



Audit of the Superior Court of California, County of San Luis Obispo

REPORT OF AUDIT SERVICES

DECEMBER 2014



JUDICIAL COUNCIL
OF CALIFORNIA

LEADERSHIP SERVICES DIVISION
AUDIT SERVICES

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Superior Court of California, County of San Luis Obispo

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MANAGEMENT SUMMARY

Introduction

The Trial Court Funding Act of 1997 (Act) eliminated the requirement for county audits of the courts effective January 1, 1998. Since that time, the Superior Courts of California have undergone significant changes to their operations. These changes have also impacted their internal control structures, yet no independent reviews of their operations were generally conducted until the Judicial Council of California (Council) directed Audit Services to begin court audits in 2001.

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

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

This Audit Services audit covers all four of the above areas. The audit process involves a review of the Court's compliance with statute, California Rules of Court, *Trial Court Financial Policies and Procedures Manual* (FIN Manual), *Judicial Branch Contracting Manual* (JBCM) and other relevant policies, procedures, laws, rules, and regulations. Audit Services also followed up on issues identified in the prior audit to determine whether the Court adequately resolved previous issues. Audit Services conducted the prior audit of the Court's operations from September 2007 to May 2008 with a focus on activity that occurred in fiscal year 2006–2007. The audit report was issued in July 2008.

Compliance with the Financial Integrity and State Manager's Accountability Act (FISMA) is also an integral part of the audit process. The primary focus of a FISMA review is to evaluate the Court's internal control structure and processes. While Audit Services believes that FISMA may not apply to the judicial branch, we understand that it represents good public policy and Audit Services conducts audits incorporating the following FISMA concepts relating to internal control:

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

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

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

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

The audit identified reportable issues as well as other issues that Audit Services did not consider significant enough to include in the report, but were nonetheless communicated to court management. Audit Services provided the Court with opportunities to respond to all the issues identified in this report and included these responses in the report to provide the Court's perspective, but did not perform additional work to verify the implementation of the corrective measures provided in the Court responses. Audit Services will continue to monitor correction of incomplete issues as reported by the Court on a periodic basis after the audit is accepted by the Judicial Council until all are corrected.

Audit Issues Overview

This audit resulted in a relatively small number of issues (72) for a court this size based on our audits of other courts. The Court has responded to the identified issues by correcting 59 or approximately 82% of the issues at the time of the exit with the Court by Audit Services. Additionally, while there are a minimal number (6) of issues repeated from the prior audit of the Court completed in 2009, there are four in the accounts payable section of the report with the other two in the domestic violence section. Almost all of the issues that Audit Services considers high risk, or posing a higher than normal exposure to operational loss, were immediately addressed by the Court when Court management was informed of them. It is also worthy to note that the Court has had in the last few years (as noted in the financial statements on pages viii through x) significant deficits of revenues over expenditures that has impacted operations. These deficits have been in the \$1.3 to \$1.5 million range on a revenue budget of approximately \$17 million.

Over the last two plus years the Court has implemented a new case management system (Odyssey) for all case types which required significant business practice changes and management time. Odyssey has the fiscal capability to automatically calculate the required distributions of monies collected but in order to do this the Court spent a lot of effort to configure the distributions. State statutes and local ordinances govern the distribution of the fines, penalties, fees, and other assessments that courts collect. Courts rely on the *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C* issued by the State

Controller's Office (SCO) and the *Uniform Bail and Penalty Schedules* 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 very complex calculations and distributions required by law. This is the first court to implement the Odyssey case management system and Audit Services spent extra time and effort at this court to review the distributions in order to hopefully help other courts who are also acquiring the Odyssey system. The results of the review of this very complex area did not disclose an unusual number of issues but did find some considered somewhat unique to the configuration of a new case management system. Distribution issues included in section 6.1 of this report were all corrected by the Court and include:

- The Court inappropriately imposed the Vehicle Code section 40508.6(a) administrative assessment for every traffic case's first conviction instead of for subsequent convictions only and could not justify the amount imposed was appropriate with a current cost study. According to Vehicle Code section 40508.6(a), a court may establish an assessment not to exceed \$10 for clerical and administrative costs incurred for recording and maintaining a record of prior vehicle code convictions, which shall be payable when fine is paid or bail is forfeited for any subsequent violations.
- The Court programmed certain assessments and fees in the incorrect priority groups for distribution of installment payments pursuant to Penal Code section 1203.1d. This included prioritizing the Penal Code section 1463.14(b) DUI Additional Penalty and Penal code section 1205(e) Installment Fee as priority 3 not priority 4.
- The 2 percent allocation was incorrectly applied in four of 30 applicable cases reviewed to certain fees, fines, and penalties. Specifically, the 2 percent allocation was incorrectly applied to the Administrative Assessment in 3 cases, and to the Vehicle Code section 11208(c) Traffic School Administrative Fee in one case.
- The Court also informed us that it allows for some traffic violations that do not meet the statutory requirements for correctible offenses to be disposed as proof of correction.
- For cases with multiple violations from different offense groups, the CMS does not add the base fines for each violation before calculating the penalties, which results in incorrect penalties if the case contains at least two odd base fines (e.g. \$25, 35, etc.).

Courts must accurately account for use of public funds, and demonstrate their accountability by producing financial reports that are understandable, reliable, relevant, timely, consistent, and comparable. To assist courts in meeting these objectives, the FIN Manual provides uniform accounting guidelines for the courts to follow when recording revenues and expenditures associated with court operations. Courts must also employ sound business, financial, and accounting practices to conduct their fiscal operations. Finally, the FIN Manual provides uniform guidelines for processing vendor invoices and in-court service provider claims.

Audit Services review of accounting practices for recording and reporting financial transactions and fiscal management practices and procedures noted issues such as:

- The Court offers a taxable Wellness/Fitness Benefit that reimburses certain eligible employees up to \$200 within a 12 month period for one of four health maintenance alternatives. The Court may have good intentions for such a program and may benefit from a healthier workforce in the way of increased productivity, reduced absenteeism, and lower health care spending. However, providing monetary payments and reimbursements for activities that are private in nature may be perceived as a questionable use of public funds. At this time, the State executive branch does not provide similar payments and reimbursements.
- Our review of the Court's financial accounting and reporting controls and procedures, select fiscal year 2013 – 2014 transactions, and external financial reports identified the issues including:
 - ✓ The Court inappropriately accrued year-end expenditures and related reimbursements of nearly \$400,000 for its case and document management systems replacement project.
 - ✓ The Court incorrectly reported certain financial information for inclusion in the State's CAFR for fixed assets (\$49,000), sick leave liability (\$27,000), and lease payments (\$6,500).
 - ✓ The Court incorrectly recorded reimbursements received from the County for grand jury expenditures as reductions to jury expenditures or abatements (\$5,600).
 - ✓ The Court did not record reimbursements and expenditures for three grants that exceeded \$223,000 it received from the County in the Local Government Grant Fund 190400. As a result, the Court was unaware it received a duplicate grant reimbursement until our review.
- Business meal requirements were not adhered to. The per person limit exceeded the maximum for a group meal at a restaurant. The Court did not consistently require complete Business-Related Meal Forms to be submitted and approved for three of the seven expenditures tested. REPEAT

Finally, Audit Services reviewed 26 criminal domestic violence cases that represented 11 percent of all domestic violence cases disposed of between January 1, 2014 and September 30, 2014. The following instances of non-compliance were identified:

- The statutory or total fine assessed in seven cases was insufficient to satisfy the mandatory minimum fines and fees. For another five cases reviewed, the Court's judicial officers did not assess any mandatory minimum fines and fees. REPEAT
- For four cases reviewed where the defendant was sentenced to Court-supervised probation, the Court imposed a probation term that was less than the minimum three years required for DV cases. Additionally, since probation orders were not prepared, no documentation was available to evidence that the Probation Revocation Fine was assessed and stayed pending successful completion of probation. REPEAT

STATISTICS

The Court has twelve judges and three subordinate judicial officers who handled 58,481 filings in fiscal year 2012 – 2013. The Court operates from four locations. Further, the Court employed nearly 131 full-time-equivalent staff to fulfill its administrative and operational activities, and incurred total trial court expenditures of approximately \$18.4 million for the fiscal year ended June 30, 2014.

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

For fiscal year 2013–2014, the Court received various services from the County, including custodial and maintenance, telecommunications, virtual server space, and fleet and motor pool services. The Court also leased offsite storage space from the County. Furthermore, the Court and County Probation Department entered into an agreement specifying each party’s responsibilities for collection and distribution of fines and fees. The last two fiscal years was also significant in that the Court implemented a new case management system and although some work still remains it is being utilized by the Court.

The charts that follow contain general Court statistical information.

County Population (Estimated as of January 1, 2014)	272,357
Source: California Department of Finance	
Number of Case Filings in fiscal year 2012–2013:	
Criminal Filings:	
Felonies	2,362
Non-Traffic Misdemeanor	7,421
Non-Traffic Infractions	2,521
Traffic Misdemeanors	4,831
Traffic Infractions	32,829
Civil Filings:	
Civil Unlimited	1,153
Civil Limited	2,321
Small Claims	828
Other Filings:	

Family Law	2,150
Juvenile Delinquency	412
Juvenile Dependency	361
Probate	317
Mental Health	767
Appeals	33
Habeas Corpus Criminal	175
<i>Source: Judicial Council of California's 2014 Court Statistics Report</i>	
Number of Court Locations	4
Number of Courtrooms	16
<i>Source: Superior Court of California, County of San Luis Obispo</i>	
Judicial Officers as of June 30, 2013:	
Authorized Judgeships	12
Authorized Subordinate Judicial Officers	3
<i>Source: Judicial Council of California's 2014 Court Statistics Report</i>	
Court Staff as of June 30, 2014:	
Total Authorized FTE Positions	142.75
Total Filled FTE Positions	130.75
Total Fiscal Staff	5
<i>Source: Third Quarter FY 2013–2014 Quarterly Financial Statements and Superior Court of California, County of San Luis Obispo</i>	
Select fiscal year 2013–2014 Financial Information:	
Total Revenues	\$17,099,572
Total Expenditures	\$18,399,258
Total Personal Services Costs	\$14,281,238
<i>Source: Fourth Quarter FY 2013–2014 Quarterly Financial Statements</i>	

FINANCIAL STATEMENTS

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

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

The *Strategic Plan for California's Judicial Branch 2006-2012* entitled *Justice in Focus* established, consistent with the mission statement of the Judicial Council, a guiding principle that states that "Accountability is a duty of public service" and the principle has a specific statement that "[T]he Judicial Council continually monitors and evaluates the use of public funds." As the plan states, "[A]ll public institutions, including the judicial branch, are increasingly challenged to evaluate and be accountable for their performance, and to ensure that public funds are used responsibly and effectively." For the courts, this means developing meaningful and useful measures of performance, collecting and analyzing data on those measures, reporting the results to the public on a regular basis, and implementing changes to maximize efficiency and effectiveness. Goal II of the plan is independence and accountability with an overall policy stated as:

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the JCC developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of San Luis Obispo (Court), implemented this fiscal system and processes fiscal data through the JCC Trial Court Administrative Services Office

that supports the Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three schedules are:

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

The fiscal year 2012–2013 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for "information purposes" as the consolidation of funds are not meaningful numbers. Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

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

- **Governmental**
 - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
 - **Special Revenue** – Used to account for certain revenue sources "earmarked" for specific purposes (including grants received). Funds here include:
 - **Special Revenue**
 1. Dispute Resolution – 120004
 2. Enhanced Collections – 120007
 3. Traffic Violator Fee – 120012
 4. Court Facilities Maintenance – 120020
 5. Special Revenue – Other – 120021
 6. 2% Automation – 180004
 7. Children's Waiting Room – 180005
 - **Grants**
 1. AOC Grant – 190100
- **Fiduciary**
 - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used "to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs."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

¹ GASB Statement No. 34, paragraph 69.

management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:

- Trust – 320001
- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the parties on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government’s own programs, such funds are specifically excluded from the government-wide financial statements.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:
- Civil Filing Fees Fund – 450000
 - Agency Trust – 500001

² GASB Statement No. 34, paragraph 12.

Superior Court of California, County of San Luis Obispo Trial Court Operations Fund Balance Sheet (Unaudited)								
For the month ended June								
Fiscal Year 2013/14								2012/13
	Governmental Funds				Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue		Capital Project				
		Non-Grant	Grant					
ASSETS								
Operations	\$ (1,229,112)	\$ 1,134,061	\$ 0			\$ 2,278,299	\$ 2,183,248	\$ 2,574,107
Payroll	\$ 0						\$ 0	\$ 0
Jury Revolving	\$ 13,457						\$ 13,457	\$ 5,000
Other Distribution								
Civil Filing Fees						\$ 0	\$ 0	\$ 0
Trust						\$ (35,298)	\$ (35,298)	\$ (195,317)
Credit Card								
Cash on Hand	\$ 4,000						\$ 4,000	\$ 2,950
Cash with County								
Cash Outside of the AOC								
Total Cash	\$ (1,211,655)	\$ 1,134,061	\$ 0			\$ 2,243,000	\$ 2,165,407	\$ 2,386,741
Short Term Investment	\$ 1,556,379					\$ 245,771	\$ 1,802,150	\$ 3,094,947
Investment in Financial Institution								
Total Investments	\$ 1,556,379					\$ 245,771	\$ 1,802,150	\$ 3,094,947
Accrued Revenue	\$ 989	\$ 287				\$ 0	\$ 1,276	\$ 1,978
Accounts Receivable - General			\$ 0				\$ 0	\$ 0
Dishonored Checks								
Due From Employee	\$ 688						\$ 688	\$ 1,019
Civil Jury Fees								
Trust								
Due From Other Funds	\$ 794,161						\$ 794,161	\$ 232,511
Due From Other Governments	\$ 146,450	\$ 46,792					\$ 193,242	\$ 133,908
Due From Other Courts						\$ 0	\$ 0	\$ 0
Due From State	\$ 105,043	\$ 21,056	\$ 52,695				\$ 178,793	\$ 324,753
Trust Due To/From								
Distribution Due To/From								
Civil Filing Fee Due To/From	\$ 373						\$ 373	\$ 145,404
General Due To/From								
Total Receivables	\$ 1,047,704	\$ 68,134	\$ 52,695			\$ 0	\$ 1,168,533	\$ 839,572
Prepaid Expenses - General	\$ 0						\$ 0	\$ 0
Salary and Travel Advances								
Counties	\$ 0						\$ 0	\$ 0
Total Prepaid Expenses	\$ 0						\$ 0	\$ 0
Other Assets								
Total Other Assets								
Total Assets	\$ 1,392,428	\$ 1,202,195	\$ 52,695			\$ 2,488,771	\$ 5,136,090	\$ 6,321,260
LIABILITIES AND FUND BALANCES								
Accrued Liabilities	\$ 443,802	\$ 7,759	\$ 0				\$ 451,561	\$ 215,181
Accounts Payable - General	\$ 102,875	\$ 0	\$ 0			\$ 3,173	\$ 106,048	\$ 47,570
Due to Other Funds	\$ 19,286	\$ 46,433	\$ 52,695			\$ 676,119	\$ 794,534	\$ 377,915
Due to Other Courts								
Due to State	\$ 7,619						\$ 7,619	\$ 8,397
TC145 Liability						\$ 269,426	\$ 269,426	\$ 294,390
Due to Other Governments	\$ 45,396					\$ 197,089	\$ 242,485	\$ 808,000
AB145 Due to Other Government Agency								
Due to Other Public Agencies								
Sales and Use Tax	\$ 562						\$ 562	\$ 462
Interest						\$ 3	\$ 3	\$ 8
Miscellaneous Accts. Pay. and Accrued Liab.								
Total Accounts Payable and Accrued Liab.	\$ 619,539	\$ 54,193	\$ 52,695			\$ 1,145,812	\$ 1,872,238	\$ 1,751,922
Civil						\$ 1,074,022	\$ 1,074,022	\$ 928,084
Criminal						\$ 214,711	\$ 214,711	\$ 425,064
Unreconciled - Civil and Criminal								
Trust Held Outside of the AOC								
Trust Interest Payable						\$ 51,082	\$ 51,082	\$ 51,850
Miscellaneous Trust								
Total Trust Deposits						\$ 1,339,816	\$ 1,339,816	\$ 1,404,998
Accrued Payroll	\$ 317,655						\$ 317,655	\$ 246,706
Benefits Payable	\$ 1,130						\$ 1,130	\$ (1,883)
Deferred Compensation Payable	\$ 9,994						\$ 9,994	\$ 8,766
Deductions Payable	\$ 962						\$ 962	\$ 127,857
Payroll Clearing	\$ 0						\$ 0	\$ 6
Total Payroll Liabilities	\$ 329,740						\$ 329,740	\$ 381,453
Revenue Collected in Advance	\$ 0						\$ 0	\$ 170
Liabilities For Deposits	\$ 2,632					\$ 3,144	\$ 5,776	\$ 4,006
Jury Fees - Non-Interest						\$ 0	\$ 0	\$ 3,600
Fees - Partial Payment & Overpayment								
Uncleared Collections	\$ (11,983)						\$ (11,983)	\$ (125,078)
Other Miscellaneous Liabilities								
Total Other Liabilities	\$ (9,351)					\$ 3,144	\$ (6,207)	\$ (117,302)
Total Liabilities	\$ 939,929	\$ 54,193	\$ 52,695			\$ 2,488,771	\$ 3,535,588	\$ 3,421,070
Fund Balance - Nonspendable								
Fund Balance - Restricted	\$ 0	\$ 389,277					\$ 389,277	\$ 238,153
Fund Balance - Committed	\$ 0	\$ 0					\$ 0	\$ 4,132,184
Fund Balance - Assigned	\$ 2,510,912						\$ 2,510,912	\$ 0
Fund Balance - Unassigned	\$ 0	\$ 0	\$ 0				\$ 0	\$ 0
Excess (Deficit) of Rev. Over Expenses/Op. Transfers	\$ (2,058,413)	\$ 758,726	\$ 0				\$ (1,299,687)	\$ (1,470,147)
Total Fund Balance	\$ 452,500	\$ 1,148,003	\$ 0				\$ 1,600,502	\$ 2,900,189
Total Liabilities and Fund Balance	\$ 1,392,428	\$ 1,202,195	\$ 52,695			\$ 2,488,771	\$ 5,136,090	\$ 6,321,260

Source: Phoenix Financial System

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

For the month ended June											
Fiscal Year 2013/14											
	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	\$ 12,314,533	\$ 162,000					\$ 12,476,533	\$ 12,237,009	\$ 11,015,101	\$ 10,519,428	
Improvement and Modernization Fund	\$ 57,838						\$ 57,838	\$ 45,948	\$ 23,518	\$ 165,428	
Judges' Compensation (45.25)	\$ 90,000						\$ 90,000	\$ 90,000	\$ 86,875	\$ 82,500	
Court Interpreter (45.45)	\$ 340,512						\$ 340,512	\$ 353,861	\$ 325,425	\$ 380,596	
Civil Coordination Reimbursement (45.55)											
MOU Reimbursements (45.10 and General)	\$ 2,029,052						\$ 2,029,052	\$ 2,579,493	\$ 975,620	\$ 291,942	
Other Miscellaneous	\$ 298,958						\$ 298,958	\$ 298,958	\$ 364,696	\$ 249,107	
	\$ 15,130,893	\$ 162,000					\$ 15,292,893	\$ 15,605,269	\$ 12,791,235	\$ 11,689,001	
Grants											
AB 1058 Commissioner/Facilitator			\$ 414,169				\$ 414,169	\$ 378,370	\$ 372,324	\$ 378,370	
Other AOC Grants			\$ 32,055				\$ 32,055	\$ 32,055	\$ 29,685	\$ 19,573	
Non-AOC Grants											
			\$ 446,224				\$ 446,224	\$ 410,425	\$ 402,008	\$ 397,943	
Other Financing Sources											
Interest Income	\$ 10,277	\$ 1,093					\$ 11,370	\$ 2,600	\$ 9,891	\$ 3,700	
Investment Income											
Donations											
Local Fees	\$ 441,641	\$ 107,060					\$ 548,701	\$ 737,496	\$ 646,126	\$ 684,100	
Non-Fee Revenues	\$ 28,056	\$ 14,695					\$ 42,751	\$ 41,000	\$ 41,443	\$ 45,000	
Enhanced Collections		\$ 348,157					\$ 348,157	\$ 380,499	\$ 367,827	\$ 370,700	
Escheatment									\$ 72,164		
Prior Year Revenue	\$ (585,090)	\$ 585,090					\$ 0				
County Program - Restricted		\$ 42,901					\$ 42,901	\$ 51,000	\$ 50,766	\$ 50,000	
Reimbursement Other	\$ 263,717	\$ 102,860					\$ 366,576	\$ 120,156	\$ 230,538	\$ 233,324	
Sale of Fixed Assets											
Other Miscellaneous									\$ 13		
	\$ 158,600	\$ 1,201,856					\$ 1,360,455	\$ 1,332,751	\$ 1,418,768	\$ 1,386,824	
Total Revenues	\$ 15,289,492	\$ 1,363,856	\$ 446,224				\$ 17,099,572	\$ 17,348,445	\$ 14,612,012	\$ 13,473,768	
EXPENDITURES											
Personal Services											
Salaries - Permanent	\$ 8,711,054	\$ 82,858	\$ 279,726				\$ 9,073,638	\$ 8,814,079	\$ 8,324,604	\$ 8,164,923	
Temp Help								\$ 393,651		\$ 129,105	
Overtime	\$ 72,689						\$ 72,689		\$ 60		
Staff Benefits	\$ 4,830,934	\$ 40,824	\$ 263,153				\$ 5,134,911	\$ 5,397,326	\$ 4,845,313	\$ 5,193,919	
	\$ 13,614,676	\$ 123,682	\$ 542,879				\$ 14,281,238	\$ 14,605,056	\$ 13,169,977	\$ 13,487,947	
Operating Expenses and Equipment											
General Expense	\$ 600,900	\$ 2,517	\$ 5,947				\$ 609,365	\$ 564,605	\$ 470,133	\$ 455,900	
Printing	\$ 56,653	\$ 526					\$ 57,178	\$ 98,395	\$ 83,677	\$ 89,500	
Telecommunications	\$ 129,700						\$ 129,700	\$ 107,971	\$ 108,013	\$ 120,385	
Postage	\$ 101,874	\$ 1,005					\$ 102,879	\$ 114,250	\$ 108,684	\$ 104,500	
Insurance	\$ 6,359						\$ 6,359	\$ 5,500	\$ 5,526	\$ 5,000	
In-State Travel	\$ 10,932		\$ 2,101				\$ 13,033	\$ 1,450	\$ 4,946	\$ 1,850	
Out-of-State Travel	\$ 6,807						\$ 6,807				
Training	\$ 60		\$ 450				\$ 510		\$ 510	\$ 200	
Security Services	\$ 1,351	\$ 2,248					\$ 3,599	\$ 4,500	\$ 4,608	\$ 244,076	
Facility Operations	\$ 150,595	\$ 39,538					\$ 190,133	\$ 946,110	\$ 142,296	\$ 137,600	
Utilities	\$ 10,025						\$ 10,025	\$ 11,083	\$ 9,901	\$ 5,000	
Contracted Services	\$ 1,436,591	\$ 418,786	\$ 32,163				\$ 1,887,539	\$ 1,872,680	\$ 1,277,958	\$ 1,142,473	
Consulting and Professional Services	\$ 133,272						\$ 133,272	\$ 128,497	\$ 129,015	\$ 607,086	
Information Technology	\$ 794,048	\$ 13,200					\$ 807,248	\$ 890,168	\$ 346,991	\$ 77,375	
Major Equipment	\$ 65,417						\$ 65,417	\$ 369,159	\$ 122,626	\$ 7,500	
Other Items of Expense	\$ 6,078						\$ 6,078	\$ 6,500	\$ 6,904	\$ 8,700	
	\$ 3,510,664	\$ 477,820	\$ 40,661				\$ 4,029,145	\$ 5,120,868	\$ 2,821,788	\$ 3,007,145	
Special Items of Expense											
Grand Jury											
Jury Costs	\$ 88,872						\$ 88,872	\$ 90,000	\$ 90,394	\$ 95,000	
Judgements, Settlements and Claims											
Debt Service											
Other	\$ 4						\$ 4				
Capital Costs											
Internal Cost Recovery	\$ (100,196)	\$ 3,627	\$ 96,568				\$ 0		\$ 0		
Prior Year Expense Adjustment											
	\$ (11,320)	\$ 3,627	\$ 96,568				\$ 88,876	\$ 90,000	\$ 90,394	\$ 95,000	
Total Expenditures	\$ 17,114,020	\$ 605,130	\$ 680,108				\$ 18,399,258	\$ 19,815,924	\$ 16,082,159	\$ 16,590,992	
Excess (Deficit) of Revenues Over Expenditures	\$ (1,824,528)	\$ 758,726	\$ (233,885)				\$ (1,299,687)	\$ (2,467,479)	\$ (1,470,147)	\$ (3,116,324)	
Operating Transfers In (Out)	\$ (233,885)		\$ 233,885				\$ 0	\$ 0	\$ 0	\$ 0	
Fund Balance (Deficit)											
Beginning Balance (Deficit)	\$ 2,510,912	\$ 389,277	\$ 0				\$ 2,900,189	\$ 2,900,189	\$ 4,370,337	\$ 4,370,337	
Ending Balance (Deficit)	\$ 452,500	\$ 1,148,003	\$ 0				\$ 1,600,502	\$ 432,710	\$ 2,900,189	\$ 1,254,013	

Source: Phoenix Financial System

Superior Court of California, County of San Luis Obispo
Trial Court Operations Fund
Statement of Program Expenditures
(Unaudited)

	For the month ended June									
	Fiscal Year 2013/14							2012/13		
	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	\$ 5,088,608	\$ 264,305			\$ 13,571		\$ 5,366,484	\$ 5,122,860	\$ 5,077,799	\$ 4,600,515
Traffic & Other Infractions	\$ 320,514	\$ 128,896					\$ 449,410	\$ 676,170	\$ 540,876	\$ 667,467
Other Criminal Cases	\$ 2,424,864	\$ 120,763					\$ 2,545,627	\$ 2,615,473	\$ 2,274,793	\$ 2,302,225
Civil	\$ 1,195,484	\$ 55,278					\$ 1,250,762	\$ 1,429,596	\$ 1,379,525	\$ 1,612,432
Family & Children Services	\$ 1,552,746	\$ 213,659			\$ (13,571)		\$ 1,752,833	\$ 1,596,686	\$ 1,696,034	\$ 1,631,630
Probate, Guardianship & Mental Health Services	\$ 310,032	\$ 1,149					\$ 311,181	\$ 234,577	\$ 245,329	\$ 336,966
Juvenile Dependency Services	\$ 67,614	\$ 35					\$ 67,649	\$ 83,311	\$ 5,400	\$ 89,095
Juvenile Delinquency Services	\$ 8,929						\$ 8,929	\$ 71,822		
Other Court Operations	\$ 334,263						\$ 334,263	\$ 408,644	\$ 163,604	\$ 345,248
Court Interpreters	\$ 360,331	\$ 63,701					\$ 424,032	\$ 364,401	\$ 335,020	\$ 380,596
Jury Services	\$ 244,632	\$ 83,674	\$ 88,872				\$ 417,179	\$ 383,860	\$ 356,635	\$ 297,073
Security		\$ 5,924					\$ 5,924		\$ 19,440	\$ 245,076
Trial Court Operations Program	\$ 11,908,018	\$ 937,384	\$ 88,872		\$ 0		\$ 12,934,274	\$ 12,987,400	\$ 12,094,456	\$ 12,508,323
Enhanced Collections	\$ 68,713	\$ 279,445					\$ 348,157	\$ 380,499	\$ 367,827	\$ 370,700
Other Non-Court Operations		\$ 2,298					\$ 2,298		\$ 4,075	
Non-Court Operations Program	\$ 68,713	\$ 281,743					\$ 350,455	\$ 380,499	\$ 371,902	\$ 370,700
Executive Office	\$ 720,929	\$ 8,583					\$ 729,512	\$ 1,197,981	\$ 646,071	\$ 671,267
Fiscal Services	\$ 438,009	\$ 71,433	\$ 4				\$ 509,445	\$ 418,319	\$ 449,232	\$ 448,537
Human Resources	\$ 302,717	\$ 15,098					\$ 317,815	\$ 274,883	\$ 302,506	\$ 398,353
Business & Facilities Services		\$ 688,125			\$ 0		\$ 688,125	\$ 1,399,302	\$ 498,898	\$ 531,275
Information Technology	\$ 842,853	\$ 2,026,779					\$ 2,869,632	\$ 3,157,540	\$ 1,719,094	\$ 1,661,637
Court Administration Program	\$ 2,304,507	\$ 2,810,018	\$ 4		\$ 0		\$ 5,114,529	\$ 6,448,025	\$ 3,615,801	\$ 3,711,069
Expenditures Not Distributed or Posted to a Program										
Prior Year Adjustments Not Posted to a Program										
Total	\$ 14,281,238	\$ 4,029,145	\$ 88,876		\$ 0		\$ 18,399,258	\$ 19,815,924	\$ 16,082,159	\$ 16,590,092

Source: Phoenix Financial System

PURPOSE AND SCOPE

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

- Designed and implemented an internal control structure that can be relied upon to ensure the reliability and integrity of information; compliance with policies, procedures, laws and regulations; the safeguarding of assets; and the economical and efficient use of resources.
- Complied with the FIN Manual, JBCM, and locally-established written policies and procedures.
- Complied with various statutes and California Rules of Court.

The scope of audit work included reviews of the Court's major functional areas, including: cash collections and distribution, exhibits handling, contract administration, accounts payable, payroll processing, financial management, information technology, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2013–2014.

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

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on August 19, 2014.

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

Audit fieldwork commenced on August 25, 2014 and completed in December 2014.

Preliminary results were communicated and discussed with Court management during the course of the review. An exit meeting to review the draft report and audit results was held on February 26, 2015, with the following Court individuals:

- Susan Matherly, Executive Officer
- Michelle Frazier, Fiscal Services Director

Audit Services received the Court's final management responses to our issues and recommendations on February 20, 2015. Audit Services incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the completed audit report for its review and comment. On February 26, 2015, Audit Services

received the Court's final comments and suggestions concerning its review of the audit report and the Court indicated it did not consider another review of the report necessary before Audit Services presented the report to the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch and then to the Judicial Council for acceptance and posting to the California Courts web site.

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

Fae Li, Senior Auditor (auditor-in-charge)

Gregory Kelley, Auditor II

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Background

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

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

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

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

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

There were no issues to report to management.

2. Fiscal Management and Budgets

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Liability – Personnel Services				
374101 RETIREMENT CONTRIBUTIONS	(962)	(6)	956	14977%
374101 RETIREMENT CONTRIBUTIONS		(124,087)	(124,087)	-100%
374201 VOLUNTARY DEDUCTIONS EE		(1,571)	(1,571)	-100%
374301 PAYROLL TAXES EE & ER		(1,923)	(1,923)	-100%
374603 UNION DUES		(276)	(276)	-100%
374702 BENEFITS PAYABLE-MEDICAL	68		68	n/a
374703 BENEFITS PAYABLE-DENTAL E	106		106	n/a
374704 BENEFITS PAYABLE-VISION E	61		61	n/a
374705 BENEFITS PAYABLE-LIFE EE	397		397	n/a
374706 BENEFITS PAYABLE-FLEX SPE	(1,989)	1,883	106	6%
374707 BENEFITS PAYABLE-LTD EE A	228		228	n/a
374801 DEFERRED COMPENSATION PAY	(9,994)	(8,766)	1,227	14%
375001 ACCRUED PAYROLL	(317,655)	(246,706)	70,948	29%
Expenditures – Personnel Services				
* 900300 - SALARIES - PERMANENT	8,509,517	7,803,678	705,839	9%
* 906300 - SALARIES - JUDICIAL OFFI	564,121	520,926	43,195	8%
* 908300 - OVERTIME	72,689	60	72,629	121800%
** SALARIES TOTAL	9,146,327	8,324,663	821,664	10%
* 910300 - TAX	651,266	584,955	66,310	11%
* 910400 - HEALTH INSURANCE	1,226,266	1,226,776	(511)	0%
* 910600 - RETIREMENT	2,965,461	2,813,203	152,258	5%
* 912500 - WORKERS' COMPENSATION	179,882	169,321	10,561	6%
* 912700 - OTHER INSURANCE	41,819	49,955	(8,136)	-16%
* 913800 - OTHER BENEFITS	70,217	1,103	69,115	6268%
** STAFF BENEFITS TOTAL	5,134,911	4,845,313	289,598	6%
*** PERSONAL SERVICES TOTAL	14,281,238	13,169,977	1,111,261	8%

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

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

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

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

Background

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

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

Issue

The Court offers a taxable Wellness/Fitness Benefit that reimburses certain eligible employees up to \$200 within a 12 month period for one of four health maintenance alternatives. Specifically, eligible employees may claim reimbursement for costs of (1) a health care examination, (2) a non-transferable weight control/nutrition counseling program, (3) a smoking cessation program, or (4) authorized physical fitness/wellness activities such as fitness center (gym) membership, stress management program, community recreation department program, or formalized fitness program. The Court issued reimbursements totaling \$3,655 in fiscal year 2013–2014.

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

Recommendation

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

Superior Court Response By: Michelle Frazier Date: February 19, 2015

Response from San Luis Obispo Superior Court

Wellness Program – IM-9

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control Number	Date of Actual or Planned Corrective Action	Assigned to:	Court Response
1.	No date for corrective action has been established at this time.	Administrative Staff	While the court appreciates the input from the Audit Division, the court plans no changes to the Wellness Program at this time. During negotiations in the future, this item will be reviewed to see if the program can be redefined to include the suggestions in this memo, this review may include seeking an opinion from Legal Services.

3. Fund Accounting

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Fund Balance				
535001 RESERVE FOR ENCUMBR	(278,983)	0	278,983	n/a
552001 FUND BAL-RESTRICTED	(389,277)	(238,153)	151,124	63%
552002 FUND BAL-COMMITTED	0	(4,132,184)	(4,132,184)	-100%
553001 FUND BAL-ASSIGNED	(2,510,912)	0	2,510,912	n/a
615001 ENCUMBRANCES	278,983	0	278,983	n/a
700000..999999				
0000700000..0000999999	1,299,687	1,470,147	(170,461)	-12%
** Fund Balances	(1,600,502)	(2,900,189)	(1,299,687)	-45%

We reviewed the Court's financial reports and certain supporting documentation to determine whether the Court properly accounted for its financial resources and expenditures in the appropriate general and special revenue funds.

There were no issues to report to management.

4. Accounting Principles and Practices

Background

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

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

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Assets				
130001 A/R-ACCRUED REVENUE	1,276	1,978	(702)	-35%
131601 A/R - DUE FROM EMPLOYEE	688	1,019	(331)	-32%
140011 OPERATIONS-DUE FROM TRUST	373	145,404	(145,031)	-100%
140014 GENERAL-DUE FROM SPECIAL	118,414	232,511	(114,097)	-49%
140016 OPERATIONS-DUE FROM AGENC	675,747		675,747	n/a
150001 A/R - DUE FROM OTHER GOVE	193,242	133,908	59,334	44%
152000 A/R-DUE FROM STATE	178,793	324,753	(145,960)	-45%
*** Accounts Receivable	1,168,533	839,572	328,961	39%
Revenue and Reimbursements				
** 812100-TCTF - PGM 10 OPERATIONS	(12,476,533)	(11,015,101)	1,461,432	13%
** 816000-OTHER STATE RECEIPTS	(298,958)	(364,696)	(65,738)	-18%

**	821000-LOCAL FEES REVENUE	(548,701)	(646,126)	(97,426)	-15%
**	821200-ENHANCED COLLECTIONS - REV	(348,157)	(367,827)	(19,670)	-5%
**	822000-LOCAL NON-FEES REVENUE	(42,751)	(41,443)	1,307	3%
**	823000-OTHER - REVENUE		(72,176)	(72,176)	-100%
**	825000-INTEREST INCOME	(11,370)	(9,891)	1,479	15%
***	TRIAL COURTS REVENUE SOURCES	(13,726,469)	(12,517,261)	1,209,208	10%
**	831000-GENERAL FUND - MOU/REIMBUR	(137,233)	(128,552)	8,682	7%
**	832000-PROGRAM 45.10 - MOU/REIMBU	(1,891,818)	(847,069)	1,044,750	123%
**	833000-PROGRAM 45.25 - REIMBURSEM	(90,000)	(86,875)	3,125	4%
**	834000-PROGRAM 45.45 - REIMBURSEM	(340,512)	(325,425)	15,087	5%
**	837000-IMPROVEMENT FUND - REIMBUR	(57,838)	(23,518)	34,320	146%
**	838000-AOC GRANTS - REIMBURSEMENT	(446,224)	(402,008)	44,215	11%
**	840000-COUNTY PROGRAM - RESTRICTE	(42,901)	(50,766)	(7,865)	-15%
**	860000-REIMBURSEMENTS - OTHER	(366,576)	(230,538)	136,038	59%
***	TRIAL COURTS REIMBURSEMENTS	(3,373,102)	(2,094,751)	1,278,352	61%
****	REVENUE TOTAL	(17,099,572)	(14,612,012)	2,487,560	17%
Other Financing Sources					
***	701100 OPERATING TRANSFERS IN	(3,032,499)	(2,036,354)	(996,145)	-49%
***	701200 OPERATING TRANSFERS OUT	3,032,499	2,036,354	996,145	49%
****	OTHER FINANCIAL SOURCES (USES)	0	0	0	n/a

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

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

4.1 The Court Did Not Appropriately Record or Report Certain Financial Transactions

Background

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

FIN 5.01 identifies various accounting principles on financial resources recognition, expenditure recognition, inter-fund transfers, encumbrances, financial reporting, and year-end procedures. For example, section 6.3 on financial resources recognition provides guidelines and examples for recording funds received as revenues, reimbursements, or abatements. Whereas funding received for services provided to other entities are to be

recorded as reimbursements; refunds, rebates, certain employee payments, and other limited situations are to be recorded as abatements that reduce the original expenditure general ledger account.

Section 6.4 on expenditure recognition requires courts to recognize expenditures in the fiscal year during which goods are received or services are rendered. Courts may use the cash basis of recognizing expenditures throughout the year and must accrue appropriate amounts at fiscal year-end. If material expenditures are excluded from the financial records, it is preferred that courts recognize expenditure accruals on a quarterly basis. Each fiscal year should bear its fair share of on-going expenditures.

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

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

Issues

Our review of the Court's financial accounting and reporting controls and procedures, select fiscal year 2013 – 2014 transactions, and external financial reports identified the following issues:

1. The Court inappropriately accrued year-end expenditures and related reimbursements of nearly \$400,000 for its case and document management systems replacement project. It simply accrued contract amounts that had not yet been invoiced, and therefore should have been reported as an encumbrance rather than an accrual. As a result, total fiscal year revenues/reimbursements and expenditures were overstated by nearly 2.3 and 2.2 percent, respectively.
2. The Court incorrectly reported certain financial information for inclusion in the State's CAFR for the period ending June 30, 2014. The information is not tracked in the financial system and therefore must be manually tracked.
 - Additions to fixed assets were overstated by almost \$49,000 because the Court misclassified copier purchases as major equipment in the financial system. With the exception of one copier that exceeded \$5,000, the remaining copiers purchased were each under \$5,000 and therefore should have been recorded as minor equipment expenditures.

- Sick leave liability was overstated by \$27,000 because the Court incorrectly included those employees with less than five years of service. According to its personnel policies and procedures, the Court is only obligated to pay out earned sick leave for employees with five or more years of services upon separation.
 - The Court did not report current year lease payments of at least \$6,500 as well as possible future year lease payments.
3. The Court incorrectly recorded reimbursements received from the County for grand jury expenditures as reductions to jury expenditures (abatements), and reduced the incorrect jury expenditure accounts in two instances. As a result, grand jury expenditures and reimbursements were understated by over \$5,600, and two jury expenditure accounts had abnormal credit balances at year-end.
 4. The Court did not record reimbursements and expenditures for three grants that exceeded \$223,000 it received from the County in the Local Government Grant Fund 190400, nor did it establish unique WBS elements to separately track these grant transactions that were recorded in its general fund. As a result, the Court was unaware it received a duplicate grant reimbursement until our review.

Recommendations

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

1. During the year-end closing process, only accrue expenditures for which goods have been received or services have been rendered as of June 30th. Contractual amounts for which goods have not been received or services have not been rendered by June 30th, except for time and materials contracts, should be encumbered.
2. We recommend the following to ensure appropriate financial information is included in the State CAFR:
 - Adjust the fixed asset balance in the upcoming CAFR worksheet by the overstated amount. Going forward, review purchasing documents and invoices for general ledger expenditure accounts typically reported as fixed assets to ensure that these expenditures have been properly classified.
 - Include only earned sick leave for employees with five years or more of service in the sick leave liability calculation.
 - Include current and future operating and capital lease expenditures, except leases the Judicial Council entered into on behalf of the Court, in the CAFR worksheet.

3. Record grand jury expenditures and related reimbursements in the appropriate general ledger accounts, and consider establishing the Grand Jury special revenue fund 120005 to track these transactions.
4. Establish the Local Government Grant Fund 190400 to track grant expenditures and related reimbursements received from the County, and establish unique WBS element codes for each grant. This should improve the “visibility” of the financial activities for such grants and help prevent the recurrence of the issue noted.

Superior Court Response By: Michelle Frazier Date: 01/16/2015

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control Number	Date of Corrective Action	Assigned to:	Court Response
1.	06/2/2015	Patsy Glenn	The Court agrees with the recommendation to accrue expenditures for goods received or services rendered by June 30 th , and to encumber any other items or services.
2.	08/31/2015	Patsy Glenn	The CAFR completed in August 2015 will adjust the overstatement of fixed assets, exclude the sick leave accruals for employees with less than 5 years of service, and will include the Kimball Lease expenses as a capital lease.
3.	01/02/2015	Brenda Keene	All grand jury expenditures will be coded to the appropriate general ledger accounts.
4.	01/02/2015	Connie McNamara	WBS elements will be created to track expenditures and reimbursements for local government grants.

5. Cash Collections

Background

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

The Court accepts payments and deposits from the public and records the transactions in its case management system (CMS). Amounts are deposited daily either in the County Treasury or Judicial Council-managed bank account depending on the type of payment or deposit, and then distributed to the appropriate government entities monthly. We assessed the Court's cash handling controls and practices through interviews, observations, review of documents, and transaction testing. Specific controls and practices reviewed include, but are not limited to, the following:

- Beginning-of-day opening.
- Payment processing.
- End-of-day closeout, balancing, and reconciliation.
- Bank deposit preparation.
- Segregation of cash handling duties.
- Security of cash and other court assets
- Physical and logical security of cashiering areas and information systems.

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

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

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

Background

To protect the integrity of the court and its employees and promote public confidence, the FIN Manual, FIN 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public.

Change Funds

FIN 10.02, 6.3.1 allows courts to establish a change fund in each location that collects payments. The change fund must not be co-mingled with any other fund, only be used for making change, and be adequately safeguarded. The CEO or his or her designee must appoint a custodian for each fund exceeding \$500 at any separately managed location. The custodian is personally responsible for the safekeeping, replacement, disbursement, and accounting of the fund; and must have no other cash handling responsibilities. Additionally, the custodian must keep detailed records to document when the fund is established and replenished, the amount and denomination of currency and coin held in the fund, when change is made to cashiers, and exchanges with the central accounting department or bank. The custodian must also verify that the change fund monies at the end of each day reconcile to the day's beginning balance in the presence of a manager or supervisor. Lastly, a separate court employee should periodically count the change fund and report to the Fiscal Officer.

Void Transactions

Section 6.3.8 requires a supervisor to review and approve all voided transactions. Additionally, the court is required to retain all void receipts, including the details of any re-receipting of the original voided transaction for the lesser of five years. Where possible, the security access levels to the trial court's CMS should be adjusted so that supervisory employees must approve a void before it takes effect in the system.

Manual Receipts

Section 6.3.9 provides procedures for receiving and safeguarding payments during automated system down time. Specifically, in the case of a failure of the automated accounting system, the supervisor or designated employee will issue books of pre-numbered receipts to cashiers. The cashier issues handwritten receipts to customers and is also required to retain a copy of the receipt. The supervisor issuing the receipt books of pre-numbered receipts will monitor and maintain an accounting of the receipt books including; the receipt book(s) issued, to whom the receipt book(s) was given, the date given, the person returning the book(s), the receipts used within each book and the date on which the receipt book(s) are returned. Payments taken in during system down time must be secured and kept separate until handwritten receipt transactions may be processed into the system as soon as possible after the system is restored.

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.

Surprise Cash Counts

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

Payments Received Through the Mail

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

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

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

Alternative Procedures

Finally, courts may develop an alternative procedure in place of following a mandatory FIN Manual procedure, but must submit the proposed alternative procedure for approval in accordance with the process provided in FIN 1.01, 6.4 (4). The paragraph further states that unapproved alternative procedures are not valid for audit purposes.

Issues

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

Change Funds

1. The change fund custodian did not count the fund in the presence of a supervisor or manager. Although fiscal staff verifies change funds quarterly, change fund custodians are required to count their funds daily. Additionally, although the change fund custodian of each department was oftentimes a supervisor or lead, she should verify the fund with a manager, director, or another supervisor.
2. The Fiscal Department change fund used to provide change for other departmental change funds was counted only monthly. If change is not made daily, then at a minimum the fund should be counted each day change is made. Furthermore, no adding machine tape or other documentation was retained to demonstrate the most recent July count occurred.
3. Although the Fiscal and Criminal Department change fund custodians maintain funds exceeding \$500, they had other conflicting cash handling duties. They also did not maintain all detailed records required in FIN 10.02, 6.3.1(5)(b). For example, since the fiscal change fund was only counted monthly, as opposed to each day change is made, a record of the amount and denomination of currency and coin held in the fund and when change was last made was not maintained.
4. VOIDS and REVERSALS – Although the Court has restricted void and reversal access in the system to leads and above, and fiscal staff; it lacks sufficient management oversight of these transactions to ensure that they are performed appropriately. This is especially a concern for those individuals with void and reversal capabilities who also have access to cash collections and are responsible for verification and reconciliation activities, such as fiscal staff that prepare and deliver the daily deposit.

Balancing and Closeout Verification

5. In addition to having void and reversal capabilities noted earlier, some supervisors and leads have incompatible duties of cashiering and performing end-of-day balancing and closeout verification. Since the CMS requires cashiers to perform a "blind close" where they reconcile their collections to the CMS totals without access to the transactions entered, cashiers do not have to verify their closeout and balancing with a supervisor. However, leads and supervisors may run CMS collection reports, thus overriding the system's blind close controls.

- We also identified one clerk at the Paso Robles branch who may cashier and run CMS collection reports as backup to the supervisor and lead, so he may also override the system's blind close control.

Bank Deposit

6. In addition to having void and reversal capabilities, cashiering, and performing end-of-day balancing and closeout verification; the supervisor at the Paso Robles branch has the incompatible duty of preparing the daily deposit.
7. The fiscal staff delivering the deposit to the County lacked adequate security. The fiscal staff walks the deposit unaccompanied at approximately the same time each workday to The County Treasurer located across the street.

Manual Receipts

8. Although each department has a manual receipt book used during system down time that is properly secured by a supervisor or lead, a receipt issuance log is not maintained to control and account for receipt use by cashiers. There is also no evidence of supervisory review, such as by attaching the CMS receipt or noting the CMS receipt number in the receipt book or log, to ensure that manual receipts were entered into the CMS.
9. The Civil Department's manual receipt book designated for lodged wills was not properly controlled but accessible to cashiers. These receipts cannot be differentiated from manual receipts used for system down time, and due to lack of management control or oversight may be vulnerable to misuse.

Mail payment processing and escalation

10. The Court has not implemented the mandatory FIN Manual procedure for monitoring of unprocessed mail payments. Although department supervisors and leads informally monitor mail payments and may report significant backlogs to management, the FIN Manual requires each department to log payments unprocessed for more than 5 days, report monthly unprocessed payments more than 15 days to the Fiscal Director, and escalate to the CEO unprocessed payments more than 30 days. However, the Court has indicated that payments beyond 30 days were rare, while the Criminal Department did not have unprocessed payments beyond 5 days.
11. With the exception of the Criminal Department, the same clerk assigned to open and sort mail may also later process some of those mailed-in payments into the system. The FIN Manual requires these duties to be segregated.
12. Oversight of fine and fee modifications – The Court lacks adequate management oversight of credits applied toward criminal and traffic fines and fees, and waivers of civil fees, to ensure they are appropriate and properly supported:

- Operations and fiscal staff, including cashiers, have the ability to apply credits toward criminal and traffic fines and fees thus suspending or reducing fines and fees owed, which if not adequately monitored may be subject to misuse. We identified a similar issue in our prior audit, but the legacy system in use at the time lacked sufficient reporting capabilities for adequate management oversight. The current CMS may produce adequate management reports.
- Civil department staff, including cashiers, has the ability to waive civil fees owed in the system for parties receiving fee waivers. The director indicated that supervisory review of all new filings include verification that fee waivers are supported by completed application and approval forms. Although there appears to be management oversight of initial fee waivers, it lacks oversight of subsequent fees waivers for parties with existing filings.

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

Recommendations

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

Change Funds

1. Require change fund custodians who may be leads or supervisors to verify their change funds in the presence of another supervisor, a manager, or a director.
2. Require the custodian of the fiscal change fund to verify the fund at the end of each day change is made. If the change fund is not used to make change at least weekly, then consider reducing the fund amount.
3. Ensure custodians of change funds exceeding \$500 do not have other conflicting cash handling duties, and maintain all detailed records required in FIN 10.02, 6.3.1(5)(b). The Court may also consider assigning the Veteran's Hall change fund to another custodian so that the Criminal Department custodian's change fund remains below \$500.
4. VOIDS and REVERSALS – Implement a management monitoring procedure that includes periodically reviewing select voids and reversals performed by users with access to collections and perform verification and reconciliation activities, such as deposit preparation.

Balancing and Closeout Verification

5. Require supervisors and leads who take in counter payments to verify the end-of-day balancing and closeout for the cash they collected with another supervisor or manager. The Court may also consider transferring the responsibility for verifying end-of-day balancing and closeout of Civil and Family Law cashiers to the department manager who does not cashier.

- Consider disabling collection report access for the Paso Robles branch clerk and instead designate a manager or director to back up the Paso Robles branch supervisor and lead.

Bank Deposit

6. Require a secondary review of the deposit at the Paso Robles branch by the lead clerk prior to pick up by the Court's armored car service.
7. Require fiscal staff delivering the deposit to the County building to be escorted by security personnel or another Court staff.

Manual Receipts

8. Require the lead or supervisor who controls the manual receipt book in each department to maintain a receipt issuance log in accordance with FIN 10.02, 6.3.9 to monitor the use of the manual receipt book; and to timely review the receipts used to ensure that receipts have been entered into the CMS. To evidence this review, the supervisor or lead may consider attaching the CMS receipt to each manual receipt, or noting the CMS receipt number and date on each manual receipt or log.
9. Secure and control the Civil Department manual receipt book used for lodged wills, or consider replacing with a manual receipt book that may be easily distinguished from receipt books used during system down time.

Mail payment processing and escalation

10. Implement the procedure for monitoring and reporting of unprocessed payments provided in FIN 10.02, 6.4.4 in each department that takes in mail payments, to ensure unprocessed payments are properly tracked and significant backlogs are appropriately escalated and addressed.
11. Segregate the responsibilities for opening mail and processing the payments into the CMS.
12. Oversight of fine and fee modifications – Implement a management monitoring procedure that includes periodically generating CMS reports of credits and subsequent fee waivers, and reviewing sample transactions for appropriateness.
13. Surprise cash counts – Implement surprise cash counts in accordance with procedures provided in FIN 10.02, 6.3.12.

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

Superior Court Response By: Michelle Frazier

Date: 12/03/2014

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control Number	Date of Corrective Action	Assigned to:	Court Response
1.	10/10/2014	M. Frazier, CFO	All daily fund counts are now performed in the presence of another supervisor, manager or director and a log is maintained with both signatures for each change fund.
2.	10/10/2014	M. Frazier, CFO	The fiscal change fund is counted daily at the beginning of each day and adding machine tapes are dated to confirm count.
3.	10/10/2014	M. Frazier, CFO	Criminal Manager was assigned as change fund custodial for two change funds (which resulted in the total funds exceeding \$500), she has been relieved of the responsibility for one of the funds and an additional change fund custodian has been assigned. Additionally, the Fiscal change fund exceeding \$500 has been reassigned to a fiscal staff with no cash handling responsibilities. A formal count is performed monthly for the change fund which exceeded \$500 and signed forms confirming the count are maintained by the CFO.
4.	10/10/2014	M. Frazier, CFO	Only lead workers, supervisors, managers and directors can void transactions. Supervisor run and review reports daily of all cashing activity including voids. All void and reversal transactions entered by deposit staff is reviewed and verified by accountant in fiscal department daily.
5.	10/10/2014	M. Frazier, CFO	This was caused by some recent retirements and new promotions. All new supervisors have been relieved of cashing duties to eliminate conflicts. On the occasion that a supervisor is required to cashier they have been instructed to have another supervisor verify the end of day balancing. Security level of this cashier has been changed to ensure he performs a blind close. The civil department manager or SLO Fiscal staff will provide backup when branch supervisor and lead worker are out of the office.

6.	10/10/2014	M. Frazier, CFO	When the supervisor prepares the deposit it is now verified by the lead worker as a secondary review.
7.	10/10/2014	M. Frazier, CFO	Bailiff staff now walks fiscal staff to county treasurer's office.
8.	10/10/2014	M. Frazier, CFO	<p>The court does maintain a log for receipt books assigned to each unit. Additional logs have been created for the supervisors to log each assigned receipt used by the cashiers. Only one receipt book at a time is assigned to any court section/supervisor.</p> <p>All supervisors have been instructed to review all manual receipts used and confirm funds have been entered into the Case Management system. Supervisors will initial and date each receipt to confirm review.</p>
9.	10/10/2014	M. Frazier, CFO	Special receipt books were purchased for use in receiving Wills only. The books are clearly marked for Wills, and the \$ filed has been blacked out to prevent use for cash receipts.
10.	10/10/2014	M. Frazier, CFO	All departments are now required to log unprocessed mail payments held more than 5 days and notify their department head weekly. The Department notifies the CEO and CFO in the management team meeting.
11.	10/10/2014	M. Frazier, CFO	All Court departments receiving mail payments have been instructed not to allow clerks who open mail to enter the mail payments into the case management system.
12.	10/10/2014	M. Frazier, CFO	Monthly reports are now generated listing all credits entered and reviewed by fiscal staff accountant to ensure the proper support is scanned in or documented in the system.
13.	10/10/2014	M. Frazier, CFO	Monthly reports are now generated listing all fee waivers entered and reviewed by fiscal staff accountant to ensure the proper signed and approved fee waiver document is on file in the system.
14.	10/10/2014	M. Frazier, CFO	Fiscal staff is now performing surprise cash counts randomly in each court department. This also allows the fiscal staff to confirm that the opening cash count logs; receipt logs and change fund custodial daily count logs are being maintained in each location.

5.2 Certain Comprehensive Collection Program Activities Were Not Timely, Consistently Performed, or Compliant

Background

Penal Code section 1463.010(a) requires the Judicial Council (council) to adopt guidelines for a comprehensive program concerning the collection of monies owed for fees, fines, forfeitures, penalties, and assessments imposed by court order. In addition, as part of its guidelines, the council may establish standard agreements for entities to provide collection services. Section (b) requires courts and counties to maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the court and county. The program may be in whole or in part staffed and operated in the court itself, in the county, or contracted with a third party. Also, in carrying out its collection program, each court and county is required to develop a cooperative plan to implement the council guidelines. Section (c) requires the council to develop performance measures and benchmarks to review the effectiveness of the cooperative court and county collection programs operating pursuant to this section. Further it requires each court and county to jointly report to the council information requested in a reporting template on an annual basis.

The standards by which a court or county may recover the costs of operating a comprehensive collection program are provided in Penal Code section 1463.007. Costs may be recovered from the collection of delinquent court-ordered fees, fines, forfeitures, penalties, and assessments before revenues are distributed to another government entity. A comprehensive collection program must meet the following requirements:

1. Be a separate and distinct revenue collection activity that identifies total collections received from qualifying accounts and their related operating costs;
2. Meets the criteria provided in Penal Code sections 1463.007(c)(1) through (c)(3), and engages in at least 5 of the 11 collection activity components identified in section (c)(4).

Issues

The Court and the County Probation Department entered into a memorandum of agreement to establish each party's rights and responsibilities for collection and distribution. Specifically, the Court agreed to collect and distribute fines and fees for criminal bench/summary probation cases or traffic court cases, and the County Probation Department agreed to collect and distribute restitution, fines and fees for formal probation cases, and fines and fees for criminal bench/summary probation cases when restitution is ordered. Furthermore, the Court participates in the council's master services agreement with a private collection agency for collection of delinquent accounts. During our review of the Court's collection activity, we identified the following areas for improvement:

1. The Court has not established written policies and procedures for its comprehensive collections program. The Court implemented a new CMS in January 2014, which resulted in changes to its comprehensive collections activity, but has not established updated policies and procedures to reflect these changes. Additionally, lack of

documented procedures may have also resulted in program activities not being timely or consistently performed as detailed below.

2. The Court did not timely refer all delinquent criminal and traffic cases to the private collections agency. The Court resumed referring delinquent criminal cases to the collection agency on July 31, 2014 since implementing its new CMS in January 2014. However, at the time of our review in October 2014 the Court had not yet resumed referral of delinquent traffic cases. Since the Court does not have staff dedicated to collection of delinquent accounts and relies on the collection agency to perform some of the comprehensive collection program activities, such as attempting telephone contact with delinquent debtors to inform them of their delinquent status and payment options, significant delays in referrals may negatively impact the effectiveness of collection efforts.
3. The Court did not timely or consistently notify the DMV of individuals' failure-to-pay before referring delinquent criminal accounts to the collection agency. One of the council's approved collections best practices is to participate in a program that authorizes the DMV to suspend or refuse to renew driver's licenses for individuals with unpaid fees, fines, or penalties. The Court's practice is to notify the DMV when an individual fails to make timely payment. However, we reviewed 10 selected cases referred to the collection agency on July 31, 2014 and October 7, 2014 and found the Court did not notify the DMV in 4 instances, and did not timely notify the DMV in another 2 instances. The remaining 4 cases were not vehicle code violations and therefore non-reportable. The Court informed us that since its CMS does not have connectivity with the DMV, Court staff manually notifies the DMV. The inconsistent and delayed notifications may be due to staffing shortages and time demands required for the manual process.
4. The Court's method for recovering its collections costs did not comply with Penal Code section 1463.007 as it deducted the costs from all revenue collected instead of only from delinquent account revenue. During our review of the Court's recent cost recovery documentation, we noted that the Court recovered the commission paid to the private collection agency and license fee for its collections software. However, the Court has not recovered additional costs that may qualify for recovery, such as staff time dedicated to comprehensive collection program activities because it had not prepared appropriate documentation to justify these costs.

Recommendations

We recommend the Court do the following to ensure its comprehensive collection program is operating efficiently and effectively, and complies with statutory requirements:

1. Establish written policies and procedures for its comprehensive collection program.
2. Resume timely and regular referral of delinquent traffic cases to the private collection agency.

3. Continue efforts to established automated procedures for notifying the DMV of individual's failure to pay or appear. In the interim, re-evaluate its manual DMV notification procedures to ensure timely notification is sent for delinquent criminal and traffic cases.
4. Implement a process to separately identify, report, and distribute revenue collected on delinquent court-ordered fees, fines, forfeitures, penalties, and assessments so that it may recover associated costs from these revenue. The Court should also consider documenting and recovering staffing and other costs incurred for comprehensive collections program activities.

Superior Court Response By: Michelle Frazier Date: February 19, 2015

Response from San Luis Obispo Superior Court

Enhanced Collections – IM-8

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control Number	Date of Actual or Planned Corrective Action	Assigned to:	Court Response
1.	07/01/2015	Fiscal Staff	The court agrees with the findings and is working to correct this issue. Written procedures for referrals are currently being developed and pending additional development by the vendor for collections will continue to evolve this process for the next 10-12 months.
2.	11/01/2014	Fiscal Staff	The court agrees with the findings and has already implemented the corrective action. The Traffic referral configurations were completed in November and traffic cases have been referred each month since that date. New written procedures are currently being developed and should be completed by July 1, 2015.
3.	07/01/2015	Fiscal Staff	The court agrees with the findings and is working to correct this issue. At this time, DMV notification is a manual process and staff performs the notification as time permits. Within the next couple of months the court will be linked to DMV with an interface that will automate the DMV notification process. At that time, we expect the DMV to be notified within 10-days of the delinquent date.
4.	12/31/2015	Fiscal Staff	The court agrees with the findings and is working with the case management system vendor to identify delinquent revenues collected and to offset the costs of collections only

			against these fees. This upgrade is scheduled to be released in April 2015.
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6. Information Systems

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Expenditures				
* 943100 - INFORMATION TECHNOLOGY	(1,993)	16,022	(18,014)	-112%
* 943200 - IT MAINTENANCE	44,500	33,422	11,079	33%
* 943300 - IT COMMERCIAL CONTRACT	23,579	8,729	14,850	170%
* 943400 - IT INTER-JURISDICTIONAL	698	672	26	4%
* 943500 - IT REPAIRS/SUPPLIES/LICE	740,463	288,147	452,317	157%
** INFORMATION TECHNOLOGY (IT) TOTAL	807,248	346,991	460,257	133%

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

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

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

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

Background

State statutes and local ordinances govern the distribution of the fines, penalties, fees, and other assessments that courts collect. Courts rely on the *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C* issued by the State Controller’s Office (SCO) and the *Uniform Bail and Penalty Schedules* 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 implemented a new case management system (CMS), Odyssey, in 2014 for all case types. Odyssey has the fiscal capability to automatically calculate the required distributions of the monies collected. The Court runs month-end reports from its CMS of non-civil fines, fees, and assessments collected in order to prepare the journal entry for the County to record the collections into its financial system. The County then prepares the monthly Report to SCO of Remittance to State Treasury - TC-31 (TC-31) to report the portion of monies collected by both the Court and County to be remitted to the State. The Court also prepares the TC-145 to report its remittance of civil fines, fees, and assessments collected using the month-end reports generated from its CMS and submits this form to the Judicial Council.

To determine whether the Court correctly calculated and distributed its non-civil collections, we reviewed the calculated distributions of selected traffic and criminal cases with violations that the Court disposed from January 1, 2014 through September 30, 2014. We focused our review on high risk violations, which included frequently occurring offenses and offenses requiring special distributions. We reviewed 40 cases of the following offense types:

- **Traffic Infraction (33 total)** – Speeding (9), Safety Signs (4), Safety Belt (3), Red Light (3), Railroad (2), Child Seat (2), Proof of Correction (1), Proof of Insurance (1), Unlicensed (1), Registration (2), Unattended Child (1), Hands-Free (1), Littering (1), Material on Windows or Windshield (1), and Following Too Closely (1).
- **Non-Traffic Infraction (2 total)** – Fish and Game (2).
- **Misdemeanor/Felony (5 total)** – Driving Under the Influence (DUI) (1), Reckless Driving (1), Domestic Violence (1), Health and Safety (1), and Theft or Burglary (1).

Our review of the Court’s calculated distributions of its non-civil collections noted the following calculation and distribution errors. We communicated a number of the issues below to the Court during our visit, and the Court took immediate corrective action to resolve certain distribution errors.

1. The Court inappropriately imposed the Administrative Assessment and could not justify the amount imposed was appropriate. According to Vehicle Code section 40508.6(a), a court may establish an assessment not to exceed \$10 for clerical and administrative costs incurred for recording and maintaining a record of prior vehicle

- code convictions, which shall be payable when fine is paid or bail is forfeited for any subsequent violations. However, we found the following:
- The Court inappropriately imposed the Administrative Assessment for every traffic case's first convictions instead of for subsequent convictions only.
 - The Court does not have a cost study to support that the Administrative Assessment of \$10 is an appropriate amount to recover its clerical and administrative costs for recording and maintaining a prior convictions record.
2. The Court programmed certain assessments and fees in the incorrect priority groups for distribution of installment payments pursuant to Penal Code section 1203.1d:
 - The Court incorrectly configured the Penal Code section 1463.14(b) DUI Additional Penalty as priority three. The code section provides for the penalty to reimburse for the cost of testing for alcohol content and therefore should be priority four.
 - It also incorrectly configured the Penal Code section 1463.18 DUI Indemnity Assessment in the same priority group (priority two) as the 20 Percent Surcharge. The assessment is reduced from the base fine and all fines are priority three; however Penal Code section 1462.5 requires distribution of the assessment before proration occurs. Therefore, the assessment should be priority three, after victim's restitution and 20 Percent Surcharge, but should be disbursed before other priority three components.
 - Lastly, it incorrectly programmed the Penal Code section 1205(e) Installment Fee of \$40 as priority three. The fee is reimbursable or administrative in nature and therefore should be priority four.
 3. For the Reckless Driving case reviewed, the Court incorrectly distributed the base fine components because the clerk entered an incorrect base fine amount into the CMS. In this instance involving a judge ordered fine, rather than adjusting the total fine only, the clerk changed both the base fine and total fine in the CMS to the judge ordered amount. This impacts distribution of violations involving base fine reductions such as DUI and Reckless Driving cases.
 4. The Court did not distribute the Secret Witness Penalty of \$15 for violations of Fish and Game section 7145 relating to sport fishing license. According to Fish and Game section 12021, the penalty shall be imposed for violations of the Fish and Game code or regulation, except for violations involving hunting or fishing license where the defendant shows proof of license valid at the time of arrest.
 5. The 2 percent allocation was incorrectly applied in 4 of 30 applicable cases reviewed to certain fees, fines, and penalties. Specifically, the 2 percent allocation was incorrectly applied to the Administrative Assessment in 3 cases, and to the Vehicle Code section 11208(c) Traffic School Administrative Fee in one case. The Court manually configures the 2 percent allocation for applicable distribution components for each offense group, so this issue appears to be caused by manual entry error.

6. For the sample case reviewed disposed as a Proof of Correction, the Court incorrectly distributed both the \$3.40 and \$15 State portions to the same fund. However, Vehicle Code section 40611 requires \$3.40 of the initial \$10 be distributed to the State Penalty Fund, and the remaining \$15 and any subsequent \$25 fee to be distributed to the Immediate and Critical Needs Account (ICNA) of the State Court Facilities Construction Fund.
7. The Court also informed us that it allows for some traffic violations that do not meet the statutory requirements for correctible offenses to be disposed as proof of correction. Vehicle Code sections 40610, 40611, and 40303.5 provide requirements for correctible offenses.
8. For the Red Light traffic school case reviewed, the Court understated distributions to the 30 percent allocation and City base fine and overstated distribution to the Vehicle Code section 42007 Traffic Violator School (TVS) Fee by the same amount.
9. The Court has not configured the CMS to distribute the minimum Penal Code section 1203.097(a)(5)(A) Domestic Violence (DV) Fee of \$500 for DV offenses, including violations of Penal Code sections 273.5(a), 243(e)(1), 166(c)(1), and 166(c)(4) that were reviewed. The Court informed us that the majority of DV cases are referred to the County Probation Department for collection. However, the Court did not distribute the DV Fee for those DV cases sentenced to Court supervised probation where it remains responsible for fine and fee collection and distribution.
10. For cases with multiple violations from different offense groups, the CMS does not add the base fines for each violation before calculating the penalties, which results in incorrect penalties if the case contains at least two odd base fines (e.g. \$25, 35, etc.).

Recommendations

The Court should do the following to correct errors in its distributions of non-civil collections in the following manner:

1. Impose the Administrative Assessment only on subsequent convictions of Vehicle Code violations. Additionally, perform a cost study to evaluate whether the current assessment of \$10 is appropriate, given the volume of subsequent traffic convictions, to recover its administrative and clerical costs incurred for recording and maintaining a record of prior vehicle code convictions.
2. Adjust the priority groups for the following assessments and fees to ensure compliance with Penal Code section 1203.1d concerning distribution priorities for installment payments:
 - Change the Penal Code section 1463.14(b) DUI Additional Penalty to priority four.
 - Configure the Penal Code section 1463.18 DUI Indemnity Assessment to be distributed after the 20 Percent Surcharge but before any priority three components. Since the Court does not collect and distribute victim's

restitution that is required to be distributed as priority one, the Court may consider changing the 20 Percent Surcharge to priority one and keeping the DUI Indemnity Assessment as priority two.

- Change the installment fee to priority four.
3. Train or remind courtroom clerks on proper CMS entry of judge ordered fines.
 4. Configure the CMS to distribute the Secret Witness Penalty for violations of Fish and Game section 7145. However, the penalty shall be waived if the defendant provides proof of license valid at the time of arrest.
 5. Establish a process to review and test distribution configurations and updates before they are implemented.
 6. Establish separate distribution accounts for the two State portions in Proof of Correction dispositions and direct the County to transfer \$3.40 of the initial \$10 to the State Penalty Fund, and the remaining \$15 and any subsequent \$25 fee to ICNA.
 7. Discontinue allowing non-correctible traffic offenses to be disposed as proof of corrections.
 8. Review and correct distribution errors in Red Light traffic school offenses to ensure proper distribution of the 30 percent allocation, TVS Fee, and city base fine (for city arrests).
 9. Configure the CMS to distribute the minimum DV Fee for DV offenses with probation sentences.
 10. Work with the CMS vendor to resolve the systems limitation so that the CMS will properly add the base fines for each violation before calculating the penalties for cases with multiple violations.

Superior Court Response By: Michelle Frazier

Date: 01/16/2015

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control Number	Date of Corrective Action	Assigned to:	Court Response
1.	January 27, 2015	M. Frazier	The court has ceased automatically adding the Administrative Assessment on all MV citations and only adds it when applicable on subsequent violations of the code.
2.	October 1, 2014	M. Frazier	All distribution priorities were updated, and are now correct based upon the audit recommendation.

3.	January 15, 2015	M. Frazier	Additional training has been provided to courtroom staff, and fiscal staff regularly reviews fines entered by the courtroom for accuracy.
4.	November 1, 2014	M. Frazier	Charges subject to the secret witness fee distribution have been identified and distributions are now correct.
5.	October 15, 2014	M. Frazier	Additional Fiscal Staff is learning to use the distribution templates provided by the Judicial Council to assist with verification of distributions configured in the case management system.
6.	November 1, 2014	M. Frazier	The State component of the Proof of Correction fees has been corrected and two revenue distribution accounts have been created.
7.	December 15, 2014	M. Frazier	All Proof of Corrections charges have been reviewed and POC designations have been removed when found to be in error.
8.	October 10, 2014	M. Frazier	All Red Light distributions have been reviewed and corrected.
9.	January 15, 2015	M. Frazier	Domestic Violence charges have been identified and DV distributions have been created to ensure that the correct distribution is performed when a domestic violation case is retained on bench probation.
10.	December 30, 2014	M. Frazier	The CMS vendor has been notified of the need to combine all base fines prior to calculating Penalty Assessments and is working on additional development to improve accuracy.

7. Banking and Treasury

Background

Government Code section 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. The FIN Manual, FIN 13.01, establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located.

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Assets				
100000 POOLED CASH	2,465,974	2,754,389	(288,415)	-10%
100001 TRUST CASH IN OPS		1,804	(1,804)	-100%
100017 OPS OUTGOING EFT	(20,546)		(20,546)	n/a
100025 DISB CHECK-OPERATIONS	(262,181)	(178,196)	(83,985)	-47%
100026 DISB CHECK-TRUST		(1,804)	1,804	100%
100027 DISB OUTGOING EFT		(2,086)	2,086	100%
100165 TRUST DISBURSEMENT CHECK	(35,298)	(195,317)	160,019	82%
114000 CASH-REVOLVING	13,457	5,000	8,457	169%
119001 CASH ON HAND - CHANGE FUN	4,000	2,950	1,050	36%
120050 SHORT TERM INVESTMENTS-LA	1,343,344	2,483,897	(1,140,553)	-46%
120051 SHORT TERM INVESTMENTS-CA	458,807	611,050	(152,243)	-25%
*** Cash and Cash Equivalents	3,967,557	5,481,688	(1,514,131)	-28%
Liability				
342001 REIMBURSEMENTS COLLECTED		(170)	(170)	-100%
351003 LIABILITIES FOR DEPOSITS	(2,632)	(2,632)	0	0%
353002 CIVIL TRUST-CONDEMNATION	(1,041,149)	(903,475)	137,675	15%
353003 CIVIL TRUST-OTHER(RPRTR	(32,873)	(24,610)	8,263	34%
353004 JURY FEES- NON-INTEREST B		(3,600)	(3,600)	-100%
353005 TRAFFIC	(31,721)	(69,134)	(37,413)	-54%
353006 CRIMINAL - GENERAL	(162,902)	(345,485)	(182,584)	-53%
353080 LIABILITIES FOR DEPOSITS	(3,144)	(1,374)	1,770	129%
353081 CRIMINAL UNCLAIMED/STALE	(20,089)	(10,444)	9,645	92%
353999 TRUST INTEREST PAYABLE	(51,082)	(51,850)	(768)	-1%
373001 UNCLEARED COLLECTIONS	11,983	125,078	(113,095)	-90%
Expenditures				
952599 CASHIER SHORTAGES	281	274	7	2%
* 952500 - CASH DIFFERENCES	281	274	7	2%

The Centralized Treasury System within the Judicial Council's Finance Office provides various banking and treasury services to the Court for funds on deposit with the Treasury. These services include but are not limited to investing trial court funds, performing monthly

bank account reconciliations, and providing periodic reports to trial courts and other stakeholders. Therefore, we conducted a high-level review of funds on deposit with the Treasury and a more focused review of funds on deposit with the County or in local bank accounts. Our review encompassed the following areas:

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

There were minor issues associated with this area that are 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 Judicial Council's Office of Security provides courts with guidance on developing a sound court security plan and on other court security best practices.

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Expenditures				
934512 ALARM SERVICE	3,599	4,608	(1,010)	-22%
* 934500 - SECURITY	3,599	4,608	(1,010)	-22%

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

There were minor issues associated with this area 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 that are applicable to state agencies and departments related to the procurement of goods and services. In accordance with section 19206 of the Public Contract Code, the Judicial Council adopted and published the *Judicial Branch Contracting Manual* (JBCM) to incorporate procurement and contracting policies and procedures that judicial branch entities must follow. The JBCM became effective on October 1, 2011 and superseded FIN Manual policies and procedures for procurement (FIN 6.01) and contracts (FIN 7.01 through 7.03). Judicial branch entities must conduct competitive procurements in a manner that promotes open, fair, and equal competition among prospective bidders unless the purchase meets one of the criteria of a non-competitive procurement, such as purchases under \$5,000, emergency purchases, and sole source procurements. Additionally, the type of competition will vary depending on the type of goods or services to be procured, as well as the value of the procurement.

The California State Auditor selected the Court for its bi-annual audit of five judicial branch entities for compliance with the Judicial Branch Contract Law. The audit focused on procurement activity that occurred in fiscal year 2013 – 2014 and coincided with the timing of our audit, so we did not review the Court's procurement activities to avoid duplication of work.

Audit Services had no issues to report to management.

10. Contracts

Background

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Expenditures				
* 938100 - CONTRACTED SERVICES	818,279	293,496	524,783	179%
* 938200 - CONSULTING SERVICES - TE	3,290	3,518	(228)	-6%
* 938300 - GENERAL CONSULTANT AND P	291,617	315,435	(23,819)	-8%
* 938500 - COURT INTERPRETER SERVIC	62,858	88,277	(25,418)	-29%
* 938700 - COURT TRANSCRIPTS	141,118	139,902	1,217	1%
* 938800 - COURT APPOINTED COUNSEL	84,601	81,452	3,149	4%
* 938900 - INVESTIGATIVE SERVICES	1,528	715	813	114%
* 939000 - COURT ORDERED PROFESSION	66,150	64,950	1,200	2%
* 939100 - MEDIATORS/ARBITRATORS	50,150	56,400	(6,250)	-11%
* 939200 - COLLECTION SERVICES	264,713	207,470	57,243	28%
* 939800 - OTHER CONTRACT SERVICES	103,235	26,344	76,892	292%
** CONTRACTED SERVICES TOTAL	1,887,539	1,277,958	609,581	48%
* 941100 - SHERIFF	10,600	11,970	(1,370)	-11%
* 942100 - COUNTY-PROVIDED SERVICES	122,672	117,045	5,628	5%
** CONSULTING AND PROFESSIONAL SERVI	133,272	129,015	4,258	3%

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

We reviewed MOUs entered into with the County to determine whether they are current and contain minimum required terms and conditions. We also reviewed selected invoices to determine whether the services billed by the County were allowable, reasonable, sufficiently itemized, and supported.

The following issues were considered significant enough to bring to management's attention in this report.

10.1 Court Needs to Improve Its Contracting and Contract Monitoring Procedures

Background

Judicial branch entities including superior courts are required to comply with provisions of the Public Contract Code that are applicable to state agencies and departments related to the procurement of goods and services. In accordance with Public Contract Code section 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. To assist judicial branch entities, the Judicial Council developed and made available contract templates and sample contract terms and conditions that were written to be compliant with the Judicial Branch Contracting Law and the JBCM as they existed on the date the templates and samples were prepared. The following is a partial list of mandatory contractor certification clauses and provisions from appendices A and B:

Examples of 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 Government Code section 12990.
Compliance with National Labor Relations Board orders	Required for all contracts per Public Contract Code section 10296.
Expatriate corporations	Required for all contracts except certain credit card purchases or if requirement is waived per Public Contract Code section 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 Public Contract Code section 6108.
Nondiscrimination in providing benefits for domestic partners	Required for contracts worth \$100,000 or more per Public Contract Code section 10295.3.
Compliance with child and family support enforcement	Required for contracts worth \$100,000 or more per Public Contract Code section 7110.
Compliance with Iran Contracting Act	Required for contracts worth \$1,000,000 or more per Public Contract Code section 2202.
Provisions	Contracts Affected
Bureau of State Audits 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 Public Contract Code section 12207.
Disabled Veteran Business Enterprise (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. These requirements are consistent with requirements for court-county agreements provided in Government Code section 77212.

Issues

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

1. The Court did not ensure that its contracts included clauses and provisions required by the JBCM. In one contract reviewed, the Court did not use the appropriate Judicial Council-approved contract template that included all applicable contract clauses and provisions. In a second contract reviewed, although the Court used the Judicial Council-approved contract template body, the contract lacked standard appendices that had contained the applicable contract clauses and provisions.
2. For a third contract reviewed, the Court continued to receive services from the vendor beyond the initial contract term but did not enter into an amendment to extend the term of the contract.
3. The Court did not obtain current and complete certificates of insurance before authorizing vendors to provide services. One contract file reviewed did not contain a current certificate of insurance, and another two contract files contained certificates of insurance that did not list all insurance coverage required by the contracts.
4. The Court and County did not enter into a contract for certain services the County provided to the Court. Although the County provided a Service Level of Understanding to the Court, this document does not replace the contract because it was not approved by both parties and did not include all terms required by Government Code section 77212(d).

Recommendations

We recommend that the Court do the following to improve its contract management and monitoring procedures:

1. Continue to use contract templates developed by the Judicial Council to prepare contracts with vendors, but include all pertinent appendices, clauses, and provisions contained in the template that are relevant to the contract being prepared. Additionally, review existing contracts, especially contracts that were initially executed prior to the JBCM, to identify non-compliant contracts for revision or amendment.
2. Ensure that goods and services currently received from vendors are covered by current contracts.
3. Establish a monitoring process for tracking certificates of insurance to ensure that current and complete certificates of insurance are obtained from vendors and documented in contract files.
4. Work with the County to enter into a contract for County-provided services pursuant to Government Code section 77212(d).

Superior Court Response By: Michelle Frazier

Date: 01/16/2015

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control Number	Date of Corrective Action	Assigned to:	Court Response
1.	November 1, 2014	Patsy Glenn	All contract templates have been updated to include only the latest versions of contracts and procurement documents.
2.	October 1, 2014	Patsy Glenn	The court now has policies in place to purchase all services and supplies under existing contracts, master agreements, leveraged procurements or with a full procurement process.
3.	September 1, 2014	Patsy Glenn	All files requiring insurance certificates now have been marked, and a spreadsheet to track dates and receipt of certificates has been created.
4.	January 16, 2015	Patsy Glenn	The Court is currently pursuing an updated MOU for services the County provides the Court.

11. Accounts Payable

Background

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

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Liability				
301001 A/P - GENERAL	(106,048)	(20,670)	85,377	413%
301002 A/P - CLEARING GR/IR ACCT		(26,899)	(26,899)	-100%
314011 TRUST-DUE TO OPERATIONS	(373)	(145,404)	(145,031)	-100%
314014 SPECIAL REVENUE-DUE TO GE	(118,414)	(232,511)	(114,097)	-49%
314016 AGENCY TRUST-DUE TO OPERA	(675,747)		675,747	n/a
321501 A/P DUE TO STATE	(7,619)	(8,397)	(778)	-9%
321600 A/P - TC145 LIABILITY	(269,426)	(294,390)	(24,964)	-8%
322001 A/P - DUE TO OTHER GOVERN	(242,485)	(808,000)	(565,515)	-70%
323001 A/P - SALES & USE TAX	(562)	(462)	100	22%
323010 TREASURY INTEREST PAYABLE	(3)	(8)	(5)	-58%
330001 A/P - ACCRUED LIABILITIES	(451,561)	(215,181)	236,380	110%
*** Accounts Payable	(1,872,238)	(1,751,922)	120,316	7%
Expenditures				
* 920200 - LABORATORY EXPENSE	40	45	(5)	-11%
* 920300 - FEES/PERMITS	76,080	47,027	29,053	62%
* 920500 - DUES AND MEMBERSHIPS	2,155	2,874	(719)	-25%
* 920600 - OFFICE EXPENSE	161,651	197,013	(35,362)	-18%
* 921500 - ADVERTISING	2,277	3,203	(926)	-29%
* 921700 - MEETINGS, CONFERENCES, E	4,896	3,019	1,878	62%
* 922300 - LIBRARY PURCHASES AND SU	101,264	89,740	11,524	13%
* 922600 - MINOR EQUIPMENT - UNDER	212,460	77,135	135,324	175%

* 922700 - EQUIPMENT RENTAL/LEASE	6,555	12,865	(6,310)	-49%
* 922800 - EQUIPMENT MAINTENANCE	14,961	17,599	(2,638)	-15%
* 922900 - EQUIPMENT REPAIRS	5,195	2,061	3,134	152%
* 923900 - GENERAL EXPENSE - SERVIC	21,831	17,552	4,279	24%
* 924500 - PRINTING	57,178	83,677	(26,499)	-32%
* 925100 - TELECOMMUNICATIONS	129,700	108,013	21,687	20%
* 926200 - STAMPS, STAMPED ENVELOPE	57,879	61,131	(3,252)	-5%
* 926300 - POSTAGE METER	45,000	47,553	(2,553)	-5%
* 928800 - INSURANCE	6,359	5,526	833	15%
* 929200 - TRAVEL- IN STATE	13,033	4,946	8,087	164%
* 931100 - TRAVEL OUT OF STATE	6,807		6,807	n/a
* 933100 - TRAINING	510	510	0	0%
* 935200 - RENT/LEASE	95,787	96,651	(864)	-1%
* 935300 - JANITORIAL	9,650	11,391	(1,741)	-15%
* 935400 - MAINTENANCE AND SUPPLIES	32,733	20,704	12,029	58%
* 935500 - GROUNDS	6,126	5,812	314	5%
* 935600 - ALTERATION	39,742	2,327	37,415	1608%
* 935700 - OTHER FACILITY COSTS - G	186	536	(350)	-65%
* 935800 - OTHER FACILITY COSTS - S	5,910	4,875	1,035	21%
* 936100 -UTILITIES	10,025	9,901	124	1%
* 952300 - VEHICLE OPERATIONS	5,798	6,630	(833)	-13%
* 965100 - JUROR COSTS	88,872	90,394	(1,522)	-2%
* 971000 - OTHER-SPECIAL ITEMS OF E	4		4	n/a

As mentioned earlier, the California State Auditor conducted an audit of the Court to evaluate compliance with the Judicial Branch Contract Law that coincided with the timing of our audit. Since this audit included review of payment procedures, our review in this area was limited to payment of professional dues, court transcripts claims, contract interpreter claims, and jury per diems and mileage reimbursements. Furthermore, we reviewed sample travel expense claims and business meal expenditures to assess compliance with *AOC Travel Reimbursement Guidelines* and *Business-Related Meals Reimbursement Guidelines* provided in the FIN Manual.

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

11.1 Court Did Not Comply with Business Meal Requirements when Planning and Paying for Certain Group Meals

Background

FIN 8.05 defines the rules and limits trial courts must observe when arranging or claiming reimbursement for meals connected to official court business. To be reimbursable, these business meals must have the written advance approval of the presiding judge or authorized designee. Section 6.2 states in relevant part:

All business meals must be supported by an original receipt, reflecting the actual costs incurred and a completed, approved business-related meal form, memo, or e-

mail authorizing the expenditure in advance. In compliance with Internal Revenue Service (IRS) regulations the business related-meal expense form, memo, or e-mail will include the following information:

- a. Date of the business meal(s).
- b. Scheduled start and end time of the meeting.
- c. Statement explaining the business purpose of the meeting.
- d. Category and duration of business meal. Example: Breakfast 8:00- 8:30 (30 min.).
- e. Location/place of the business meal.
- f. Copy of the formal agenda, if applicable.
- g. List of expected attendees, their titles and affiliations.

Business meal expenses not approved in advance by the PJ or authorized designee will be considered a personal expense and will not be reimbursed or paid.

The treatment of business meal expenses varies depending on when, where, and how many people are involved with the meal or function. For further information regarding business meals, please see the following sections in FIN 8.05:

- 6.3 Business Meal Reimbursement via a Travel Expense Claim
- 6.4 Group Business Meals
- 6.5 Authorized Business Meal Timeframes
- 6.6 Authorized Business Meal Rates
- 6.7 Requests for Exceptions to Business Expense Guidelines
- 6.8 Unallowable Business Meal Expenses

Issues

During our review of select business meal expenses incurred in fiscal year 2013 – 2014, we identified the following areas of non-compliance. We identified similar issues regarding the Court's business meal procedures in our prior audit:

1. The Court did not comply with certain FIN Manual business meal requirements when conducting the 2014 annual employee recognition event. We took issue with the Court's annual employee recognition event in our prior audit, and the Court responded that it would handle such events as business meal expenses and observe related FIN Manual requirements. Although the Court documented the request and approval for the majority of 2014 event costs in a Business-Related Meal Form, it did not include all costs in the form. The Court also exceeded the applicable maximum per person rate for group meals. Furthermore, the recognition presentation did not take place during the meal period, so the meal did not appear to be an allowable business expense.
2. The cost paid by the Court for the 2014 annual judge's lunch meeting was more than the maximum per person rate for restaurant group meals. **REPEAT**

3. The Court did not consistently require complete Business-Related Meal Forms to be submitted and approved prior to each business meal. Of the seven business meal expenses reviewed, three were not supported by a Business-Related Meal Form, and one additional meal was supported by an incomplete form. Therefore, the Court could not demonstrate that these events met applicable FIN Manual business meal requirements and were pre-approved by the Presiding Judge or designee. **REPEAT**

Recommendations

We recommend the Court do the following to ensure it complies with FIN Manual business meal requirements:

1. Ensure that employee recognition event costs paid by the Court comply with FIN Manual business meal requirements. For example, include all estimated event costs, including costs for meals and refreshment breaks if qualified, on the Business-Related Meal Form and stay within the applicable maximum per person rates. Additionally, the recognition presentation has to occur during the meal period.
2. Approve and pay for business-related meals up to the applicable maximum per person rate provided in the FIN Manual. Any excessive costs should be paid by other means such as reimbursement by meal participants.
3. Require all business-related meals, including meals and refreshment breaks, to be supported by completed Business-Related Meal Forms that are approved by the presiding judge or designee prior to the event.

Superior Court Response By: Michelle Frazier Date: February 19, 2015

Response from San Luis Obispo Superior Court

Business Meals – IM-7

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control Number	Date of Corrective Action	Assigned to:	Court Response
1.	01/18/2015	Fiscal Staff	The court accepts the findings and will ensure that all future business meal expenditures will comply with the FIN Manual requirements. In the future, no court paid food will be provided for employee recognition events.
2.	01/18/2015	Fiscal Staff	The court accepts the findings and will ensure that all future business meal expenditures will comply with the FIN Manual requirements and remain within allowable parameters for

			business lunches.
3.	01/18/2015	Fiscal Staff	The court agrees with the findings and will not reimburse business meal without a preapproved business meal request form.

11.2 The Court Did Not Comply with Certain Travel Policies and Procedures

Background

Government Code section 69505(a) requires trial court judges and employees to follow the procedures approved by the Judicial Council for reimbursement of business-related travel. The Judicial Branch Travel Guidelines (travel guidelines) provided in FIN 8.03 provides specific information regarding the current limitations that apply to allowable travel expenses.

Section 6.1.1 provides guidelines on arranging for travel. Court travelers may either obtain written approval from their appropriate approving authority or notify them of the need to travel on court business, depending on internal court policies. However, out-of-state or international travel requires the approval of the Presiding Judge or designee. Furthermore, section 6.1.2 allows court travelers to travel by different modes of transportation (e.g. plane, train, bus, vehicle, taxi, or other means), whichever most economically and advantageously suits the needs of the court.

Section 6.3 provides the documentation required to be submitted to support certain business travel expenses claimed. Travelers must submit original receipts showing the actual amount spent on lodging, transportation, and other miscellaneous items. In addition to the receipt, expenses for conferences and training classes need to be supported by proof of attendance or certification of completion. Agenda materials distributed at the conference will suffice as proof of attendance.

Section 6.4 specifies that reimbursable travel expenses are limited to the authorized, actual, and necessary costs of conducting official state business of the court and the limits established in the travel guidelines. Allowable expenses include, among other things, actual costs incurred for overnight lodging up to the maximum rate established by the travel guidelines or approved lodging exception request rate. Section 6.1.6 provides procedures for requesting a lodging exception when lodging above the maximum rate is the long lodging available or when it is cost-effective. This includes submitting an Exception Request for Lodging form and supporting documentation before travel to the appointing power designee (Presiding Judge or designee) for approval. However, this form is not required for participation in non-state sponsored business when the traveler stays at the conference, convention, or meeting site.

Issues

Our review of fiscal year 2013 – 2014 travel expenditures, including 10 selected travel expense claims or invoice, identified the following areas of non-compliance and errors:

1. The Court did not have proper request and approval documentation to justify paying out-of-state travel expenditures that exceeded reimbursable rates. Specifically, the Court paid for three court officials and employees to attend an out-of-state conference, but no out-of-state travel request was prepared to document pre-approval by the Presiding Judge or written designee. Additionally, a Request for Lodging Exception and supporting documentation was not prepared to document approval by the Presiding Judge or designee and to justify lodging expenditures that exceeded the maximum allowable rate.
2. The Court did not demonstrate that the most economical method of travel was used.
 - For one claim reviewed, the traveler flew out of the Burbank airport instead of the regional airport, so the Court paid for mileage to/from the airport in addition to airfare. Additionally, the estimated costs provided in the Travel Request Form that was pre-approved did not include mileage costs.
 - In a second claim, the traveler started travel on Sunday for a training that did not start until Monday at 1:00 PM, so the Court paid for lodging and per diem expenses incurred on Sunday travel. Additionally, the traveler did not prepare a Travel Request Form to justify starting travel on Sunday as opposed to Monday morning travel and compare travel cost estimates.
3. The Court did not consistently require travelers claiming expenses associated with attending conferences, trainings, or classes to submit appropriate proof of attendance or certificate of completion. Three of eight claims reviewed for travel to conferences and training classes were not supported by proof of attendance or certificate of completion.
4. The Court recorded certain travel expenditures reviewed to the incorrect general ledger accounts.
 - One out-of-state travel claim was misclassified as in-state travel.
 - A second out-of-state travel expenditure included registration fees that should have been classified as a training expenditure.

Recommendations

We recommend that the Court do the following to ensure compliance with FIN Manual travel requirements and accurate financial accounting and reporting:

1. Require all out-of-state travel to be pre-approved by the Presiding Judge or written designee. Additionally, before travel occurs, require travelers to prepare and submit an Exception Request for Lodging form and appropriate supporting documentation to the appropriate approving authority for lodging exceeding maximum allowed rates. The only instance where the Exception Request is not required is when the traveler stays at a non-state sponsored conference, convention, or meeting site.
2. Require travelers to consistently submit Travel Request Forms and supporting documentation before travel occurs to document estimated travel costs and advise

- authorized approving authorities to only approve Travel Request Forms that demonstrate the most economical method of travel will be used. Furthermore, ensure that travel costs claimed are consistent with the approved Travel Request Form before approval and processing for reimbursement.
3. Require travelers claiming expenses related to conferences, trainings, or classes to attach proof of attendance (e.g. agenda materials distributed at the event) or certificate of completion.
 4. Since claims and invoices for business-related travel may contain training and other non-travel expenditures, require accounts payable staff to thoroughly review these claims and invoices to determine the appropriate general ledger accounts to record these expenditures.

Superior Court Response By: Michelle Frazier Date: February 18, 2015

Response from San Luis Obispo Superior Court

Travel Expense Claims – IM-6

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control Number	Date of Actual or Planned Corrective Action	Assigned to:	Court Response
1.	01/18/2015	Fiscal Staff	The court agrees with the findings and no out of state travel will be reimbursed without the prior approval of the presiding judge or written designee. Lodging exception requests will be required for all lodging expenditures which exceed approved rates.
2.	01/18/2015	Fiscal Staff	The court agrees with the finding that all reimbursable travel costs must be included on the Travel Request for signed by the Presiding Judge or written designee. And that documentation must be provided to ensure that the most economical method of travel is used.
3.	01/18/2015	Fiscal Staff	The court agrees with the findings and will require proof of attendance or certification of completion for all conferences, trainings or classes. Course descriptions will no longer be accepted as proof of attendance.
4.	01/18/2015	Fiscal Staff	The court agrees with this finding and will review all travel

			claims to ensure that appropriate general ledger accounts are used to properly classify these expenses.
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12. Fixed Assets Management

Background

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

The primary objectives of the system are to:

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

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

General Ledger Account	Fiscal Year Ended		Increase/ (Decrease)	Percent Change
	2014	2013		
Expenditures				
** MAJOR EQUIPMENT(OVER \$5,000) TOTA	65,417	122,626	(57,208)	-47%

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

There were no issues to report to management.

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 2007/2008 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. As part of our revenue distribution review, we followed up on Court findings identified in the most recent Court Revenue Audit issued by the State Controller's Office in November 2010 that covered the period July 1, 2001 through 30, 2009 to determine whether they have been corrected. Revenue distribution issues are identified in section 6 of this report.

The California State Auditor selected the Court for its bi-annual audit of five judicial branch entities for compliance with the Judicial Branch Contract Law. The audit focused on procurement activity that occurred in fiscal year 2013 – 2014 and coincided with the timing of our audit, so we did not review the Court's procurement activities to avoid duplication of work.

Audit Services had no issues to report to management in this section.

14. Records Retention

Background

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

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

There were no issues to report to management.

15. Domestic Violence

Background

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

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

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

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

15.1 The Court Did Not Consistently Assess Required Minimum Domestic Violence Fines and Fees REPEAT

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 the Administrative Office of the Courts' Internal Audit Services (IAS) conduct an audit of court-ordered fines and fees in certain DV cases.

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 section 1202.4 (b) State Restitution Fine
Courts must impose a separate and additional State Restitution Fine of not less than \$200 (\$240 effective January 1, 2012, \$280 effective January 1, 2013, and \$300 effective January 1, 2014) for a felony conviction and not less than \$100 (\$120 effective January 1, 2012, \$140 effective January 1, 2013, and \$150 effective January 1, 2014) for a misdemeanor conviction in every case where a person is convicted of a crime. Courts must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason not to impose this restitution fine, but may be considered only in assessing the amount of fine in excess of the minimum.
- Penal Code section 1202.44 (or 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 State Restitution Fine in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed.
- Penal Code section 1203.097 (a)(5) Domestic Violence Fee
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee (\$500 effective January 1, 2013) if a person is granted probation for committing domestic violence crimes. The court may reduce or waive this fee if, after a hearing in open court, the court finds that the defendant does not have the ability to pay, and shall state the reason on the record.
- Penal Code section 1465.8 (a)(1) Court Operations Assessment
Effective August 17, 2003, courts must impose a \$20 (\$30 effective July 28, 2009, and \$40 effective October 19, 2010) Court Operations Assessment (formerly the Court Security Fee) on each criminal offense conviction.
- Government Code section 70373 Criminal Conviction Assessment
Effective January 1, 2009, courts must impose a \$30 Criminal Conviction Assessment for each misdemeanor or felony and an amount of \$35 for each infraction.

Issues

We reviewed 26 select criminal domestic violence cases that represented 11 percent of all domestic violence cases disposed between January 1, 2014 and September 30, 2014. These domestic violence cases included felony and misdemeanor convictions of one or more of the following violations of the Penal Code sections: (1) 273.5(a) – willful infliction of corporal injury resulting in a traumatic condition, (2) 243(e)(1) – battery, (3) 273.6(a) – intentional

and knowing violation of a protective order, and (4) 166(c)(1) – willful and knowing violation of a protective order or stay-away court order. The following instances of non-compliance were identified:

1. The statutory or total fine assessed in seven cases was insufficient to satisfy the mandatory minimum fines and fees. For another five cases reviewed, the Court did not assess any mandatory minimum fines and fees. Mandatory minimum fines and fees for DV cases include a State Restitution Fine of \$150 for misdemeanor or \$300 for felony if not separately assessed, \$40 Court Operations Assessment per conviction, \$30 Criminal Conviction Assessment per conviction, and \$500 Domestic Violence Fee if probation was ordered. We identified similar issues in our prior audit.
2. For four cases reviewed where the defendant was sentenced to Court-supervised probation, the Court imposed a probation term that was less than the minimum three years required for DV cases. Additionally, since probation orders were not prepared, no documentation was available to evidence that the Probation Revocation Fine was assessed and stayed pending successful completion of probation.

Recommendations

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

1. Advise judicial officers of the mandatory minimum fines and fees to be assessed for DV violations where the defendant is sentenced to probation, as well as the various DV violation code sections. The minimum State Restitution Fine and DV Fee may be reduced or suspended, but the amount of and reason for reduction or suspension should be sufficiently recorded.
2. Advise judicial officers of the mandatory minimum probation term and to consistently assess the Probation Revocation Restitution Fine in the same amount as the State Restitution Fine for DV violations where the defendant is sentenced to probation, and for court clerks to document the assessment in the CMS for Court-supervised probation where a probation order is not prepared.

Superior Court Response By: Michelle Frazier Date: February 1, 2015

Response from San Luis Obispo Superior Court

Domestic Violence – IM-4

The Court has reviewed the issues listed and agrees with the findings. The following corrective actions have been implemented.

Control	Date of Actual	Assigned to:	Court Response
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Number	or Planned Corrective Action		
1.	02/01/2015	Tammy Denchfield, Courtroom Operations Director	The court agrees with the findings and has provided additional information to the bench and the case management system has been configured to automatically charge these mandatory fees on defendants with bench probation.
2.	02/01/2015	Tammy Denchfield, Courtroom Operations Director	The court agrees with the findings and has provided additional information to the bench regarding the probation revocation restitution fines.

16. Exhibits

Background

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

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

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

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

APPENDIX A

**Superior Court of California,
County of San Luis Obispo**

Issue Control Log

Note:

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

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

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

December 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration								
			No issues to report.					
2 Fiscal Management and Budgets								
	2.1	9	The Court's Wellness Program Incentives May Be Perceived Negatively by the Public					
			The Court offers a taxable Wellness/Fitness Benefit that reimburses certain eligible employees up to \$200 within a 12 month period for one of four health maintenance alternatives. However, providing monetary payments and reimbursements for activities that are private in nature may be perceived as questionable use or gift of public funds and therefore puts the Court at risk of negative publicity.	I		While the court appreciates the input from the Audit Division, the court plans no changes to the Wellness Program at this time. During negotiations in the future, this item will be reviewed to see if the program can be redefined to include the suggestions in this memo, this review may include seeking an opinion from Legal Services.	Michelle Frazier, Court Fiscal Director	No date set
		Log	The CEO and commissioners' time reports were not approved by the PJ to whom they report to. Rather, the ACEO was set up in the payroll system to authorize the CEO and commissioners' time reports.		C	The court has learned that their time card system does have the ability to print paper time cards for signature. Effective in March 1, 2015 these paper time cards will be provided to the Presiding Judge for signature and approval.	Patsy Glenn, Court Accountant	March 1, 2015
		Log	The Court's budget monitoring reports did not contain sufficient information to allow for cash flow monitoring by analyzing cash flow needs for the current month and projecting cash flow for the remainder of the fiscal year.		C	The Court had begun completing the monthly Cash Flow report provided by TCAS beginning in October 2014.	Michelle Frazier, Court Fiscal Director	October 1, 2014
3 Fund Accounting			No issues to report.					
4 Accounting Principles and Practices								
	4.1	2	The Court Did Not Appropriately Record or Report Certain Financial Transactions					
			The Court inappropriately accrued year-end expenditures and related reimbursements of nearly \$400,000 for its case and document management systems replacement project.	I		The Court agrees with the recommendation to accrue expenditures for goods received or services rendered by June 30th, and to encumber any other items or services.	Patsy Glenn, Court Accountant	June 30, 2015
			The Court incorrectly reported certain financial information for inclusion in the State's CAFR for the period ending June 30, 2014.	I		The CAFR completed in August 2015 will adjust the overstatement of fixed assets, exclude the sick leave accruals for employees with less than 5 years of service, and will include the Kimball Lease expenses as a capital lease.	Patsy Glenn, Court Accountant	August 31, 2015
			The Court incorrectly recorded reimbursements received from the County for grand jury expenditures as reductions to jury expenditures (abatements), and reduced the incorrect jury expenditure accounts in two instances.		C	All grand jury expenditures will be coded to the appropriate general ledger accounts.	Brenda Keene, Fiscal Services Staff	January 2, 2015
			The Court did not record reimbursements and expenditures for three grants that exceeded \$223,000 it received from the County in the Local Government Grant Fund 190400, nor did it establish unique WBS elements to separately track these grant transactions that were recorded in its general fund.		C	WBS elements will be created to track expenditures and reimbursements for local government grants.	Connie McNamara, Court Accountant	January 2, 2015
		Log	Two Court users were assigned conflicting park and post roles for accounts receivable invoices and credit memos.		C	This has been corrected with TCAFS	Michelle Frazier, Court Fiscal Director	October 1, 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court did not accrue civil fees collected in June and received in August as part of distribution #14.		C	This was an oversight and will be done as part of the year end procedures in the future.	Michelle Frazier, Court Fiscal Director	February 1, 2015
		Log	When transferring grant-funded benefits expenditures from the general fund to the grant fund, the Court inappropriately 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 over \$300,000 in the Other Benefits expenditure account.		C	Historically our reports did not provide a good breakdown of benefits charged to a grant, just a single line item total. We have changed our templates to allocate by percentage to the individual benefit accounts to better represent the expenditures.	Connie McNamara, Court Accountant	February 1, 2015
5 Cash Collections								
	5.1	1	Court Needs to Strengthen Its Cash Handling Controls and Procedures					
			The change fund custodian did not count the fund in the presence of a supervisor or manager.		C	All daily fund counts are now performed in the presence of another supervisor, manager or director and a log is maintained with both signatures for each change fund.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			The Fiscal Department change fund used to provide change for other departmental change funds was counted only monthly.		C	The fiscal change fund is counted daily at the beginning of each day and adding machine tapes are dated to confirm count.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			Although the Fiscal and Criminal Department change fund custodians maintain funds exceeding \$500, they had other conflicting cash handling duties. They also did not maintain all detailed records required in FIN 10.02, 6.3.1(5)(b).		C	Criminal Manager was assigned as change fund custodial for two change funds (which resulted in the total funds exceeding \$500), she has been relieved of the responsibility for one of the funds and an additional change fund custodian has been assigned. Additionally, the Fiscal change fund exceeding \$500 has been reassigned to a fiscal staff with no cash handling responsibilities. A formal count is performed monthly for the change fund which exceeded \$500 and signed forms confirming the count are maintained by the CFO.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			Although the Court has restricted void and reversal access in the system to leads and above, and fiscal staff; it lacks sufficient management oversight of these transactions to ensure that they are performed appropriately.		C	Only lead workers, supervisors, managers and directors can void transactions. Supervisor run and review reports daily of all cashing activity including voids. All void and reversal transactions entered by deposit staff is reviewed and verified by accountant in fiscal department daily.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			In addition to having void and reversal capabilities noted earlier, some supervisors and leads have incompatible duties of cashing and performing end-of-day balancing and closeout verification. One clerk at the Paso Robles branch may cashier and run CMS collection reports as backup to the supervisor and lead, so he may override the system's blind close control.		C	This was caused by some recent retirements and new promotions. All new supervisors have been relieved of cashing duties to eliminate conflicts. On the occasion that a supervisor is required to cashier they have been instructed to have another supervisor verify the end of day balancing. Security level of this cashier has been changed to ensure he performs a blind close. The civil department manager or SLO Fiscal staff will provide backup when branch supervisor and lead worker are out of the office.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			In addition to having void and reversal capabilities, cashing, and performing end-of-day balancing and closeout verification; the supervisor at the Paso Robles branch has the incompatible duty of preparing the daily deposit.		C	When the supervisor prepares the deposit it is now verified by the lead worker as a secondary review.	Michelle Frazier, Court Fiscal Director	October 10, 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The fiscal staff delivering the deposit to the County lacked adequate security.		C	Bailiff staff now walks fiscal staff to county treasurer's office.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			Although each department has a manual receipt book used during system down time that is properly secured by a supervisor or lead, a receipt issuance log is not maintained to control and account for receipt use by cashiers, and there is also no evidence of supervisory review to ensure that manual receipts were entered into the CMS.		C	The court does maintain a log for receipt books assigned to each unit. Additional logs have been created for the supervisors to log each assigned receipt used by the cashiers. Only one receipt book at a time is assigned to any court section/supervisor. All supervisors have been instructed to review all manual receipts used and confirm funds have been entered into the Case Management system. Supervisors will initial and date each receipt to confirm review.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			The Civil Department's manual receipt book designated for lodged wills was not properly controlled but accessible to cashiers.		C	Special receipt books were purchased for use in receiving Wills only. The books are clearly marked for Wills, and the \$ filed has been blacked out to prevent use for cash receipts.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			The Court has not implemented the mandatory FIN Manual procedure for monitoring of unprocessed mail payments.		C	All departments are now required to log unprocessed mail payments and notify their department head weekly. The Department notifies the CEO and CFO in the management team meeting.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			With the exception of the Criminal Department, the same clerk assigned to open and sort mail may also later process some of those mailed-in payments into the system.		C	All Court departments receiving mail payments have been instructed not to allow clerks who open mail to enter the mail payments into the case management system.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			The Court lacks adequate management oversight of credits applied toward criminal and traffic fines and fees, and waivers of civil fees, to ensure they are appropriate and properly supported.		C	Monthly reports are now generated listing all credits entered and reviewed by fiscal staff accountant to ensure the proper support is scanned in or documented in the system. Monthly reports are now generated listing all fee waivers entered and reviewed by fiscal staff accountant to ensure the proper signed and approved fee waiver document is on file in the system.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			The Court has not implemented periodic and random surprise cash counts since the requirement was added to the FIN Manual in 2009.		C	Fiscal staff are now performing surprise cash counts randomly in each court department. This also allows the fiscal staff to confirm that the opening cash count logs; receipt logs and change fund custodial daily count logs are being maintained in each location.	Michelle Frazier, Court Fiscal Director	October 10, 2014
		Log	The Court did not maintain a beginning cash verification log.		C	This has been corrected and all cashiers sign out a beginning cash verification log, and confirm the balance in their cash bag.	Michelle Frazier, Court Fiscal Director	October 1, 2014
		Log	The Paso Robles Branch did not maintain a record of when the combination was last changed and those individuals with access to the safe.		C	The Supervisor in Paso Robles has created a record of combination changes and a list of individuals with access.	Kim Martin, Civil Operations Director	January 1, 2015
		Log	Paso Robles Branch cashiers did not consistently check for identification when accepting credit card payments.		C	Paso staff has been directed to check identification when accepting payments by credit card at the counters.	Kim Martin, Civil Operations Director, Paso Robles Supervisor	January 1, 2015
	5.2	8	Certain Comprehensive Collection Program Activities Were Not Timely, Consistently Performed, or Compliant					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court has not established written policies and procedures for its comprehensive collections program.	I		The court agrees with the findings and is working to correct this issue. Written procedures for referrals are currently being developed and pending additional development by the vendor for collections will continue to evolve this process for the next 10-12 months.	Michelle Frazier, Court Fiscal Director	July 1, 2015
			The Court did not timely refer all delinquent criminal and traffic cases to the private collections agency.		C	The court agrees with the findings and has already implemented the corrective action. The Traffic referral configurations were completed in November and traffic cases have been referred each month since that date. New written procedures are currently being developed and should be completed by July 1, 2015.	Michelle Frazier, Court Fiscal Director	November 1, 2014
			The Court did not timely or consistently notify the DMV of individuals' failure-to-pay before referring delinquent criminal accounts to the collection agency.	I		The court agrees with the findings and is working to correct this issue. At this time, DMV notification is a manual process and staff performs the notification as time permits. Within the next couple of months the court will be linked to DMV with an interface that will automate the DMV notification process. At that time, we expect the DMV to be notified within 10-days of the delinquent date.	Michelle Frazier, Court Fiscal Director	July 1, 2015
			The Court's method for recovering its collections costs did not comply with Penal Code section 1463.007 as it deducted the costs from all revenue collected instead of only from delinquent account revenue.	I		The court agrees with the findings and is working with the case management system vendor to identify delinquent revenues collected and to offset the costs of collections only against these fees. This upgrade is scheduled to be released in April 2015.	Michelle Frazier, Court Fiscal Director	May 1, 2015
6								
	6.1	3	The Court Needs to Improve Its Calculations and Distributions of Court Collections					
			The Court inappropriately imposed the Administrative Assessment and could not justify the amount imposed was appropriate.		C	The court has ceased automatically adding the Administrative Assessment on all MV citations and only adds it when applicable on subsequent violations of the code. The court is in the process of preparing a cost study to ensure that the amount charged is appropriate.	Michelle Frazier, Court Fiscal Director	January 27, 2015
			The Court programmed certain assessments and fees in the incorrect priority groups for distribution of installment payments pursuant to Penal Code section 1203.1d.		C	All distribution priorities were updated, and are now correct based upon the audit recommendation.	Michelle Frazier, Court Fiscal Director	October 1, 2014
			For the Reckless Driving case reviewed, the Court incorrectly distributed the base fine components because the clerk entered an incorrect base fine amount into the CMS.		C	Additional training has been provided to courtroom staff, and fiscal staff regularly reviews fines entered by the courtroom for accuracy.	Michelle Frazier, Court Fiscal Director	January 15, 2015
			The Court did not distribute the Secret Witness Penalty of \$15 for violations of Fish and Game section 7145 relating to sport fishing license.		C	Charges subject to the secret witness fee distribution have been identified and distributions are now correct.	Michelle Frazier, Court Fiscal Director	November 1, 2014
			The 2 percent allocation was incorrectly applied in 4 of 30 applicable cases reviewed to certain fees, fines, and penalties.		C	Additional Fiscal Staff is learning to use the distribution templates provided by the Judicial Council to assist with verification of distributions configured in the case management system.	Michelle Frazier, Court Fiscal Director	October 15, 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			For the sample case reviewed disposed as a Proof of Correction, the Court incorrectly distributed both the \$3.40 and \$15 State portions to the same fund.		C	The State component of the Proof of Correction fees has been corrected and two revenue distribution accounts have been created.	Michelle Frazier, Court Fiscal Director	November 1, 2014
			The Court allows for some traffic violations that do not meet the statutory requirements for correctible offenses to be disposed as proof of correction.		C	All Proof of Corrections charges have been reviewed and POC designations have been removed when found to be in error.	Michelle Frazier, Court Fiscal Director	December 15, 2014
			For the Red Light traffic school case reviewed, the Court understated distributions to the 30 percent allocation and City base fine and overstated distribution to the Vehicle Code section 42007 Traffic Violator School (TVS) Fee by the same amount.		C	All Red Light distributions have been reviewed and corrected.	Michelle Frazier, Court Fiscal Director	October 10, 2014
			The Court has not configured the CMS to distribute the minimum Penal Code section 1203.097(a)(5)(A) Domestic Violence (DV) Fee of \$500 for DV offenses.		C	Domestic Violence charges have been identified and DV distributions have been created to ensure that the correct distribution is performed when a domestic violation case is retained on bench probation.	Michelle Frazier, Court Fiscal Director	January 15, 2015
			For cases with multiple violations from different offense groups, the CMS does not add the base fines for each violation before calculating the penalties.		C	The CMS vendor has been notified of the need to combine all base fines prior to calculating Penalty Assessments and is working on additional development to improve accuracy.	Michelle Frazier, Court Fiscal Director	December 30, 2014
		Log	POC: For the POC case reviewed, the city portion was incorrectly distributed to the County because the clerk entered the incorrect jurisdiction.		C	Clerks have been reminded of the importance of entering the proper jurisdiction on intake. This will ensure the funds are distributed properly.	Karen Liebscher, Criminal Operations Director	January 1, 2015
		Log	For the Littering case reviewed that was a city arrest, the PC 1464.9 fine was not allocated among the county and city for litter cleanup programs.		C	The county performs this revenue split from a single deposit account. The court does not do this distribution, this is performed by the county.	Michelle Frazier, Court Fiscal Director	January 1, 2015
		Log	For the Child seat cases reviewed, 100% of the base fine was distributed to the Child Restraint Program rather than split among the Education Program (65%), Administration (25%), and Loaner Program (15%).		C	The county performs this revenue split from a single deposit account. The court does not do this distribution, this is performed by the county.	Michelle Frazier, Court Fiscal Director	January 1, 2015
		Log	For the Unattended Child case reviewed, the percentage of County base fine was distributed to the Child Restraint Program rather than split between the Education Program (70%) and Administration (15%).		C	The county performs this revenue split from a single deposit account. The court does not do this distribution, this is performed by the county.	Michelle Frazier, Court Fiscal Director	January 1, 2015
		Log	The Court has not maintained its master Continuity of Operations Plan (COOP) current and does not periodically test the COOP, such as through mock drills or table top analysis.	I		The implementation of the new CMS project put the court behind on these important tasks. Bringing this up to date is a priority and will be completed within one year.	Doug Jones, IT Director	January 1, 2016
		Log	Although the COOP identifies vital records and their storage and recovery at a high level, the Court does not have a comprehensive disaster recovery plan that provides detailed processes and procedures for recovery of all vital applications and data, and coordination with other entities and vendors involved in recovery efforts. It also has not designated alternate facilities as recovery sites in the event that the main court locations become non-operational.	I		The implementation of the new CMS project put the court behind on these important tasks. Bringing this up to date is a priority and will be completed within one year.	Doug Jones, IT Director	January 1, 2016

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
Sensitive issue - Redacted in final issued report see pg xi of report								
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		Log	The Court did not maintain current DMV Information Security Statements that are required to be annually certified by individuals having access to DMV record information. The statements on file had expired, and it did not have a signed statement for one part-time employee.		C	The updated statements were circulated during the first week of the audit and placed on file for all staff having access to DMV information.	Karen Liebscher, Criminal Operations Director	July 1, 2014
7 Banking and Treasury								
		Log	The Court did not mark voided revolving account checks as void and either cut or block out the signature line.		C	This procedure has been adopted and all voided checks have the signature line blocked.	Patsy Glenn, Court Accountant	November 1, 2014
		Log	The Court did not reconcile its revolving account at least monthly.		C	The court had been performing informal reconciliations, this procedure has now been formalized with a printed and signed reconciliation each month.	Patsy Glenn, Court Accountant	November 1, 2014
		Log	The Fiscal Director did not sign and date monthly trust reconciliations to document her review and approval.		C	An additional signature line has been added to the trust reconciliation document for the fiscal director's signature.	Connie McNamara, Court Accountant	November 1, 2014
8 Court Security								
		Log	The Court has not maintained its key log used to track issuance and retrieval of metal keys and key fobs, ensuring it is up-to-date to ensure that physical access to court facilities has been properly granted to the appropriate individuals.		C	The secretary charged with logging and monitoring court keys and fobs has updated the listing and procedures granting keys and access.	Jan Michael, Court Secretary	February 1, 2015
Sensitive issue - Redacted in final issued report see pg xi of report								
9 Procurement			No issues to report					
10 Contracts								
	10.1	5	Court Needs to Improve Its Contracting and Contract Monitoring Procedures					
			The Court did not ensure that its contracts included clauses and provisions required by the JBCM.		C	All contract templates have been updated to include only the latest versions of contracts and procurement documents.	Patsy Glenn, Fiscal Services Staff	November 1, 2014

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			For a third contract reviewed, the Court continued to receive services from the vendor beyond the initial contract term but did not enter into an amendment to extend the term of the contract.		C	The court now has policies in place to purchase all services and supplies under existing contracts, master agreements, leveraged procurements or with a full procurement process.	Patsy Glenn, Fiscal Services Staff	October 1, 2014
			The Court did not obtain current and complete certificates of insurance before authorizing vendors to provide services.		C	All files requiring insurance certificates have now been marked, and a spreadsheet to track dates and receipt of certificates has been created.	Patsy Glenn, Fiscal Services Staff	September 1, 2014
			The Court and County did not enter into a contract for certain services the County provided to the Court.	I		The Court is currently pursuing an updated MOU for services the County provides the Court.	Patsy Glenn, Fiscal Services Staff	January 1, 2016
11 Accounts Payable								
	11.1	7	Court Did Not Comply with Business Meal Requirements when Planning and Paying for Certain Group Meals					
			The Court did not comply with certain FIN Manual business meal requirements when conducting the 2014 annual employee recognition event.		C	The court accepts the findings and will ensure that all future business meal expenditures will comply with the FIN Manual requirements. In the future, no court paid food will be provided for employee recognition events.	Michelle Frazier, Court Fiscal Director	January 18, 2015
			The cost paid by the Court for the 2014 annual judge's lunch meeting was more than the maximum per person rate for restaurant group meals. REPEAT		C	The court accepts the findings and will ensure that all future business meal expenditures will comply with the FIN Manual requirements and remain within allowable parameters for business lunches.	Michelle Frazier, Court Fiscal Director	January 18, 2015
			The Court did not consistently require complete Business-Related Meal Forms to be submitted and approved prior to each business meal. REPEAT		C	The court agrees with the findings and will not reimburse business meal without a preapproved business meal request form.	Michelle Frazier, Court Fiscal Director	January 18, 2015
	11.2	6	The Court Did Not Comply with Certain Travel Policies and Procedures					
			The Court did not have proper request and approval documentation to justify paying out-of-state travel expenditures that exceeded reimbursable rates.		C	The court agrees with the findings and no out of state travel will be reimbursed without the prior approval of the presiding judge or written designee. Lodging exception requests will be required for all lodging expenditures which exceed approved rates.	Michelle Frazier, Court Fiscal Director	January 18, 2015
			The Court did not demonstrate that the most economical method of travel was used.		C	The court agrees with the finding that all reimbursable travel costs must be included on the Travel Request for signed by the Presiding Judge or written designee. And that documentation must be provided to ensure that the most economical method of travel is used.	Michelle Frazier, Court Fiscal Director	January 18, 2015
			The Court did not consistently require travelers claiming expenses associated with attending conferences, trainings, or classes to submit appropriate proof of attendance or certificate of completion.		C	The court agrees with the findings and will require proof of attendance or certification of completion for all conferences, trainings or classes. Course descriptions will no longer be accepted as proof of attendance.	Michelle Frazier, Court Fiscal Director	January 18, 2015
			The Court recorded certain travel expenditures reviewed to the incorrect general ledger accounts.		C	The court agrees with this finding and will review all travel claims to ensure that appropriate general ledger accounts are used to properly classify these expenses.	Michelle Frazier, Court Fiscal Director	January 18, 2015
		Log	The Court accounts payable staff did not date-stamp invoices and claims upon receipt as required by FIN 8.01, 6.3.1(1). REPEAT		C	This procedure has been implemented and all invoices are date stamped upon receipt.	Michelle Frazier, Court Fiscal Director	October 1, 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court did not always ensure completed Petty Cash Reimbursement Request forms were submitted with store receipts when processing petty cash reimbursements. REPEAT		C	This issue was addressed and completed forms are required.	Michelle Frazier, Court Fiscal Director	October 1, 2014
12	Fixed Assets Management		No issues to report					
13	Audits		No issues to report.					
14	Records Retention		No issues to report.					
15	Domestic Violence							
		15.1	4					
			The Court Did Not Consistently Assess Required Minimum Domestic Violence Fines and Fees					
			The statutory or total fine assessed in seven cases was insufficient to satisfy the mandatory minimum fines and fees. For another five cases reviewed, the Court did not assess any mandatory minimum fines and fees. REPEAT		C	The court agrees with the findings and has provided additional information to the bench and the case management system has been configured to automatically charge these mandatory fees on defendants with bench probation.	Tammy Denchfield, Courtroom Operations Director	February 1, 2015
			For four cases reviewed where the defendant was sentenced to Court-supervised probation, the Court imposed a probation term that was less than the minimum three years required for DV cases, and no documentation was available to evidence that the Probation Revocation Fine was assessed and stayed pending successful completion of probation. REPEAT		C	The court agrees with the findings and has provided additional information to the bench regarding the probation revocation restitution fines.	Tammy Denchfield, Courtroom Operations Director	February 1, 2015
16	Exhibits							
		Log	Courtroom clerks were inappropriately assigned the ability to add, modify, and delete exhibit custody records, which should be restricted to courtroom supervisors and above.		C	This access has been updated and is available to supervisors and above only.	Tammy Denchfield, Courtroom Ops Director	December 1, 2014
		Log	Annual inventories were performed by the exhibit custodian of the respective exhibit room instead of an independent individual.		C	Inventory procedures have been updated to ensure that an independent individual performs the annual inventory.	Tammy Denchfield, Courtroom Ops Director	December 1, 2014