queries performed by Court users to detect inappropriate access. Although the CMS produced transmission error reports, it did not generate exception reports to identify potential fraud or misuse (e.g. consecutive query of same name or driver's license, multiple failed log-in attempts, etc.) for management review.	C	Although occasional reviews of DMV activity have not given the Court any reason to suspect inappropriate access, supervisors will now run a report of DMV queries once a month and randomly sample three transactions for each employee to verify that an invalid case number, docket number or citation number was not used. When there are consecutive queries with the same valid case number, staff are trying to match the Court's information with DMV's information so they can process the transaction automatically. If that fails, the Court sends DMV a manual abstract. The CMS doesn't generate exception reports of DMV activity.	Neil Cossman, Chief Financial Officer	Completed
7	Banking and Treasury						

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log	4	The Court did not have an adequate trust reconciliation process at the time of our review, although we reviewed emails and helpdesk tickets indicating that the Court had a reconciliation program prior to October 2012, when the Court started work to transition its trust accounts off of a mainframe system to a new technology platform. The Court asserted that it could not perform a full trust reconciliation when it lost the ability to obtain trust reports from its CMS between October 2012 and December 2013. However, the Court further asserted that it completed a full reconciliation when the report was restored.		C	The Court has a long-standing procedure for reconciling trust account balances between the financial system and the CMS, using a Trust Register Report. That report needed to be reworked by the County to accommodate the transfer of the CMS from the County mainframe to a new environment on an SQL server. The newly reformatted report was implemented by the County in early December 2013 and the Court immediately ran the new Trust Register Report and reconciled to the CMS as of 9/30/13. The report was completely clean, with no unreconciled items. This reconciliation will now be done quarterly as it was before the transfer from the mainframe.	Neil Cossman, Chief Financial Officer	Completed
8 Court Security								
	Log		The Court did not have adequate controls over keys. It did not have a log to track all keys and the individuals assigned keys, and it did not properly secure all duplicate keys.		C	Employees sign a form when they check out a key. The HR Associate checks out all keys, tracks them in the ADP HRB module and retrieves them when an employee leaves. The Court has created a master list of all keys and installed a locked cabinet for duplicate keys.	Neil Cossman, Chief Financial Officer	Completed
	Log		Court management did not have a process to periodically review key fob access assignments to ensure they were appropriate.		C	Fob checkout, tracking and retrieval are handled in the same way as keys, although the County maintains the fob database and activation or deactivation. The Court notifies the County when a fob assignment changes. The Court will annually review fob access assignments.	Neil Cossman, Chief Financial Officer	Completed
9 Procurement								
	9.1	7	Certain Procurement Processes and Controls Need Improvement					
			The Court's actual purchasing and payment approval practices were not consistent with its approved authorization matrix.		C	The Court agrees and updated the authorization matrix January 2, 2014. The AP certification limits in the signature authorization form were also updated consistent with the authorization matrix.	Neil Cossman, Chief Financial Officer	Completed
			The Court did not establish POs in the financial system to encumber funds for all contracts and other purchases.		C	The Court disagrees that it's necessary or efficient to encumber funds for procurements over \$500. The Court carefully monitors budget to actual reports every month, with detailed schedules for various accounts as needed. The Court has always and will continue to incur obligations only when there are sufficient funds. The Court submitted a request for alternative procedure in February that was denied in June. As a result, the Court will prepare POs for purchases over \$500 as required.	Neil Cossman, Chief Financial Officer	Completed
			The Court could not demonstrate that certain purchases were approved by authorized individuals within its approval limits.		C	The Court agrees to retain documentation of purchases, including p-card purchases, in accordance with the authorization matrix. This will include copies of emails confirming verbal authorization of minor purchases.	Neil Cossman, Chief Financial Officer	Completed
			The Court did not always engage in competitive procurement practices when required or otherwise document the sole source justification, did not sufficiently document vendor quotes and selection, and did not rely on appropriate sole source justifications.		C	[Summary provided] All seven of the sole source procurements referenced in Issue 4 have reasonable justifications, but these were not appropriately documented in sufficient detail. For the 8th procurement referred to in Issue 4, the Court received quotes in response to an RFQ, but the quotes were not in the file. For the two procurements referenced in Issue 4 for which an existing relationship was cited as the sole source justification, more detail should have been provided regarding the special factors that affect the procurement.	Neil Cossman, Chief Financial Officer	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log		The Court did not document its higher p-card limits, and two of ten p-card transactions selected for review exceeded the \$1,500 JCBM per transaction limit.		C	The Court agrees to document internal p-card limits that differ from limits established in the JCBM in an alternative procedure, incorporate the procedure in the LCM and distribute to affected Court personnel.	Neil Cossman, Chief Financial Officer	Completed
	Log		The Court did not require vendors to sign a Darfur Contracting Act Certification when purchasing non-IT goods or services as required by the JCBM.		C	The Court agrees to require vendors providing non-IT goods or services to complete Darfur Contracting Act Certifications using the form provided in the JCBM.	Neil Cossman, Chief Financial Officer	Completed
	Log		The Court did not use a standard purchase requisition form to document purchase requests and approvals performed outside of the Phoenix Financial System.		C	The Court submitted a request for alternate procedure in February. The request was denied in June, so the court will start using POs for purchases as required by the JCBM. Previously, low-value purchase requisitions outside of the Phoenix Financial System were documented by emails and/or the Procurement Specialist's notes on the receipt.	Neil Cossman, Chief Financial Officer	Completed
10 Contracts/MOU								
	10.1	8	Certain Court Contracts Did Not Contain Mandatory Clauses and Provisions					
			The Court did not ensure that its contracts included mandatory clauses and provisions required by the JCBM.		C	The Court agrees and ensures that its contracts include mandatory clauses and provisions required by the JCBM.	Neil Cossman, Chief Financial Officer	Completed
			The Court-County MOU did not identify the costs of services to be provided.	I		[Summary provided] Except for the amount of indirect or overhead costs, the Court believes that Exhibit A, Charges for County Services, of the current Court-County MOU complies with the requirement of GC 77212(d) to identify the cost of services. Since the need for detailed indirect or overhead costs is specified in statute, the Court will discuss with the County and document the response.	Neil Cossman, Chief Financial Officer	Not applicable
	Log		For one of five contracts reviewed, the certificate of insurance on file expired in 2010 and did not include minimum worker's compensation and employer's liability insurance required by the contract. Although the contract term expired in 2010, the Court was still receiving services during the time of review, and therefore should have a current certificate of insurance on file.		C	The Court requested a current certificate from this vendor. This contract is with a large vendor who has worked with Marin and many other courts for many years. The vendor rarely does onsite work and is usually at the Court only for meetings. For these reasons, the risk is minimal, but the Court agrees that current certificates are required with every contract.	Neil Cossman, Chief Financial Officer	Completed
	Log		The Court did not enter into a subcontract with the County for the Substance Abuse Grant even through the Court passed through the entire grant award received from the AOC to the County.	I		The Court will enter into a subcontract with the County. Previously, the Court entered into a subcontract with the County for the Substance Abuse Grant, but discontinued a subcontract when the AOC stopped requiring it. Funds are not released until the Court and County submit a report to the AOC.	Neil Cossman, Chief Financial Officer	December 2014
11 Accounts Payable								
	Log	9	The Court did not immediately date-stamp invoices and claims upon receipt.		C	The Court agrees and immediately started to date-stamp invoices and claims in October 2013.	Neil Cossman, Chief Financial Officer	Completed
	Log	9	For 4 of 28 invoices and claims reviewed, the expenditures were recorded to the incorrect general ledger (gl) accounts. This included one invoice for IT equipment exceeding \$63,000 that was recorded as an IT expenditure instead of a major equipment expenditure, and three other invoices recorded as general consulting expenditures that were not for consulting services.		C	The Court's policy is to budget as accurately as possible throughout the year. The audit found that 24 of 28 invoices reviewed were recorded in the recommended accounts. Regarding the other four invoices and future expenditures, the Court agrees to use more specific GL accounts, such as minor equipment for file shelving and alterations/repairs for carpeting and minimize use of the consulting account.	Neil Cossman, Chief Financial Officer	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log	9	In response to a 2008 audit finding that identified lack of oversight over conflicting jury payment processing duties, the Court agreed to periodically compare jury payments to juror lists to ensure fictitious jurors were not being paid. However, the comparison of sample jury payments involved verifying jury checks issued from the financial system to jury payroll reports generated from the jury system as opposed to jury information from an independent source such as the CMS or case file, and therefore is insufficient to identify fictitious jury system records.	I	As agreed to in the 2008 audit response, the Court periodically compares jury paychecks to a list of paid jurors, but agrees to enhance this process by periodically comparing jury payments to records of juror attendance received directly from the courtroom. As in 2008, the risk of loss through fraud or error is minimal. For reasons of privacy, the court does not include the names of jurors in the CMS, especially in criminal cases, as juror safety is of primary importance. If jurors are referenced at all in the CMS, it is by juror seat number, which would not help to identify the name of the juror.	Neil Cossman, Chief Financial Officer	December 2014
	Log		For one of four interpreter claim reviewed, the Court paid for travel time and overtime charges but did not include an explanation of the unusual circumstances and pre-approval by the CEO or designee to demonstrate renegotiation of these amounts.	C	The Court calls this interpreter, who lives 98 miles from the Court, only when no others are available. This interpreter charges OT at a daily rate (\$282.23) divided by 8 hours times 1.5 = \$52.92/hour. He also charges the half day rate (\$156.56) for 196 miles roundtrip (about 4 hours travel). Two half days of travel and two hours of overtime total \$418.92. He charges all courts the same rates and the interpreter coordinator is authorized to retain this interpreter when necessary without further negotiation.	Neil Cossman, Chief Financial Officer	Completed
	Log	5	All seven TECs reviewed for expenses related to conferences, trainings, or classes were not supported by proof of attendance, such as a certificate of completion or attendance sheet.	C	The Court agrees to require certificates of attendance or copies of agenda materials and started doing so in December 2013.	Neil Cossman, Chief Financial Officer	Completed
	Log	5	Although the Court's labor agreement required lunch reimbursement practices for employee travel that differ from JC travel policy, the Court did not obtain approval for alternative procedures as required by policy.	I	The Court's labor agreement provision regarding lunch reimbursement at the rate authorized by the Court for out of county travel of less than 24 hours predates Judicial Council policy. It goes back to the time when Court employees were County employees. The total for this category of lunch reimbursements for all of FY 2012-13 is \$354.90. The Court cannot unilaterally change this contractual obligation of the labor MOU. However, since it's contrary to statute, the Court will bargain for its removal when the labor agreement is negotiated in December 2015.	Neil Cossman, Chief Financial Officer	December 1, 2015
	Log	6	The Court did not use a standard Business-Related Meal form, email, or memo. As a result, the Court could not demonstrate that the business meal expenses reviewed were approved in advance by the PJ or, if delegated, the CEO or another judge. We also could not determine whether a lunch meeting met the authorized time frame requirements.	C	The CEO pre-approved the two business meal expenditures reviewed by the auditors and emails to the restaurant provide all of the information listed in FIN 8.05, Section 6.2, except that one email didn't list the attendees. The emails from the Administrative Services Associate to the restaurant could be sent only at the direction of the CEO and represent the CEO's written approval. The Court understood that the three-hour requirement didn't apply because the meetings included judicial officers, but the requirement applies only to a meeting of judicial officers. The Court will use the Business-Related Meal form.	Neil Cossman, Chief Financial Officer	Completed
	Log	6	The Court inappropriately paid for two business meal events reviewed, both lunch meetings held in-house, that exceeded the authorized business meal rate not to exceed \$10 per person.	C	The meals were provided by a restaurant and delivered to the Court to avoid unnecessary travel time and expense for a lunch hour meeting of judicial officers and to ensure privacy for the meeting. Section 6.6c. provides up to \$18 per person for a restaurant meal. The meals reviewed were \$16.28 and \$17.99 per person. The Court saved time and money. Nevertheless, the Court will stay within the \$10 limit for in-house meetings, even if the meals are provided by a restaurant.	Neil Cossman, Chief Financial Officer	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log	6	Court made purchases for an annual employee recognition event – including ice, beverages, and decorations – that totaled \$111. Although these expenses appear to be incidental to total costs of the event that was mostly funded by judicial officers, using court funds of any amount for such costs present a risk of adverse publicity.		C	This event is mostly funded by judicial officers to recognize the work of all employees during the year. The event promotes employee productivity, morale and team-building at an immaterial cost to the Court, less than \$1 per employee per year. The event could withstand any amount of public scrutiny and there is no risk of adverse publicity. However, the Court will no longer use Court the de minimus funds for this purpose.	Neil Cossman, Chief Financial Officer	Completed
	Log	2	The petty cash custodians did not receive the FIN Manual section on petty cash, FIN 8.04, nor did the Court establish similar written petty cash policies and procedures.		C	The Court has provided the petty cash custodian with a copy of FIN 8.04.	Neil Cossman, Chief Financial Officer	Completed
	Log	2	Individuals do not submit the Petty Cash Receipt Form with their cash register receipts to request reimbursement from the petty cash fund.		C	Most of the information listed on the petty cash receipt form is already on the receipt itself and the other information can easily be written on the receipt. A separate form is unnecessary.	Neil Cossman, Chief Financial Officer	Completed
	Log	2	Court Accounting does not audit the petty cash fund at least annually. As a result, the CFO was unaware that the petty cash custodians had been selling the Court's excess stamp supply to employees for their personal use, co-mingling stamp money received from employees with the petty cash fund, and using the stamp money to subsidize petty cash purchases.		C	A representative of the Accounting Division will audit the \$100 petty cash fund at least annually. The last audit was January 31, 2014.	Neil Cossman, Chief Financial Officer	Completed
12 Fixed Assets Management								
			No issues					
13 Audits								
			No issues					
14 Records Retention								
			No issues					
15 Domestic Violence								
	15.1	1	The Court Did Not Consistently Assess the Domestic Violence Fines and Fees Required By Statute		C	The Court agrees and has changed the way the Criminal Conviction Assessment (CCF) and the Court Operations Assessment (CSF) are made in order to ensure that the required amounts are imposed. The Court has implemented specific codes in the CJIS case management system, CCF and CSF, to impose assessments that were previously imbedded in the total fine. The Court has also updated bench reminder cards to ensure that bench officers are mindful of the various fines and fees that must be ordered when sentencing DV cases. These cards were distributed to the judges in September, 2013.	Dorothy McCarthy, Information Technology Manager	Completed
16 Exhibits								
	Log		An independent, periodic inventory of exhibits was not performed by someone other than the exhibit custodian.		C	The Civil Division Manager also inventories the exhibit cage and exhibit vault. Both the Civil Division Manager and exhibit custodian follow the Court Exhibits Manual, which was revised in 2013, and various procedures that are maintained online in the Civil Division shared drive.	Neil Cossman, Chief Financial Officer	Completed
	Log		Court management did not periodically inspect the exhibit storage areas to evaluate locking systems and physical condition of exhibits and surrounding area.		C	All exhibit storage areas are kept locked. The lock and combination for the exhibit vault was recently changed.	Neil Cossman, Chief Financial Officer	Completed

Key as of close of fieldwork:
 I = Incomplete
 C = Complete

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log		The warehouse cage used to store exhibits for two old capital cases was not sufficiently secured for exhibit storage.		C	All exhibits were moved from the warehouse cage to the exhibit vault in 2013. The warehouse cage no longer contains exhibits.	Neil Cossman, Chief Financial Officer	Completed