



Audit of the
Superior Court of California,
County of Santa Clara

REPORT OF
INTERNAL AUDIT SERVICES

DECEMBER 2011



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

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Superior Court of California, County of Santa Clara

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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 also impacted their internal control structures, yet no independent reviews of their operations were generally conducted until the Administrative Office of the Courts (AOC), Internal Audit Services (IAS), began court audits in 2002.

The audit of the Superior Court of California, County of Santa Clara (Court) was initiated by entrance letter from IAS in February 2011 with field work starting in June 2011. Depending on the size of the court, the audit process typically involves two or three audit cycles encompassing the following primary areas:

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

IAS audit plans cover all four of the above areas. The audit process involves the review of the Court's compliance with statute, California Rules of Court (CRC), the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS conducted its first audit of the Court in FY 2006–2007. IAS followed up on issues identified in this prior audit to determine whether the Court adequately resolved previous issues.

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

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

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

IAS audits are designed to identify instances of non-compliance, such as with the FIN Manual and FISMA. Some of the more significant instances of non-compliance are highlighted in the **Audit Issues Overview** below. Although IAS audits do not emphasize or elaborate on areas of compliance, we did identify examples in which the Court was in compliance with the FIN Manual and FISMA. Specifically, except for those issues reported in this report, some of the areas where IAS found the Court in compliance included the following:

- An organizational plan that provides for an effective segregation of duties to properly safeguard assets, including money from its collection to deposit.
- A well documented system of authorization and recordkeeping for revenues and expenditures that provides effective accounting control.
- Management controls to monitor personnel in the performance of their duties and responsibilities.
- The ability to attract and retain quality personnel that are knowledgeable and motivated to take accountability and responsibility for the performance of their duties.

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

Audit Issues Overview

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

The audit identified approximately 70 reportable issues with almost 80% being reported completed by the Court. We performed testing in 19 areas with there being no reportable issues in ten areas and one minor issue in one other area. There were only three areas (cash collections, information systems, and domestic violence) where there are reportable issues in the body of the report and five others were there were only minor issues of lower risk reported in Appendix A. There were several repeat issues from the prior 2007 audit with two of the repeat issues being:

Implementation of a Disaster Recovery Plan

The Court continued to not have a disaster recovery plan in place. This increases the risk of not properly and timely recovering and continuing court operations, which is exacerbated by the lack of a full functioning back-up or fail over site. Both plan development and completion

of the fail over site are in progress. IAS's review noted significant progress for this issue and now considers it a lower risk issue but it still is a repeat. IAS also identified other IT-related issues in the Appendix A of this report.

Domestic Violence Fees are not Uniformly Applied (section 15)

The Court continued to inconsistently assess the proper domestic violence fee pursuant to Penal Code §1203.097 (a). In addition, there is still no formal financial evaluation in place when reducing or waiving the required fee. IAS detailed these and other significant issues in section 15.1 and noted other minor issues in the Appendix A of this report.

The body of the report has three sections with reportable issues. One section is domestic violence and it is discussed above. Another section is cash collections and IAS doesn't consider the issues significant enough for the attention of management in this summary. Additionally, the Court has indicated that 25 of the 26 issues identified have been corrected. Only one issue in the information systems section (aside from the disaster recovery plan issue discussed above) is highlighted for management's attention and it is:

Court Distribution of Collections (section 6.1)

The Court did not correctly distribute certain fines, fees, penalties, and other assessments it collected. State statutes and local ordinances govern the distribution of these collections, which are often complex. The Judicial Council and the State Controller's Office publish guidelines to supplement statutory codes that courts use to calculate and distribute court collections. The Court uses two case management systems (CMS); Uniform Court Systems (UCS) for traffic and civil case types and Criminal Justice Information Control (CJIC) for criminal case types, to automatically calculate and distribute amounts entered to the appropriate State and local agency accounts. Our review of the CMS distributions identified the following errors:

- Incorrect assessment of Vehicle Code (VC) §40508.6 (a) – Priors Administrative assessment on cases without prior convictions
- Incorrect assessment of Penal Code (PC) §1465.8 – Court Operations assessment and Government Code (GC) §76000.10 – Emergency Medical Air Transportation penalty on the violation date
- Inconsistent assessment of the Government Code (GC) §70373 – Criminal Conviction assessment of \$35 for traffic infractions and \$30 for misdemeanors/felonies
- Incorrect proration of underpayments \$10 or less among all distribution accounts

The Court reviewed the recommendations and is committed to making the necessary corrections to comply. The Court, however, will continue to prorate underpayments of \$10 or less based on current local policy due to the anticipated programming cost and insignificant impact on collections and distributions.

STATISTICS

The Superior Court of California, County of Santa Clara (Court) operates in 11 locations throughout the county. The Court has 79 authorized judges and 10 commissioners responsible for approximately 350,000 filings in FY 2009 – 2010. It also employs approximately 783 court staff to fulfill its administrative and operational activities with total expenditures of more than \$131 million for the fiscal year that ended June 30, 2010. The 11 court locations are:

- Downtown Superior Court – 191 North First Street, San Jose
- Old Courthouse – 161 North First Street, San Jose
- Family Court – 170 Park Avenue, San Jose
- Hall of Justice – 190 West Hedding Street, San Jose
- Juvenile Justice Court – 840 Guadalupe Parkway, San Jose
- Terraine Courthouse – 115 Terraine Street, San Jose
- Notre Dame Courthouse – 99 Notre Dame Avenue, San Jose
- South County Courthouse – 301 Diana Drive, Morgan Hill
- Santa Clara Courthouse – 1095 Homestead Road, Santa Clara
- Sunnyvale Courthouse – 605 West El Camino Real, Sunnyvale
- Palo Alto Courthouse – 270 Grant Avenue, Palo Alto

Before 1997, the Court and the County of Santa Clara (County) worked within common budgetary and cost parameters—often the boundaries of services and programs offered by each were 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, the Court and the County 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 county and court services. For fiscal year 2009–2010, the Court received various services from the County such as:

- Payroll services from the County Auditor and Controller,
- Benefits administration services from the County Department of Human Resources, and
- Case management system hosting (CJIC) from the County Information Systems

The Court also entered into an agreement with the County Sheriff for court security services, and other agreements with individual County departments for various service arrangements.

The chart that follows contains general Court statistical information as of June 30, 2010

<p>County Population (Estimated as of January 1, 2011)</p> <p>Source: California Department of Finance</p>	<p>1,797,375</p>
<p>Number of Case Filings in FY 2009–2010:</p> <p>Criminal Filings:</p> <ul style="list-style-type: none"> ▪ Felonies 9,115 ▪ Non-Traffic Misdemeanor 19,999 ▪ Non-Traffic Infractions 15,378 ▪ Traffic Misdemeanors 17,081 ▪ Traffic Infractions 233,431 <p>Total: 295,004</p> <p>Civil Filings:</p> <ul style="list-style-type: none"> ▪ Civil Unlimited 9,136 ▪ Motor Vehicle PI/PD/WD 938 ▪ Other PI/PD/WD 637 ▪ Other Civil Complaints & Petitions 7,333 ▪ Small Claims Appeals 228 ▪ Family Law (Marital) 6,460 ▪ Family Law Petitions 6,564 ▪ Probate 1,895 ▪ Limited Civil 22,548 ▪ Small Claims 6,532 <p>Total: 62,271</p> <p>Juvenile Filings:</p> <ul style="list-style-type: none"> ▪ Juvenile Delinquency – Original 1,665 ▪ Juvenile Delinquency – Subsequent 590 ▪ Juvenile Dependency – Original 465 ▪ Juvenile Dependency – Subsequent 3 <p>Total: 2,723</p> <p>Source: Judicial Council of California's 2011 Court Statistics Report</p>	
<p>Number of Judicial Officers as of June 30, 2010:</p> <p>Authorized Judgeships 79</p> <p>Authorized Subordinate Judicial Officers 10</p> <p>Source: Judicial Council of California's 2011 Court Statistics Report</p>	
<p>Number of Court Staff as of June 30, 2010:</p> <p>Total Authorized FTE Positions 902.14</p> <p>Total Filled FTE Positions 782.85</p> <p>Source: Judicial Council of California's Quarterly Financial Statement for FY 2009–2010, 4th quarter</p>	

FINANCIAL STATEMENTS

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

Fiscal accountability: 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).

Operational accountability: This refers to a government's responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose and whether they can continue to meet their objectives for the foreseeable future.

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

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the Administrative Office of the Courts (AOC) developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Court implemented this fiscal system on July 2008 and processes fiscal data through the AOC Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data on the following 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 2008–2009 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for "information purposes" as the consolidation of funds are not meaningful numbers. Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

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

- **Governmental**
 - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
 - **Special Revenue** – Used to account for certain revenue sources "earmarked" for specific purposes (including grants received). Funds included here are:
 - **Special Revenue**
 1. Donations – 120002
 2. Small Claims Advisory – 120003
 3. Grand Jury – 120005
 4. Other County Services – 120009
 5. Children's Waiting Room – 180005
 - **Grants**
 1. AB1058 Child Support Commissioner Program – 1910591
 2. Substance Abuse Focus Program – 1910601
 3. Access to Visitation – 1910611
 4. US DOJ Block Grant – 1930011
 5. Self Help Centers - 1910731
 6. Drug Court Discretionary Grant – 1930041
 7. SAMSHA – 1940071
 8. Philanthropic Ventures Foundation – 1970171
 9. First Five – 1970201

- **Fiduciary**

- **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”¹ Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The 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 party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government’s own programs, such funds are specifically excluded from the government-wide financial statements.² **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
 - Distribution – 400000
 - Civil Filing Fees Fund – 450000

¹ GASB Statement No. 34, paragraph 69.

² GASB Statement No. 34, paragraph 12.

Santa Clara Superior Court
Trial Court Operations Fund
Balance Sheet
(Unaudited)

For the month ended June 30								
Fiscal Year 2009/10								
	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	\$ (727,908)	\$ 873,211	\$ 228,517			\$ 0	\$ 373,821	\$ 325,575
Payroll								\$ 0
Jury								
Revolving								
Other	\$ 0						\$ 0	\$ 725
Distribution						\$ 796,972	\$ 796,972	\$ 4,204,566
Civil Filing Fees						\$ 3,225,604	\$ 3,225,604	\$ 1,753,299
Trust						\$ 21,660,731	\$ 21,660,731	\$ 8,138,070
Credit Card								
Cash on Hand	\$ 16,285					\$ 0	\$ 16,285	\$ 15,385
Cash with County	\$ 7,000,000						\$ 7,000,000	\$ 7,000,000
Cash Outside of the AOC						\$ 0	\$ 0	\$ 149,777
Total Cash	\$ 6,288,377	\$ 873,211	\$ 228,517			\$ 25,683,307	\$ 33,073,412	\$ 21,587,397
Short Term Investment	\$ 17,002,465	\$ 4,062				\$ 3,919,292	\$ 20,925,819	\$ 16,531,238
Investment in Financial Institution								
Total Investments	\$ 17,002,465	\$ 4,062				\$ 3,919,292	\$ 20,925,819	\$ 16,531,238
Accrued Revenue	\$ 491,071	\$ 105,172	\$ 0			\$ 26	\$ 596,269	\$ 1,901,244
Accounts Receivable - General	\$ 241,883		\$ 700,316				\$ 942,199	
Dishonored Checks								
Due From Employee								
Civil Jury Fees								
Trust						\$ 0	\$ 0	
Due From Other Funds	\$ 1,062,714	\$ 0	\$ 0			\$ 1,168,049	\$ 2,230,763	\$ 2,593,440
Due From Other Governments	\$ 17,888	\$ 0	\$ 163,314			\$ 1,235,299	\$ 1,416,501	\$ 172,347
Due From Other Courts								
Due From State	\$ 3,027,727	\$ 43,595	\$ 142,575				\$ 3,213,897	\$ 1,806,369
Trust Due To/From								
Distribution Due To/From								
Civil Filing Fee Due To/From								
General Due To/From								
Total Receivables	\$ 4,841,283	\$ 148,767	\$ 1,006,205			\$ 2,403,375	\$ 8,399,629	\$ 6,473,399
Prepaid Expenses - General	\$ 112,130						\$ 112,130	\$ 421,291
Salary and Travel Advances								
Counties								
Total Prepaid Expenses	\$ 112,130						\$ 112,130	\$ 421,291
Other Assets								
Total Other Assets								
Total Assets	\$ 28,244,254	\$ 1,026,040	\$ 1,234,723			\$ 32,005,973	\$ 62,510,990	\$ 45,013,325
LIABILITIES AND FUND BALANCES								
Accrued Liabilities	\$ 318,334	\$ 65,227	\$ 102,868				\$ 486,429	\$ 864,327
Accounts Payable - General	\$ 6,964	\$ 887	\$ 0			\$ 105,587	\$ 113,438	\$ 109
Due to Other Funds	\$ 1,582	\$ 78,634	\$ 974,407			\$ 1,176,140	\$ 2,230,763	\$ 2,593,440
Due to Other Courts								
Due to State								
TC145 Liability						\$ 2,059,137	\$ 2,059,137	\$ 1,753,299
Due to Other Governments								
AB145 Due to Other Government Agency	\$ 0	\$ 0				\$ 7,118,171	\$ 7,118,171	\$ 5,720,258
Due to Other Public Agencies								
Sales and Use Tax	\$ 919						\$ 919	\$ 1,029
Interest						\$ 0	\$ 0	\$ 0
Miscellaneous Accts. Pay. and Accrued Liab.							\$ 0	\$ 0
Total Accounts Payable and Accrued Liab.	\$ 327,800	\$ 144,748	\$ 1,077,274			\$ 10,459,036	\$ 12,008,858	\$ 10,932,462
Civil						\$ 19,387,704	\$ 19,387,704	\$ 4,618,604
Criminal						\$ 2,101,263	\$ 2,101,263	\$ 3,650,522
Unreconciled - Civil and Criminal								\$ 0
Trust Held Outside of the AOC								\$ 149,777
Trust Interest Payable						\$ 39,864	\$ 39,864	\$ 22,228
Miscellaneous Trust								
Total Trust Deposits						\$ 21,528,831	\$ 21,528,831	\$ 8,441,131
Accrued Payroll	\$ 4,572,254						\$ 4,572,254	\$ 4,252,985
Benefits Payable								
Deferred Compensation Payable								
Deductions Payable								
Payroll Clearing								
Total Payroll Liabilities	\$ 4,572,254						\$ 4,572,254	\$ 4,252,985
Revenue Collected in Advance	\$ 0		\$ 157,085				\$ 157,085	
Liabilities For Deposits	\$ 15,248	\$ 2,261				\$ 18,106	\$ 35,615	
Jury Fees - Non-Interest								
Fees - Partial Payment & Overpayment								
Uncleared Collections								\$ 0
Other Miscellaneous Liabilities								
Total Other Liabilities	\$ 15,248	\$ 2,261	\$ 157,085			\$ 18,106	\$ 192,701	\$ 0
Total Liabilities	\$ 4,915,302	\$ 147,009	\$ 1,234,360			\$ 32,005,973	\$ 38,302,644	\$ 23,626,578
Fund Balance - Nonspendable								
Fund Balance - Restricted	\$ 2,413,876	\$ 840,422	\$ 0				\$ 3,254,297	\$ 3,192,698
Fund Balance - Committed								
Fund Balance - Assigned	\$ 16,998,539						\$ 16,998,539	\$ 16,998,539
Fund Balance - Unassigned	\$ 1,133,911	\$ 0	\$ 0				\$ 1,133,911	\$ 1,133,911
Excess (Deficit) of Rev. Over Expenses/Op. Transfers	\$ 2,782,628	\$ 38,609	\$ 363				\$ 2,821,599	\$ 1,195,510
Total Fund Balance	\$ 23,328,953	\$ 879,031	\$ 363				\$ 24,208,346	\$ 21,386,747
Total Liabilities and Fund Balance	\$ 28,244,254	\$ 1,026,040	\$ 1,234,723			\$ 32,005,973	\$ 62,510,990	\$ 45,013,325

**Santa Clara Superior Court
Trial Court Operations Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
(Unaudited)**

	For the month ended June 30									
	Fiscal Year 2009/10							2008/09		
	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						
Non-Grant		Grant								
REVENUES										
State Financing Sources										
Trial Court Trust Fund	\$ 117,498,189	\$ 254,799				\$ 117,752,988	\$ 117,484,748	\$ 121,894,338	\$ 121,074,858	
Trial Court Improvement Fund	\$ 400,181					\$ 400,181	\$ 596,576	\$ 478,019	\$ 319,193	
Judicial Administration Efficiency & Mod Fund	\$ 560,804					\$ 560,804	\$ 682,469	\$ 724,146	\$ 598,622	
Judges' Compensation (45.25)	\$ 750,500					\$ 750,500	\$ 740,500	\$ 741,104	\$ 741,000	
Court Interpreter (45.45)	\$ 3,425,451					\$ 3,425,451	\$ 3,190,000	\$ 3,485,431	\$ 3,190,000	
Civil Coordination Reimbursement (45.55)										
MOU Reimbursements (45.10 and General)	\$ 1,138,643	\$ 0				\$ 1,138,643	\$ 970,120	\$ 5,405,214	\$ 5,262,114	
Other Miscellaneous								\$ 434,291	\$ 434,291	
	\$ 123,773,768	\$ 254,799				\$ 124,028,567	\$ 123,664,413	\$ 133,162,543	\$ 131,620,078	
Grants										
AB 1058 Commissioner/Facilitator			\$ 2,670,204			\$ 2,670,204	\$ 2,639,528	\$ 2,639,167	\$ 2,246,032	
Other AOC Grants	\$ 0		\$ 139,378			\$ 139,378	\$ 132,300	\$ 121,433	\$ 135,000	
Non-AOC Grants			\$ 779,830			\$ 779,830	\$ 1,191,315	\$ 955,001	\$ 1,173,410	
	\$ 0		\$ 3,589,411			\$ 3,589,411	\$ 3,963,143	\$ 3,715,600	\$ 3,554,442	
Other Financing Sources										
Interest Income	\$ 202,442	\$ 5,161	\$ 377			\$ 207,980	\$ 550,000	\$ 506,628	\$ 750,000	
Investment Income										
Donations	\$ 59,085	\$ 36,169				\$ 95,254	\$ 40,000	\$ 37,819	\$ 20,000	
Local Fees	\$ 1,976,806	\$ 0				\$ 1,976,806	\$ 1,754,000	\$ 1,758,822	\$ 1,763,584	
Non-Fee Revenues										
Enhanced Collections	\$ 0	\$ 490,249				\$ 490,249	\$ 575,000	\$ 527,736	\$ 1,311,025	
Escheatment	\$ (1,306)					\$ (1,306)			\$ 1,000,000	
Prior Year Revenue	\$ (172,895)					\$ (172,895)		\$ (12,414)		
County Program - Restricted	\$ 0	\$ 349,961				\$ 349,961	\$ 381,615	\$ 384,763	\$ 1,741,428	
Reimbursement Other	\$ 1,762,161	\$ 83,262				\$ 1,845,423	\$ 1,678,062	\$ 3,374,466	\$ 575,000	
Sale of Fixed Assets	\$ 1,765,751	\$ 0				\$ 1,765,751	\$ 1,500,717	\$ 88,552	\$ 10,000	
Other Miscellaneous										
	\$ 5,592,045	\$ 964,802	\$ 377			\$ 6,557,224	\$ 6,479,394	\$ 6,666,372	\$ 7,171,037	
Total Revenues	\$ 129,365,813	\$ 1,219,601	\$ 3,589,789			\$ 134,175,203	\$ 134,106,950	\$ 143,544,515	\$ 142,345,557	
EXPENDITURES										
Personal Services										
Salaries - Permanent	\$ 52,617,566	\$ 406,233	\$ 1,148,128			\$ 54,171,927	\$ 55,591,527	\$ 58,359,273	\$ 59,575,149	
Temp Help	\$ 654,903	\$ 22,859	\$ 200,678			\$ 878,440	\$ 316,203	\$ 798,960	\$ 17,947	
Overtime	\$ 43,536					\$ 43,536		\$ 46,284		
Staff Benefits	\$ 31,643,847	\$ 248,378	\$ 939,226			\$ 32,831,451	\$ 39,004,906	\$ 33,461,277	\$ 38,558,612	
	\$ 84,959,853	\$ 677,470	\$ 2,288,031			\$ 87,925,354	\$ 94,912,636	\$ 92,665,795	\$ 98,151,708	
Operating Expenses and Equipment										
General Expense	\$ 2,124,111	\$ 40,583	\$ 40,051			\$ 2,204,745	\$ 2,094,705	\$ 3,176,613	\$ 2,210,147	
Printing	\$ 184,458	\$ 4,575				\$ 189,032	\$ 300,000	\$ 262,834	\$ 135,000	
Telecommunications	\$ 895,504		\$ 0			\$ 895,504	\$ 980,000	\$ 1,129,483	\$ 1,180,000	
Postage	\$ 521,854	\$ 6				\$ 521,860	\$ 480,000	\$ 427,269	\$ 500,000	
Insurance	\$ 40,230					\$ 40,230	\$ 75,000	\$ 76,793	\$ 70,000	
In-State Travel	\$ 120,221	\$ 3,010	\$ 16,901			\$ 140,131	\$ 133,104	\$ 165,645	\$ 227,500	
Out-of-State Travel	\$ 201					\$ 201				
Training	\$ 119,285		\$ 9,128			\$ 128,413	\$ 177,196	\$ 161,656	\$ 295,001	
Security Services	\$ 27,399,802		\$ 281,312			\$ 27,681,114	\$ 28,754,518	\$ 28,445,413	\$ 28,445,413	
Facility Operations	\$ 1,381,427	\$ 680				\$ 1,382,107	\$ 1,417,953	\$ 1,843,249	\$ 1,523,082	
Utilities	\$ 158,281					\$ 158,281	\$ 190,000	\$ 189,490	\$ 153,000	
Contracted Services	\$ 5,029,565	\$ 496,503	\$ 790,225			\$ 6,316,293	\$ 5,682,955	\$ 9,998,447	\$ 8,759,400	
Consulting and Professional Services	\$ 2,333,612					\$ 2,333,612	\$ 2,439,288	\$ 2,619,404	\$ 2,335,552	
Information Technology	\$ 414,572		\$ 2,119			\$ 416,691	\$ 460,300	\$ 319,863	\$ 360,000	
Major Equipment	\$ 254,067					\$ 254,067		\$ 144,641		
Other Items of Expense	\$ 62,158					\$ 62,158	\$ 54,500	\$ 55,904	\$ 65,000	
	\$ 41,039,347	\$ 545,357	\$ 1,139,735			\$ 42,724,439	\$ 43,239,519	\$ 49,016,702	\$ 46,259,095	
Special Items of Expense										
Grand Jury		\$ 10,899				\$ 10,899	\$ 5,300	\$ 4,769		
Jury Costs	\$ 575,548	\$ 115,953				\$ 691,502	\$ 720,000	\$ 710,494	\$ 520,000	
Judgements, Settlements and Claims	\$ 1,410					\$ 1,410				
Debt Service										
Other	\$ 0					\$ 0				
Capital Costs										
Internal Cost Recovery	\$ (469,463)		\$ 469,463			\$ 0	\$ 0	\$ 0	\$ 0	
Prior Year Expense Adjustment										
	\$ 107,496	\$ 126,852	\$ 469,463			\$ 703,811	\$ 725,300	\$ 666,509	\$ 520,000	
Total Expenditures	\$ 126,106,696	\$ 1,349,678	\$ 3,897,229			\$ 131,353,604	\$ 138,877,455	\$ 142,349,006	\$ 144,930,803	
Excess (Deficit) of Revenues Over Expenditures	\$ 3,259,117	\$ (130,077)	\$ (307,441)			\$ 2,821,599	\$ (4,770,505)	\$ 1,195,510	\$ (2,585,246)	
Operating Transfers In (Out)	\$ (476,489)	\$ 168,686	\$ 307,803			\$ 0	\$ 0	\$ 0	\$ 10,990,950	
Fund Balance (Deficit)										
Beginning Balance (Deficit)	\$ 20,546,325	\$ 840,422	\$ 0			\$ 21,386,747	\$ 21,386,747	\$ 20,191,237	\$ 20,191,237	
Ending Balance (Deficit)	\$ 23,328,953	\$ 879,031	\$ 363			\$ 24,208,346	\$ 16,616,242	\$ 21,386,747	\$ 28,596,941	

Santa Clara Superior Court
 Trial Court Operations Fund
 Statement of Program Expenditures
 (Unaudited)

For the month ended June 30									
Fiscal Year 2009/10								2008/09	
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
PROGRAM EXPENDITURES:									
Judges & Courtroom Support	\$ 27,607,620	\$ 1,834,045	\$ 0	\$ 0		\$ 29,441,665	\$ 30,160,127	\$ 31,274,412	\$ 32,081,162
Traffic & Other Infractions	\$ 6,901,214	\$ 103,880				\$ 7,005,094	\$ 7,612,155	\$ 6,772,268	\$ 7,953,098
Other Criminal Cases	\$ 11,277,798	\$ 941,956		\$ 0		\$ 12,219,754	\$ 13,572,538	\$ 12,758,564	\$ 13,558,206
Civil	\$ 9,121,710	\$ 293,788				\$ 9,415,498	\$ 10,726,725	\$ 9,894,466	\$ 10,898,312
Family & Children Services	\$ 10,117,604	\$ 1,774,326		\$ 0		\$ 11,891,931	\$ 12,262,666	\$ 12,004,472	\$ 12,902,446
Probate, Guardianship & Mental Health Services	\$ 3,152,001	\$ 41,197				\$ 3,193,198	\$ 3,245,855	\$ 3,690,032	\$ 4,148,101
Juvenile Dependency Services	\$ 437,345	\$ 182,416				\$ 619,762	\$ 612,197	\$ 4,428,406	\$ 4,268,323
Juvenile Delinquency Services	\$ 721,397	\$ 58,813				\$ 780,210	\$ 762,547	\$ 756,175	\$ 777,172
Other Court Operations	\$ 599,995	\$ 15,576				\$ 615,571	\$ 1,016,003	\$ 929,198	\$ 830,956
Court Interpreters	\$ 2,575,262	\$ 1,096,803	\$ 1,410			\$ 3,673,474	\$ 4,980,802	\$ 3,835,928	\$ 5,426,318
Jury Services	\$ 868,206	\$ 153,208	\$ 575,548			\$ 1,596,962	\$ 1,644,095	\$ 1,674,002	\$ 1,243,686
Security		\$ 28,140,925				\$ 28,140,925	\$ 28,804,918	\$ 28,997,285	\$ 28,495,813
Trial Court Operations Program	\$ 73,380,151	\$ 34,636,934	\$ 576,959	\$ 0		\$ 108,594,044	\$ 115,400,628	\$ 117,015,207	\$ 122,583,593
Enhanced Collections								\$ 527,736	
Other Non-Court Operations	\$ 307,157	\$ 115,014	\$ 126,852			\$ 549,023	\$ 523,699	\$ 517,827	\$ 557,001
Non-Court Operations Program	\$ 307,157	\$ 115,014	\$ 126,852			\$ 549,023	\$ 523,699	\$ 1,045,563	\$ 557,001
Executive Office	\$ 2,482,192	\$ 155,144				\$ 2,637,336	\$ 2,894,691	\$ 2,722,363	\$ 2,415,029
Fiscal Services	\$ 1,921,202	\$ 1,136,234				\$ 3,057,436	\$ 2,592,971	\$ 3,191,630	\$ 1,849,202
Human Resources	\$ 1,934,022	\$ 89,097				\$ 2,023,119	\$ 2,446,561	\$ 2,215,954	\$ 2,436,542
Business & Facilities Services	\$ 4,174,241	\$ 3,549,900				\$ 7,724,141	\$ 8,328,948	\$ 8,819,226	\$ 8,374,466
Information Technology	\$ 3,726,388	\$ 3,042,116				\$ 6,768,504	\$ 6,689,957	\$ 7,387,816	\$ 6,714,970
Court Administration Program	\$ 14,238,046	\$ 7,972,491				\$ 22,210,537	\$ 22,953,128	\$ 24,336,990	\$ 21,790,209
Expenditures Not Distributed or Posted to a Program								\$ 0	
Prior Year Adjustments Not Posted to a Program								\$ (48,754)	
Total	\$ 87,925,354	\$ 42,724,439	\$ 703,811	\$ 0		\$ 131,353,604	\$ 138,877,455	\$ 142,349,006	\$ 144,930,803

SOURCE: Phoenix Financial System

PURPOSE AND SCOPE

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

- Complied with the FIN Manual and the Court's own documented policies and procedures.
- Compliance with various statutes and Rules of Court.
- 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.

The scope of audit work included reviews of the Court's major functional areas, including: cash collections, fixed assets, contracts and procurement, accounts payable, payroll, financial accounting and reporting, case management, information technology, domestic violence, 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 2009–2010.

The Judicial Council in December 2009 adopted California Rule of Court 10.500 with an effective date of January 1, 2010, that provides for public access to nondeliberative or nonadjudicative court records. Final audit reports are among the judicial administrative records that are subject to public access unless an exemption from disclosure is applicable. The exemptions under rule 10.500 (f) include records whose disclosure would compromise the security of a judicial branch entity or the safety of judicial branch personnel. As a result, any information considered to be of a confidential or sensitive 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 February 3, 2011.

The entrance meeting was held with the Court on April 4, 2011.

Audit fieldwork commenced in June 2011.

Fieldwork was completed in December 2011.

Preliminary results were communicated and discussed with Court management during the course of the review.

A preliminary review of the audit results was held on March 8, 2012 with the following Court representatives:

- Mr. David H. Yamasaki, Court Executive Officer
- Mr. Marvin Bell, Director of Finance
- Ms. Vella Sindayen, Deputy Fiscal Officer

IAS received the Court's final management responses to the IAS recommendations on April 9, 2012. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the audit report for its review and comment on May 9, 2012. On May 10, 2012, the Court provided its comments and suggestions concerning its review of the audit report and did not consider another review of the report necessary before IAS issued the final audit report.

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Background

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 Judicial Council, each trial court has the authority and is responsible 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.

The CRC and the FIN Manual established under Government Code section (GC) 77009(i) and proceduralized under CRC 10.707, specify guidelines and requirements concerning court governance.

The table below presents some of the Court's expenditure general ledger accounts considered to be associated to court administrative decisions.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
906303 SALARIES - COMMISSIONERS	1,402,220.47	1,531,395.24	(129,175)	(8)
906311 SALARIES - SUPERIOR COURT	708,246.99	744,080.21	(35,833)	(5)
906350 FURLOUGH SAVINGS - COMMIS	49,682.70		(49,683)	(100)
906351 FURLOUGH CLOSURE - COMMIS	49,682.70		49,683	100
* 906300 - SALARIES - JUDICIAL OFFI	2,110,467.46	2,275,475.45	(165,008)	(7)
920599 DUES AND MEMBERSHIP	27,605.00	28,460.00	(855)	(3)
* 920500 - DUES AND MEMBERSHIPS	27,605.00	28,460.00	(855)	(3)
933101 TRAINING	64,693.95	54,791.76	9,902	18
933102 TUITION REIMBURSEMENT (NO	63,719.29	96,059.13	(32,340)	(34)
933108 TRAINING SUPPLIES		10,804.80	(10,805)	(100)
* 933100 - TRAINING	128,413.24	161,655.69	(33,242)	(21)
** TRAINING TOTAL	128,413.24	161,655.69	(33,242)	(21)

We assessed the Court's compliance related to trial court management, including duties of the presiding judge (PJ), duties of the court executive officer (CEO), and management of human resources, with CRC and FIN Manual requirements through a series of questionnaires and tests. Primary tests included an evaluation of:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch* (operating guidelines). Requirements include restrictions on the payment of professional association dues for individuals making over \$100,000 a year.
- Compliance with CRC relating to cases taken under submission.
- Notification requirements regarding lawsuits.
- Approval requirements regarding training.

- Controls over judicial officer facsimile stamps. (Tested during cash work)

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 associated with this area to report to management.

2. Fiscal Management and Budgets

Background

Trial courts must employ sound business, financial, and accounting practices to conduct its fiscal operations. To operate within the limitations of the funding approved and appropriated in the State Budget Act, courts should establish budgetary controls to monitor its budget on an ongoing basis to assure that actual expenditures do not exceed budgeted amounts. As personnel services costs account for more than half of many trial courts budgets, courts must establish a position management system that includes, at a minimum, a current and updated position roster, a process for abolishing vacant positions, and a process and procedures for requesting, evaluating, and approving new and reclassified positions. The Court contracts with the County for payroll processing services using PeopleSoft and Kronos. Under this agreement, the Court maintains a minimum balance in the County Treasury to fund payroll disbursements equivalent to 2 pay periods.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
900301 SALARIES - PERMANENT	43,210,194.48	46,415,887.20	(3,205,693)	(7)
900302 SALARIES - COURT REPORTER	7,067,062.39	7,766,593.79	(699,531)	(9)
900306 SALARIES - COURT INTERPRE	1,519,413.01	1,601,732.99	(82,320)	(5)
900327 MISCELLANEOUS DIFFERENTIA	264,789.58	299,583.99	(34,794)	(12)
900350 FURLOUGH & SALARY REDUCTI	2,001,732.70		(2,001,733)	(100)
900351 FURLOUGH CLOSURE (NON-JUD	2,001,732.70		2,001,733	100
* 900300 - SALARIES - PERMANENT	52,061,459.46	56,083,797.97	(4,022,339)	(7)
903301 TEMPORARY EMPLOYEES - ON	785,466.22	798,959.98	(13,494)	(2)
903302 COURT INTERPRETER PRO-TEM	92,973.40		92,973	100
* 903300 - TEMP HELP	878,439.62	798,959.98	79,480	10
906303 SALARIES - COMMISSIONERS	1,402,220.47	1,531,395.24	(129,175)	(8)
906311 SALARIES - SUPERIOR COURT	708,246.99	744,080.21	(35,833)	(5)
906350 FURLOUGH SAVINGS - COMMIS	49,682.70		(49,683)	(100)
906351 FURLOUGH CLOSURE - COMMIS	49,682.70		49,683	100
* 906300 - SALARIES - JUDICIAL OFFI	2,110,467.46	2,275,475.45	(165,008)	(7)
908301 OVERTIME	43,536.12	46,284.41	(2,748)	(6)
* 908300 - OVERTIME	43,536.12	46,284.41	(2,748)	(6)
** SALARIES TOTAL	55,093,902.66	59,204,517.81	(4,110,615)	(7)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
910301 SOCIAL SECURITY INS & MED	3,271,192.40	3,538,367.96	(267,176)	(8)
910302 MEDICARE TAX	794,796.30	860,107.78	(65,311)	(8)
* 910300 - TAX	4,065,988.70	4,398,475.74	(332,487)	(8)
910501 MEDICAL INSURANCE	12,059,901.40	11,757,347.31	302,554	3
910503 RETIREE BENEFIT	2,219,027.69	2,285,253.41	(66,226)	(3)
* 910400 - HEALTH INSURANCE	14,278,929.09	14,042,600.72	236,328	2
910601 RETIREMENT (NON-JUDICIAL	12,302,715.35	13,061,041.17	(758,326)	(6)
910604 RETIREMENT - OTHER	707,960.16	779,070.46	(71,110)	(9)
* 910600 - RETIREMENT	13,010,675.51	13,840,111.63	(829,436)	(6)
912501 STATUTORY WORKERS COMPENS	1,233,017.18	1,096,009.07	137,008	13
* 912500 - WORKERS' COMPENSATION	1,233,017.18	1,096,009.07	137,008	13
913301 UNEMPLOYMENT INSURANCE	235,735.13	75,890.27	159,845	211
* 912700 - OTHER INSURANCE	235,735.13	75,890.27	159,845	211
913803 PAY ALLOWANCES	7,105.65	8,189.74	(1,084)	(13)
913899 OTHER BENEFITS		0	0	0
* 913800 - OTHER BENEFITS	7,105.65	8,189.74	(1,084)	(13)
** STAFF BENEFITS TOTAL	32,831,451.26	33,461,277.17	(629,826)	(2)
*** PERSONAL SERVICES TOTAL	87,925,353.92	92,665,794.98	(4,740,441)	(5)

We assessed the Court's budgetary controls by obtaining an understanding of how the Court's annual budget is approved and monitored, reviewing its approved budget, and comparing budgeted and actual amounts. In regards to personnel services costs, we compared budgeted and actual expenditures, and performed a trend analysis of prior year personnel services expenditures to identify and determine the causes of significant variances.

We also evaluated the Court's payroll controls through interviews with Court employees and review of payroll reports and reconciliation documents. We validated payroll expenditures for a sample of employees to supporting documentation, including timesheets, payroll registers, withholding documents, and benefits administration files to determine whether timesheets were appropriately approved and payroll was correctly calculated. Furthermore, we reviewed the Court's Personnel Manual and bargaining agreements at a high level to determine whether differential pay, leave accruals, and various benefits were issued in accordance with these agreements.

There was a minor issue associated with this area contained in Appendix A of this report.

3. Fund Accounting

Background

According to the FIN Manual, FIN 3.01, trial courts shall 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 policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Fund Balances				
535001 RESERVE FOR ENCUMBRANCES	25,805.00-	79,988.40-	(54,183)	(68)
552001 FUND BALANCE-RESTRICTED	3,254,297.46-	3,192,698.19-	61,599	2
553001 FUND BALANCE - UNRESTRICT	16,998,538.60-	16,998,538.60-	0	
554001 FUND BALANCE - UNRESTRICT	1,133,910.51-		1,133,911	100
615001 ENCUMBRANCES	25,805.00	79,988.40	(54,183)	(68)
*** Fund Balances	21,386,746.57-	20,191,236.79-	1,195,510	6
Revenues				
812110 TCTF-PROGRAM 45.10-OPERAT	113,319,144.00-	118,476,650.19-	(5,157,506)	(4)
812140 TCTF-PROGRAM 45.10-SMALL	22,996.09-	24,390.91-	(1,395)	(6)
812142 TCTF-PROGRAM 45.10-ADMIN	636.36-	513.64-	123	24
812146 TCTF-PROGRAM 45.10-COPY P	340,075.36-	375,279.64-	(35,204)	(9)
812147 TCTF-PROGRAM 45.10-COMPAR	1,122.91-	55.09-	1,068	1,938
812148 TCTF-PROGRAM 45.10-MANUAL	2,990.64-	2,773.36-	217	8
812149 TCTF-PROGRAM 45.10-REIMBU	263,816.64-	152,079.36-	111,737	73
812150 TCTF-PROGRAM 45.10-ESTATE	30.00-		30	100
812151 TCTF-10-CUSTODY/VISITATIO	17,635.82-	19,328.18-	(1,692)	(9)
812152 TCTF-PROGRAM 45.10-RETURN	42,550.18-	26,846.82-	15,703	58
812153 TCTF-PROGRAM 45.10-GUARDI	1,594.64-	64,727.64-	(66,322)	(102)
812154 TCTF-PROGRAM 45.10-INFO P	4,860.55-	4,883.45-	(23)	(0)
812155 TCTF-PROGRAM 45.10-ASSESS	289,958.36-	213,343.64-	76,615	36
812157 TCTF-PROGRAM 45.10-CHILDR	254,799.09-	244,125.91-	10,673	4
812158 TCTF-10-CUSTODY/VISITATIO	11,757.09-	12,886.91-	(1,130)	(9)
812159 TCTF-10-CIVIL ASSESSMENT	3,033,401.86-	2,132,582.14-	900,820	42
812160 TCTF-10-MICROGRAPHICS	148,807.82-	143,871.18-	4,937	3
** 812100-TCTF - PGM 10 OPERATIONS	117,752,988.13-	121,894,338.06-	(4,141,350)	(3)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Revenues				
821120 OTHER COURT RETAINED LOCA	632.78-	1,562.07-	(929)	(59)
821121 LOCAL FEE 1	6,093.75-	4,870.75-	1,223	25
821122 LOCAL FEE 2	1,005.01-	1,059.70-	(55)	(5)
821123 LOCAL FEE 3	139,827.05-	91,269.32-	48,558	53
821124 LOCAL FEE 4	179,322.00-	145,337.50-	33,985	23
821125 LOCAL FEE 5		550.50-	(551)	(100)
821161 FC3112 CUSTODY INVESTIGAT	442,008.91-	552,835.29-	(110,826)	(20)
821162 FC3153 CAC-CHILD	700.00-	1,167.16-	(467)	(40)
821170 GC26840.3 MARRIAGE LICENS	210,600.00-		210,600	100
821182 PC1205d STAY FEE	360,773.76-	320,668.95-	40,105	13
821183 PC1463.22a INSURANCE CONV	111,125.00-	137,795.00-	(26,670)	(19)
821191 VC40508.6 DMV HISTORY/PRI	524,717.56-	501,706.18-	23,011	5
** 821000-LOCAL FEES REVENUE	1,976,805.82-	1,758,822.42-	217,983	12
831010 GF-AB2030/AB2695 SERVICE	45,300.00-	45,148.00-	152	0
** 831000-GENERAL FUND - MOU/REIMBUR	45,300.00-	45,148.00-	152	0
832010 TCTF MOU REIMBURSEMENTS	553,586.00-	553,586.00-	0	0
832011 TCTF-PGM 45.10-JURY	433,467.00-	476,616.00-	(43,149)	(9)
832012 TCTF-PGM 45.10-CAC	100,000.00-	4,324,129.00-	(4,224,129)	(98)
832013 TCTF-PGM 45.10-ELDER ABUS	6,290.00-	5,735.00-	555	10
** 832000-PROGRAM 45.10 - MOU/REIMBU	1,093,343.00-	5,360,066.00-	(4,266,723)	(80)
833010 PROGRAM 45.25-JUDGES SALA	750,500.00-	741,104.00-	9,396	1
** 833000-PROGRAM 45.25 - REIMBURSEM	750,500.00-	741,104.00-	9,396	1
834010 PROGRAM 45.45-COURT INTER	3,425,451.00-	3,485,431.00-	(59,980)	(2)
** 834000-PROGRAM 45.45 - REIMBURSEM	3,425,451.00-	3,485,431.00-	(59,980)	(2)
836010 MODERNIZATION FUND	560,804.26-	724,146.35-	(163,342)	(23)
** 836000-MODERNIZATION FUND - REIMB	560,804.26-	724,146.35-	(163,342)	(23)
837010 IMPROVEMENT FUND REIMBURS	400,180.97-	478,018.94-	(77,838)	(16)
** 837000-IMPROVEMENT FUND - REIMBUR	400,180.97-	478,018.94-	(77,838)	(16)
841010 SMALL CLAIMS ADVISORY	56,640.83-	66,577.12-	(9,936)	(15)
841011 DISPUTE RESOLUTION	91,429.00-	91,429.00-	0	0
841012 GRAND JURY	201,890.97-	226,756.90-	(24,866)	(11)
** 840000-COUNTY PROGRAM - RESTRICTE	349,960.80-	384,763.02-	(34,802)	(9)
861010 CIVIL JURY REIMBURSEMENT	102,419.17-	96,980.93-	5,438	6
861011 MISCELLANEOUS REIMBURSEME	1,743,004.32-	3,277,485.08-	(1,534,481)	(47)
** 860000-REIMBURSEMENTS - OTHER	1,845,423.49-	3,374,466.01-	(1,529,043)	(45)
*** TRIAL COURTS REIMBURSEMENTS	12,060,374.91-	18,308,743.34-	(6,248,368)	(34)
899910 PRIOR YEAR ADJUSTMENTS -	172,895.00	12,413.84	160,481	(1,293)
** 890000-PRIOR YEAR REVENUE	172,895.00	12,413.84	160,481	(1,293)
Expenditures				
999910 PRIOR YEAR ADJUSTMENTS -		48,754.28-	48,754	(100)
* 999900 -PRIOR YEAR EXPENSE ADJUST		48,754.28-	48,754	(100)
** PRIOR YEAR ADJUSTMENT TOTAL		48,754.28-	48,754	(100)

We reviewed the Court's trial balance and general ledger entries to determine whether it properly accounted for restricted financial resources and expenditures, such as in special revenue funds. We also reviewed the Court's fiscal year-end fund balance reserves to determine whether they conform to the Judicial Council approved policy and supported by the Court's financial statements.

There were no issues associated with this area 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 use these accounting guidelines and are required to prepare various financial reports and submit them to the AOC, as well as preparing and disseminating internal reports for monitoring purposes.

Since migrating onto the Phoenix Financial System in 2008, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services Division (TCAS). Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger. Since much of the accounting procedures have been centralized with TCAS, we kept our review of the Court's individual financial statements at a high level.

The Court received various federal and state grants passed through to it from the AOC. Restrictions on use of funds and other requirements are documented within the grant agreements. Many of the grants the Court received are reimbursement type agreements that require it to document its costs to receive payment. The Court must separately account for the financing sources and expenditures of each grant. Annually, the AOC receives from courts a listing of their grants and reports this listing to the Bureau to State Audits for its Single Audit of the State of California.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Revenues – Grants				
838010 AB1058 GRANTS	2,670,203.58-	2,639,166.83-	31,037	1
838020 OTHER AOC GRANTS	139,378.18-	121,432.69-	17,945	15
** 838000-AOC GRANTS - REIMBURSEMENT	2,809,581.76-	2,760,599.52-	48,982	2
Revenues – Trust				
118000 CASH-TRUST ACCOUNT	22,035,585.98	8,427,098.64	13,608,487	261
118100 CASH-TRUST CLEARING	374,855.35-	289,028.38-	85,827	(30)
Liabilities – Trust				
353002 CIVIL TRUST-CONDEMNATION	18,936,024.76-	4,334,519.19-	14,601,506	337
353003 CIVIL TRUST-OTHER(RPRTR	451,679.43	284,084.71-	167,595	59
353005 TRAFFIC	477,374.78-	738,608.62-	(261,234)	(35)
353006 CRIMINAL - GENERAL	1,616,773.79-	2,911,913.84-	(1,295,140)	(44)
353999 TRUST INTEREST PAYABLE	39,864.07-	22,227.99-	17,636	79

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
111000 CASH-OPERATIONS ACCOUNT	540,448.26	1,221,186.14	(680,738)	(44)
111002 CASH OPERATIONS IN-TRANSI	331,129.36		331,129	100
111100 CASH-OPERATIONS CLEARING	497,756.89	895,610.81	(397,854)	(56)
115000 CASH-OTHER		725.00	(725)	(100)
117000 CASH DISTRIBUTION ACCOUNT	321,762.61	4,204,565.54	(3,882,803)	(92)
117002 CASH DISTRIBUTION IN-TRAN	475,209.04		475,209	100
117500 CASH CIVIL FILING FEES	3,225,604.29	1,753,298.77	1,472,306	184
118000 CASH-TRUST ACCOUNT	22,035,585.98	8,427,098.64	13,608,487	261
118100 CASH-TRUST CLEARING	374,855.35	289,028.38	85,827	(30)
119001 CASH ON HAND - CHANGE FUN	14,315.00	15,385.00	(1,070)	(7)
119002 CASH ON HAND - PETTY CASH	1,970.00		1,970	100
120001 CASH WITH COUNTY	7,000,000.00	7,000,000.00	0	
120002 CASH OUTSIDE OF AOC		149,776.96	(149,777)	(100)
120050 SHORT TERM INVESTMENTS-LA	17,006,526.92	16,531,237.82	475,289	3
120051 SHORT TERM INVESTMENTS-CA	3,919,292.18		3,919,292	100
*** Cash and Cash Equivalents	53,999,231.40	38,118,634.68	15,880,597	71
130001 A/R-ACCRUED REVENUE	596,268.84	1,901,244.49	(1,304,976)	(69)
131201 ACCOUNTS RECEIVABLE (CUST	93,617.15		93,617	100
131202 A/R-DUE FROM OTHER GOVERN	9,698.00		9,698	100
131204 A/R-DUE FROM AOC (CUSTOME	838,883.68		838,884	100
140001 A/R - DUE FROM OTHER FUND	2,230,763.03	2,593,439.58	(362,677)	(14)
150001 A/R - DUE FROM OTHER GOVE	1,416,501.04	172,346.78	1,244,154	722
152000 A/R-DUE FROM STATE	3,213,897.07	1,806,368.51	1,407,529	78
** Receivables	8,399,628.81	6,473,399.36	1,926,229	77
172001 PREPAID EXPENSES	112,129.92	421,290.50	(309,161)	(73)
** Prepaid Expenses	112,129.92	421,290.50	(309,161)	(73)
*** Accounts Receivable	8,511,758.73	6,894,689.86	1,617,069	23
Liabilities				
301001 A/P - GENERAL	106,191.11		106,191	100
301002 A/P - CLEARING GR/IR ACCT	7,247.11	109.46	7,138	6,521
311401 A/P - DUE TO OTHER FUNDS	2,230,763.03	2,593,439.58	(362,677)	(14)
321600 A/P - TC145 LIABILITY	2,059,137.20	1,753,298.77	305,838	17
323001 A/P - SALES & USE TAX	919.43	1,028.71	(109)	(11)
330001 A/P - ACCRUED LIABILITIES	486,429.43	864,327.07	(377,898)	(44)
*** Accounts Payable	4,890,687.31	5,212,203.59	(321,516)	(6)
816110 OTHER STATE RECEIPTS		434,291.00	(434,291)	(100)
** 816000-OTHER STATE RECEIPTS		434,291.00	(434,291)	(100)
823001 MISCELLANEOUS REVENUE	1,765,751.06	88,551.85	1,677,199	1,894
823002 ESCHEATMENT REVENUE	1,306.00		(1,306)	(100)
823010 DONATIONS	36,169.11	37,819.15	(1,650)	(4)
823011 JUDGES VOLUNTARY DONATION	59,085.28		59,085	100
** 823000-OTHER - REVENUE	1,859,699.45	126,371.00	1,733,328	1,372

To assess its accounting for public funds, we compared the account balances from one fiscal year to the prior fiscal year, made inquiries of Court fiscal management, and reviewed records to understand the reasons behind any significant changes in account balances. We reviewed sample accruals, adjusting entries, and encumbrances to ensure they were corroborated by supporting documentation. We also reviewed a selected number of grants received by the Court and determined whether the Court properly accounted for its grant activity, complied with specific grant requirements, and claimed reimbursement only for allowable grant expenditures.

There were no issues associated with this area to report to management.

5. Cash Collections

Background

The FIN Manual, Procedure No. 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 Manual, Procedure No. FIN 10.01, provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts should institute procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
111000 CASH-OPERATIONS ACCOUNT	540,448.26	1,221,186.14	(680,738)	(44)
111002 CASH OPERATIONS IN-TRAN	331,129.36		331,129	100
111100 CASH-OPERATIONS CLEARING	497,756.89	895,610.81	(397,854)	(56)
115000 CASH-OTHER		725.00	(725)	(100)
117000 CASH DISTRIBUTION ACCOUNT	321,762.61	4,204,565.54	(3,882,803)	(92)
117002 CASH DISTRIBUTION IN-TRAN	475,209.04		475,209	100
117500 CASH CIVIL FILING FEES	3,225,604.29	1,753,298.77	1,472,306	184
118000 CASH-TRUST ACCOUNT	22,035,585.98	8,427,098.64	13,608,487	261
118100 CASH-TRUST CLEARING	374,855.35	289,028.38	85,827	(30)
119001 CASH ON HAND - CHANGE FUN	14,315.00	15,385.00	(1,070)	(7)
119002 CASH ON HAND - PETTY CASH	1,970.00		1,970	100
120001 CASH WITH COUNTY	7,000,000.00	7,000,000.00	0	
120002 CASH OUTSIDE OF AOC		149,776.96	(149,777)	(100)

We visited all 8 court locations with cash handling responsibilities. At each of these locations, we assessed various cash handling controls and practices through observations and interviews with Court Operations managers and staff. Specific controls and practices reviewed include, but are not limited to, the following:

- Beginning-of-day opening.
- End-of-day closeout, balancing, and reconciliation.
- Bank deposit preparation.
- Segregation of cash handling duties.
- Access to safe, controls over keys, and security over other court assets.
- Physical and logical security of cashiering areas and information systems.
- Use of, processing, and management of manual receipts

We also reviewed sample monetary and non-monetary transactions such as voids, and validated these transactions to supporting receipts, case files, and other documentation.

In addition, we reviewed the Court's procedures for referring delinquent accounts to collections agencies, updating their collection activity into the Court's systems, and accounting for enhanced collections costs and related reimbursements.

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

5.1 Void Procedures and Tracking of Void Transactions Need Consistency and Improvement

Background

The FIN Manual, Procedure No. FIN 10.02, subsection 6.3.8., requires supervisory review and approval of all voided transactions. Additionally, this procedure requires the trial court to retain all void receipts, including details of any re-receipting of the original voided transactions. Therefore, where possible, the security access levels to the case management system(s) (CMS) should be configured so that supervisory employees must approve a void transaction before it takes effect in the system. Also, the trial court must ensure that sufficient documentation of the void transaction is retained for audit trail purposes.

Issues

We reviewed and tested void transactions at eight court locations with significant monetary activity. We also reviewed the Court's existing void procedures. In general, the Court has good control procedures regarding voids; however, our review identified some inconsistencies and deficiencies in the Court's void approval, documentation and tracking process.

1. For civil case types, Court does not utilize a void report to efficiently and effectively track and monitor civil voids given the fairly high occurrence rate and the capability of the existing UCS system to generate a report. The UCS-Civil should be able to generate a void report since it came from the same base system as the UCS-Traffic system, which can generate a daily void listing. Our review revealed close to 100 voided transactions with a civil case type over a one month period using an existing but unused report from UCS-Civil called "Receipt Adjustment Report." Court verified that this is a report of voided civil transactions.
2. Court did not always document the justification or reason for the void transaction, either on the voided receipt or in the CMS. This affects five of the Court's eight locations.
3. Court did not consistently attach the voided receipt to the daily collection documentation to properly account for all void activity. This was found in one of the Court's eight locations.

Recommendation

During the course of the audit, the Court has acknowledged the aforementioned void-related issues and has made great strides in resolving and improving controls for them by considering the following:

1. Configure the UCS-Civil system, at a minimum, to generate a daily void report similar to the UCS-Traffic system. If the Court opts to use the existing "Receipt Adjustment

Report”, it should consider the following to further improve void tracking and monitoring; ability to query the report by location, by date range and by user. Also, Court should evaluate if a similar report can be produced by the UCS-Traffic system.

2. Require the void reason to be written on the voided receipt and/or entered in the system. The latter is preferred to allow for configurability in a void report for better void tracking and monitoring as described in recommendation #1.
3. Verify, as part of the closeout and balancing process, that original voided receipt, including re-receipts, are retained in the collection documentation. The voided receipt should have the required supervisory signature and void reason noted. Fiscal specialists should repeat this verification process for every void transaction during the daily deposit preparation as an added control.

Superior Court Response

Agree.

Corrective actions were implemented in Civil effective September 6, 2011. The Court opted to use the Daily Transaction Summary Report to track and monitor voids which can be generated by location, date range and users. The report also includes the reason of the void.

Cashiers now submit voided receipts and new receipts during the closeout process. Fiscal Specialist reconciles the receipts with the Receipt Adjustments Report.

George McElroy-Senior Accountant will ensure that Fiscal Specialists perform the reconciliation of voided receipts daily.

Fiscal Specialists in Traffic are already performing the reconciliation of voided receipts with the Daily Accounting Report-Void Tab daily and reasons for voids are indicated on the receipts. Reasons can also be found in the Daily Transaction Summary similar to Civil.

5.2 Control over Handwritten or Manual Receipts Needs Improvement

Background

FIN 10.02 § 6.3.9 provides for procedures regarding the use of handwritten or manual receipts. As proof of payment, blank manual receipts require heightened safeguarding similar to blank check stock. Thus § 6.3.9 (1) requires a supervisor or designated employee to issue manual receipts only when the computer system is unavailable.

In addition, FIN 10.02, 6.3.9 (3) requires handwritten receipt transactions to be processed as soon as possible after the automated system is restored. The transactions must be recreated in the system from the handwritten receipts before the money can be transferred to the cash drawer or cash register. Until transaction information is entered into the computer, handwritten or manual receipts rely on copies held by the court to confirm the validity of a manual receipt. Without transaction information in the computer or copies of a completed manual receipt on hand, a court cannot validate a payment.

Issue

We reviewed handwritten or manual receipts in eight court locations using existing local court procedures and logs, conducting inventory of manual receipt books and sample testing used manual receipts. Except for the Terraine location (drug and juvenile dependency court), which does not have a cashiering system and only uses manual receipts to process mostly copy fees, the Court in general rarely uses manual receipts. However, we found the following control weakness:

1. Two of eight court locations were unaware they were missing some manual receipts. During our manual receipt book inventory, Downtown Civil court location had one unused book with 10 missing receipts while Sunnyvale court location had one currently used book with 5 missing receipts. All copies of the receipts were detached.

Recommendation

To ensure that handwritten or manual receipts are properly controlled, tracked and recorded, we recommend that the Court do the following:

1. Perform periodic inventory of manual receipt books regardless of frequency of use. Inventory should be performed at each division maintaining manual receipts and can be done either in conjunction with main Fiscal's annual certification of revolving funds or periodically by a designee at each location or a combination of both.

Superior Court Response

Agree.

Finance Division will request a Manual Receipt Certification annually at each courthouse.

Responsible Person: Marvin Bell, Director of Finance

Effective Date: January 31, 2012

5.3 Court Needs to Strengthen Its Safekeeping of Cash and Cash Count Procedures**Background**

To protect the integrity of the court and its employees and promote public confidence, the FIN Manual, Procedure No. 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This procedure requires courts to observe certain guidelines to assure the safe and secure collection and accurate accounting of all payments. For example, subsection 6.1.1 states the required procedures in using safes or vaults to properly secure cash, including specifically, the following:

- Safe combination should be distributed to as few persons as operationally possible,
- Safe combination should be maintained and secured by the CEO or designee,
- Safe combination should not be easily guessable (e.g. birth dates),
- The dates the combination changes and the names of people knowing the combination should be documented, and

- Safe combination should be changed when; it is known to an excessive number of employees, an employee knowing the combination leaves the court, an employee no longer requires the combination to perform his/her duties and on a periodic basis.

Furthermore, subsection 6.3.12 requires random surprise cash counts on all trial court staff that handle payments in the normal course of their duties. A surprise cash count is an independent balancing and verification of cash funds maintained and secured by the court and follows the guidelines below:

- Performed in the presence of a cashier and by an individual without payment processing duties,
- Recorded for audit and management purposes,
- Performed on a random date which cash handlers cannot easily predict and is not previously communicated to court staff, and
- Conducted at a minimum quarterly and as frequently as monthly.

In relation to securing all cash funds, Procedure No. 8.04 subsection 6.2 also states that petty cash should be secured and separated from other monies.

Issues

We reviewed cash handling practices and existing local procedures at eight court locations. Our review identified significant control and procedural weaknesses in the following areas:

1. Safekeeping of cash controls are inadequate, which increase the risk for potential loss.
 - Safe combination has not been changed for several years at all court locations.
 - At four court locations, the safe combination is known to an excessive number of employees. For instance, the Hall of Justice safe combination is known by a total of six people; one manager and all five supervisors. However, many of the supervisors act as back-ups and have no direct cash handling functions to necessitate safe access.
 - At some court locations, petty cash is not secured separately from other monies and/or is not placed in lockable bank bags.
2. Periodic cash count procedures need improvement to properly determine if cash funds and payments are properly accounted for and processed.
 - Random surprise cash counts are not performed at all court locations as required. During our fieldwork, many of the court locations stated that a surprise cash count will be a good practice.
 - While the Court is to be commended for conducting periodic cash counts called 'annual certification of revolving funds' wherein the main fiscal division notifies each court location to report via email the amount of each cash fund (i.e. starting cash, change fund, and petty cash) maintained then verifies the amount reported against the documented amounts, it is, however, inadequate because it cannot be verified if the cash count was conducted by a person without payment processing responsibilities and was witnessed by a secondary individual.

Recommendations

During the course of the audit, the Court has made noteworthy progress to resolve some of the aforementioned issues. For instance, the Court has ordered a safe combination change service upon preliminary communication of the finding. To further ensure the safe and secure collection and accurate accounting of all payments and cash funds, the Court should consider the following:

1. Observe proper safe access and cash bag procedures to better maintain and manage cash funds.
 - Define and determine the periodic change of the safe combination (e.g. annually). If a person with knowledge of the combination leaves the employment of the court or no longer requires the combination to perform his/her duties, the combination should immediately be changed.
 - Re-evaluate the number of individuals who know the safe combination at each court location and determine the necessity of allowing each individual access. Though combination is known only to managers and supervisors, it may *not* be necessary to provide it to *all* managers and supervisors.
 - Secure petty cash in lockable bags and keep it separate from other cash funds

2. Improve cash count procedures and controls to adequately determine cash fund needs, such as cash fund limit increases/decreases and/or reimbursements, and to better detect any irregularities such as losses or shortages.
 - Perform random surprise cash counts at all court locations with cash funds. This should be performed by an individual without payment processing duties, preferably by the resident fiscal specialists or by someone in the main Fiscal division, and witnessed by each cash fund custodian (e.g. starting cash count in presence of the clerk, petty cash count in presence of the petty cash custodian). A record, signed by the verifier and witness, should be maintained for audit purposes. The date of an upcoming cash count should not be communicated to the court location staff and should not be easily guessed. Also, the frequency of the cash count should be quarterly, at a minimum, and can vary among locations depending on size, number of payments processed and number of exceptions (e.g. overages/shortages, voids).
 - Ensure the annual certification of revolving funds or periodic cash count is performed by an individual without payment processing duties and in the presence of each cash fund custodian. To promote consistency on cash count procedures, it is recommended that each location record certification with signatures from both the verifier and witness and actual cash counts be performed by the resident fiscal specialists or someone from the main Fiscal division similar to the random surprise cash count. To further prevent any discrepancies as noted on the last certification for petty cash, Court may perform spot checks on select locations and/or cash funds using the same cash count procedures mentioned.

Superior Court Response

Agree.

The Court will keep petty cash funds separate from other funds. The Court will utilize a verifier and witness for surprise cash counts and annual certification. The Court will update procedure to reflect the need to change the safe combination with any change in staff as well as an annual reminder. The court will consider changing the combination on a case by case process if it determines it is changing the safe combinations too often.

Responsible Person: Marvin Bell, Director of Finance

Effective Date: December 31, 2011

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, accounting 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 disruption. 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 Court has 2 case management systems to process and to maintain information of 3 case types; Uniform Court Systems (UCS) for both traffic and civil case types and Criminal Justice Information Control (CJIC) for criminal case types. The latter is hosted at the County's mainframe but CJIC data is owned and managed by the Court, while the former resides at the Court's main data center located at the Court's Daggett facility. Also, the Court has a designated and is in the final stages of developing a fully functional back-up or fail-over site located at the Downtown court location. Back-up site's targeted completion date is September 2012.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
943202 IT MAINTENANCE - HARDWARE	70,647.90	34,884.97	35,763	103
943203 IT MAINTENANCE - SOFTWARE	218,006.96	235,768.43	(17,761)	(8)
* 943200 - IT MAINTENANCE	288,654.86	270,653.40	18,001	7
943501 IT REPAIRS & SUPPLIES	54,900.59	18,652.40	36,248	194
943502 IT SOFTWARE & LICENSING F	92.62	19,885.00	(19,792)	(100)
943503 COMPUTER SOFTWARE	73,042.72	10,671.71	62,371	584
* 943500 - IT REPAIRS/SUPPLIES/LICE	128,035.93	49,209.11	78,827	160
** INFORMATION TECHNOLOGY (IT) TOTAL	416,690.79	319,862.51	96,828	30

We reviewed various IS controls through interviews with Court management, observation of IS storage facilities and equipment, and review of documents. Some of the primary reviews and tests conducted 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 Court staff access to Department of Motor Vehicles (DMV) records.

- Automated calculation and distribution of fees, fines, penalties, and assessments for a sample of criminal and traffic convictions.

The following issue is considered significant enough to bring to management’s attention in this report. In addition, there are several minor but equally important issues, including the repeat issue on not having a complete disaster recovery plan, contained in Appendix A of this report.

6.1 Court Did Not Properly Assess Certain Distributions in Accordance with Statutes and Guidelines

Background

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

Issues

The Court uses UCS- Traffic and CJIC as its case management systems for traffic and criminal case types respectively. They are both capable of base-up and top-down distribution methodologies, however, distribution is semi-automated. At month-end, the Court and the County manually completes the distribution process. The Court provides the County a revenue report of fines and fees collected including the 2% state automation calculation. Using the report, the County further calculates the following required distributions: PC§1463 base fine County/City split and other related special distributions, GC§76000 penalty assessments (PA), the PC§1464 PA State and County portions, 30% Red Light Allocation and VC§42007 Traffic School (TS) distributions.

Since the County is responsible for most of the complex distributions, we focused our testing and review on high-volume cases such as Speeding bail forfeiture and on distributions wherein the Court is responsible such as the 2% calculation and assessment of standard and conditional fees and assessments to determine whether the Court distributed collections in accordance with applicable statutes and guidelines. Our review identified the following issues:

1. The Court incorrectly assessed the VC§40508.6 (a) Priors Admin Assessment of \$10 on cases without prior convictions. We found this on all test cases without priors. The Court receives over \$500,000 annually for this fee.
2. The Court did not assess the PC§1465.8 Court Operations Assessment (previously called “Court Security Fee”) and GC§76000.10 Emergency Medical Air Transportation (EMAT) Penalty based upon the conviction date. We found this on all test cases where the effective dates of the statutes fall in between the violation date and conviction date of

the test cases. Statutory language states that both shall be imposed on every conviction. Rather, the Court uses the violation date because of system limitations, which becomes problematic when statute amends the dollar amount because the cases with violation dates prior to the effective date of the amendment will not reflect the correct assessment or penalty. Specifically, a case will have a lower total fine than expected because PC§1465.8 is only \$30 instead of \$40 and EMAT of \$4 is not assessed. State distributions pursuant to both statutes may be significantly understated depending on the number of cases affected.

3. The Court did not correctly assess the GC§70373 – Criminal conviction assessment. The assessment should be \$35 for traffic infractions and \$30 for misdemeanors/felonies. However, our testing revealed some traffic infractions with \$30 and \$40 assessments while some misdemeanor cases with \$35 assessments. According to the Court, the issue resulted from judicial officers imposing the incorrect amount and/or clerical errors when entering the payment in the UCS-Traffic system.
4. The Court incorrectly prorates any underpayments \$10 or less among all distribution including mandatory or statutorily fixed State distributions such as GC§70373 – Criminal Conviction Assessment and PC§1465.8 – Court Operations Assessment. For payments thru the mail, the Court’s policy is to accept underpayments \$10 or less as payment in full. The commuted or suspended fine is then prorated evenly among all distribution accounts thus the mandatory amounts are less than the full amount. However, there is no clear judicial discretion to reduce, suspend and stay these mandatory amounts under the applicable statutes. Instead, commuted or suspended amounts should be prorated among fines and penalties where there is clear judicial discretion noted on statutes

We duly note, however, that our testing did not result in any significant understatement of the mandatory distributions.

Recommendations

To ensure that the Court distributes fines, fees, penalties, and other assessments in accordance with applicable statutes and guidelines, it should consider the following:

1. Ensure the \$10 Priors Admin Assessment or “Priors Search Fee” is assessed only on cases with prior convictions of the Vehicle Code and is not assessed for checking DMV records for prior violations of the Vehicle Code. Pursuant to VC§40508.6 (a), the assessment is payable at the time of payment of a fine or when bail is forfeited for any subsequent violations of the Vehicle Code other than parking, pedestrian, or bicycle violations.
2. Re-evaluate the UCS-Traffic and CJIC systems’ ability to impose certain distributions such as the court operations assessment and EMAT penalty on the conviction date rather than the violation date to prevent collection inaccuracies and possible State distribution concerns. Other state distributions imposed on the conviction date are the GC§70373 – Criminal Conviction Assessment and PC§1202.4 – State Restitution Fine.

3. Ensure GC§70373 – Criminal Conviction Assessment and other statutorily fixed or mandatory distributions such as PC§1465.8 and VC§42007.1 are consistently and correctly assessed. Court should communicate these fixed distributions to judicial officers and clerks most especially when there are statutory changes.
4. Re-configure the UCS-Traffic system to correctly prorate underpayments \$10 or less from payments received through the mail. Statutorily fixed or mandatory distributions such as GC§70373-Criminal conviction assessment and PC§1465.8-Court operations assessments (formerly “Court security fee”) should receive full amounts. Commuted or suspended fine balances should only be prorated among fines and penalties.

Superior Court Responses

Agree.

The Court will discuss a programming change with ISB to impose the Prior Search Fee on subsequent violations. It is estimated the programming change could be done by September 30, 2012.

The Court will evaluate whether systems can be programmed to impose fees, penalties, assessments by conviction date instead of violations date when required by statute. Note: The current practice is due to system limitations and impacts only a small number of cases. In traffic most cases are either paid in full or go through a Trial in Abstencia within the first 60 days in which the defendant is found guilty and fined.

The Court will continue to prorate over and under payments of \$10 or less based on its established policy and court order that has been in place for many years. The Court will not implement the recommendation due to the anticipated programming cost and the known fact that the current policy results in an insignificant impact on the collected accounts.

The Court will continue to communicate to the judicial officers and court staff on all existing and new statutory fines, fees, penalties and assessments on a regular basis. This includes email, memos, statutes, penalty charts and criminal fee/fine/penalty charts.

7. Banking and Treasury

Background

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. Policy Number FIN 13.01 establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. The Court currently deposits its operating funds in an AOC-established account. It also deposits trust, daily collections, and AB 145 monies collected in AOC-established accounts.

Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury. The AOC's Trial Court Trust and Treasury Services invest a portion of the Court's funds, with its consent, in the Local Agency Investment Fund (LAIF). Court's deposits in LAIF and money market funds are listed as short term investments as shown below.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
120050 SHORT TERM INVESTMENTS-LA	17,006,526.92	16,531,237.82	475,289	3
120051 SHORT TERM INVESTMENTS-CA	3,919,292.18		3,919,292	100
Revenues				
825010 INTEREST INCOME	207,980.49-	506,627.57-	(298,647)	(59)
** 825000-INTEREST INCOME	207,980.49-	506,627.57-	(298,647)	(59)
Expenditures				
920302 BANK FEES	64,114.47	29,528.28	34,586	117
920306 PARKING FEES	138,563.25	164,778.75	(26,216)	(16)
920399 FEES/PERMITS	4,639.00	5,180.00	(541)	(10)
* 920300 - FEES/PERMITS	207,316.72	199,487.03	7,830	4

As with other Phoenix Financial system courts, the Court relies on the AOC Trial Court Trust and Treasury Services for many banking services, such as performing monthly reconciliations of bank balances to the general ledger, overseeing the investment of trial court funds, and providing periodic reports to trial courts and other stakeholders. Therefore, we only performed a high level review of the Court's banking and treasury procedures, including the following:

- Controls over check issuance and the safeguarding of check stocks for bank accounts under the Court's control (e.g. Revolving Account, local bank accounts).
- Processes for reconciling general ledger trust balances to supporting documentation; including daily deposit, CMS, and case file records.
- Whether AOC approval was obtained prior to opening and closing bank accounts.

There were no issues associated with this area to report to management.

8. Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff services and perimeter security services. The sheriff specifies the level of security services it agrees to provide and the associated costs, and these services and costs are included in the MOU that also specifies the terms of payment. Additionally, each court must prepare and implement a comprehensive court security plan that addresses the sheriff's plan for providing public safety and law enforcement services to the court in accordance with the Superior Court Law Enforcement Act of 2002.

The AOC Emergency Response and Security (ERS) unit provides courts with guidance in developing a sound court security plan, including a court security plan template and a court security best practices document. ERS also has a template for courts to use in developing an Emergency Plan.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
934503 PERIMETER SECURITY-SHERIF	9,411,578.76	9,671,440.42	(259,862)	(3)
934510 COURTROOM SECURITY-SHERIF	18,269,535.24	18,773,972.58	(504,437)	(3)
* 934500 - SECURITY	27,681,114.00	28,445,413.00	(764,299)	(3)
** SECURITY TOTAL	27,681,114.00	28,445,413.00	(764,299)	(3)
941101 SHERIFF - REIMBURSEMENTS	45,300.00	45,148.00	152	0
941199 SHERIFF	331.33	410.64	(79)	(19)
* 941100 - SHERIFF	45,631.33	45,558.64	73	0

We reviewed the Court's security controls through interviews with Court management and Sheriff personnel assigned to court security, observation of security conditions, and review of documents. We also reviewed the court security MOU with the Sheriff, compared budgeted and actual security expenditures, and reviewed selected court security invoices to determine whether expenditures were allowable, reasonable, and in accordance with MOU terms and conditions.

There were no issues associated with this area to report to management.

9. Procurement

Background

FIN Manual, Procedure No. 6.01, provides uniform guidelines for trial courts to use in procuring necessary goods and services and to document their procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and documents approval by an authorized individual. The requestor identifies the correct account codes(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the superior court employee responsible for approving the purchase, verifying that the correct account codes(s) are specified, and assuring that funding is available. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases.

We assessed the Court's compliance with FIN Manual requirements for procurement through interviews with Financial Services managers and staff regarding internal controls and other practices, review of procurement user functions set up on the Phoenix Financial System, and review of purchase orders and supporting documentation. We also performed substantive testing on sample contractual services expenditures to determine compliance with open and competitive procurement requirements and use of blanket purchase orders.

While the relevant FIN Manual sections on procurement were effective during the period under review in this audit, subsequent to that period, on October 1, 2010, as mandated by Part 2.5 of the Public Contract Code (PCC), the California Judicial Branch Contract Law (JBCL) superseded the related policies contained in the FIN Manual.

There were no issues associated with this area to report to management.

10. Contracts

Background

FIN Manual, Procedure No. FIN 7.01, establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. The trial court shall issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
938401 GENERAL CONSULTANTS & PRO	2,274,576.92	2,296,890.19	(22,313)	(1)
938404 ADMINISTRATIVE SERVICE	468,433.00	468,433.00	0	0
938406 ARCHITECTURAL SERVICES	102,670.82	508,325.49	(405,655)	(80)
* 938300 - GENERAL CONSULTANT AND P	2,845,680.74	3,273,648.68	(427,968)	(13)
938601 COURT REPORTERS SERVICES	407,788.04	241,491.54	166,297	69
* 938600 - COURT REPORTER SERVICES	407,788.04	241,491.54	166,297	69
938701 COURT TRANSCRIPTS	777,822.87	865,765.26	(87,942)	(10)
938711 ELECTRONIC RECORDING	238.50	262.50	(24)	(9)
* 938700 - COURT TRANSCRIPTS	778,061.37	866,027.76	(87,966)	(10)
938801 DEPENDENCY COUNSEL CHRGS	100,000.00	3,082,799.00	(2,982,799)	(97)
938802 DEPENDENCY COUNSEL CHRGS		724,465.74	(724,466)	(100)
938803 COURT-APPOINTED COUNSEL C	245,570.98	134,033.13	111,538	83
938899 COURT APPOINTED COUNSEL C	17,556.75	19,728.00	(2,171)	(11)
* 938800 - COURT APPOINTED COUNSEL	363,127.73	3,961,025.87	(3,597,898)	(91)
938905 FINGERPRINT PROCESSING	9,221.00	15,522.00	(6,301)	(41)
* 938900 - INVESTIGATIVE SERVICES	9,221.00	15,522.00	(6,301)	(41)
939001 COURT-ORDERED INVESTIGATI	90,542.07	114,277.84	(23,736)	(21)
939002 PSYCHIATRIC EVALUATIONS	192,807.50	152,247.97	40,560	27
939004 DOCTOR	161,958.48	139,458.25	22,500	16
939009 EXPERT WITNESS	66,421.25	0.80	66,420	8,302,556
939015 EVALUATION NOT GUILTY INS	21,197.00	31,840.25	(10,643)	(33)
939020 PROBATE EVALUATIONS & REP		706.45	(706)	(100)
* 939000 - COURT ORDERED PROFESSION	532,926.30	438,531.56	94,395	22
939102 CIVIL ARBITRATION FEE	55,350.00	40,950.00	14,400	35
* 939100 - MEDIATORS/ARBITRATORS	55,350.00	40,950.00	14,400	35
939401 LEGAL SERVICES	235,696.98	58,630.35	177,067	302
939402 LABOR NEGOTIATIONS	9,668.30	26,993.56	(17,325)	(64)
* 939400 - LEGAL	245,365.28	85,623.91	159,741	187
** CONTRACTED SERVICES TOTAL	6,316,292.71	9,998,447.19	(3,682,154)	(37)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures (continued)				
941101 SHERIFF - REIMBURSEMENTS	45,300.00	45,148.00	152	0
941199 SHERIFF	331.33	410.64	(79)	(19)
* 941100 - SHERIFF	45,631.33	45,558.64	73	0
942201 COUNTY - LEGAL SERVICES	402,768.00	398,716.00	4,052	1
942202 COUNTY COUNSEL SERVICES	10,630.36	9,364.90	1,265	14
942401 COUNTY - ADMINISTRATIVE S	159,400.80	141,608.34	17,792	13
942801 COUNTY - EDP SERVICES	727,293.71	899,859.77	(172,566)	(19)
942901 COUNTY - OTHER SERVICES	987,888.00	1,124,296.00	(136,408)	(12)
* 942100 - COUNTY-PROVIDED SERVICES	2,287,980.87	2,573,845.01	(285,864)	(11)
** CONSULTING AND PROFESSIONAL SERVI	2,333,612.20	2,619,403.65	(285,791)	(11)

We interviewed Court managers and staff involved in contract administration and reviewed sample contract files, including agreements the Court entered into with the County, to determine compliance with FIN Manual requirements for contracting and contract monitoring. We also reviewed sample county-provided service expenditures to determine whether services provided were allowable and in accordance with agreements entered between the Court and the County, and whether charges were reasonable and supported.

While the relevant FIN Manual sections on contracts were effective during the period under review in this audit, subsequent to that period, on October 1, 2010, as mandated by Part 2.5 of the Public Contract Code (PCC), the California Judicial Branch Contract Law (JBCL) superseded the related policies contained in the FIN Manual.

There were 4 minor issues associated with this area contained in Appendix A of this report.

11. Accounts Payable

Background

FIN Manual Section 8 provides various policies on payment processing and provides uniform guidelines for processing vendor invoices, in-court service provider claims, and court-appointed counsel. All invoices and claims received from trial court vendors, suppliers, consultants and other contractors are routed to the trial court accounts payable department for processing. The accounts payable staff must process the invoices in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices must be matched to the proper supporting documentation and must be approved for payment by authorized court personnel acting within the scope of their authority.

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 the Court's general ledger accounts that are considered associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Revenue				
834010 PROGRAM 45.45-COURT INTER	3,425,451.00-	3,485,431.00-	(59,980)	(2)
** 834000-PROGRAM 45.45 - REIMBURSEM	3,425,451.00-	3,485,431.00-	(59,980)	(2)
Expenditures – Travel				
929201 IN-STATE TRAVEL EXPENSE C	21,272.48	5,426.93	15,846	292
929202 IN-STATE AIR TRANSPORTATI	17,610.05	18,774.94	(1,165)	(6)
929203 IN-STATE RENTAL VEHICLES	1,108.18	2,017.72	(910)	(45)
929205 PER-DIEM - JUDICIAL - IN	5,482.71	7,857.89	(2,375)	(30)
929206 LODGING-IN STATE	43,243.40	59,986.40	(16,743)	(28)
929207 RAIL, BUS TAXI, FERRY-IN	11,227.68	11,233.50	(6)	(0)
929208 PRIVATE CAR MILEAGE-JUDIC	2,841.43	8,947.37	(6,106)	(68)
929209 PRIVATE CAR MILEAGE-EMPLO	28,503.35	40,021.10	(11,518)	(29)
929210 PRIVATE CAR MILEAGE-OTHER	3,885.83	4,691.45	(806)	(17)
929211 PARKING-IN STATE	3,625.59	5,822.15	(2,197)	(38)
929299 TRAVEL IN STATE	520.61	136.15	384	282
* 929200 - TRAVEL- IN STATE	139,321.31	164,915.60	(25,594)	(16)
929302 OVERTIME MEALS	810.00	729.00	81	11
* 929300 - OTHER TRAVEL EXPENSE	810.00	729.00	81	11
** TRAVEL IN STATE TOTAL	140,131.31	165,644.60	(25,513)	(15)
Expenditures – Court Interpreters				
938502 COURT INTERPRETER TRAVEL	16,004.15	9,469.05	6,535	69
938503 COURT INTERPRETERS - REGI	20,471.30	28,972.56	(8,501)	(29)
938504 COURT INTERPRETERS - CERT	355,190.57	340,085.33	15,105	4
938505 COURT INTERPRETERS - NONR	52,010.31	32,150.46	19,860	62
938506 COURT INTERPRETERS - NONC	452,952.43	484,079.84	(31,127)	(6)
938507 COURT INTERPRETERS - AMER	63,962.64	53,445.55	10,517	20
938509 COURT INTERPRETER - MILEA	115,153.05	122,108.62	(6,956)	(6)
938510 COURT INTERPRETER - MEALS	477.62	127.96	350	273
938511 COURT INTERPRETER - LODGI	2,550.18	5,186.50	(2,636)	(51)
* 938500 - COURT INTERPRETER SERVIC	1,078,772.25	1,075,625.87	3,146	0

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures – Court Reporters				
938601 COURT REPORTERS SERVICES	407,788.04	241,491.54	166,297	69
* 938600 - COURT REPORTER SERVICES	407,788.04	241,491.54	166,297	69
938701 COURT TRANSCRIPTS	777,822.87	865,765.26	(87,942)	(10)
938711 ELECTRONIC RECORDING	238.50	262.50	(24)	(9)
* 938700 - COURT TRANSCRIPTS	778,061.37	866,027.76	(87,966)	(10)
Other Expenditures				
920699 OFFICE EXPENSE	519,195.84	507,036.14	12,160	2
* 920600 - OFFICE EXPENSE	519,195.84	507,036.14	12,160	2
921599 ADVERTISING	5,682.07	12,684.28	(7,002)	(55)
* 921500 - ADVERTISING	5,682.07	12,684.28	(7,002)	(55)
921702 MEETING AND CONFERENCE -	23,960.73	29,819.09	(5,858)	(20)
921704 SPECIAL EVENTS	13,509.03	12,390.57	1,118	9
921799 MEETINGS, CONFERENCES, EX	926.63	5,840.21	(4,914)	(84)
* 921700 - MEETINGS, CONFERENCES, E	38,396.39	48,049.87	(9,653)	(20)
922304 LEGAL PUBLICATIONS-ON-LIN	109,728.00	111,646.80	(1,919)	(2)
922399 LIBRARY PURCHASES AND SUB	353,137.03	360,949.69	(7,813)	(2)
* 922300 - LIBRARY PURCHASES AND SU	462,865.03	472,596.49	(9,731)	(2)
922616 CELL PHONES/PAGERS	38.01	9,111.80	(9,074)	(100)
922699 MINOR EQUIPMENT - UNDER \$	414,816.81	1,295,999.88	(881,183)	(68)
* 922600 - MINOR EQUIPMENT - UNDER	414,854.82	1,305,111.68	(890,257)	(68)
922702 COPIERS-RENTAL-LEASE	368,629.88	320,616.59	48,013	15
922799 EQUIPMENT RENTAL/LEASE	6,216.86	7,239.33	(1,022)	(14)
* 922700 - EQUIPMENT RENTAL/LEASE	374,846.74	327,855.92	46,991	14
922899 OFFICE EQUIPMENT MAINTENA	63,973.71	164,301.91	(100,328)	(61)
* 922800 - EQUIPMENT MAINTENANCE	63,973.71	164,301.91	(100,328)	(61)
923908 SHREDDING SERVICE	26,071.50	21,441.20	4,630	22
923909 DOC RETRIEVAL SERVICE	12,595.95	9,191.96	3,404	37
923914 MOVING/TRANSPORT SERVICE	12,793.12	30,176.77	(17,384)	(58)
923999 GENERAL EXPENSE-SERVICE	38,548.19	50,219.65	(11,671)	(23)
* 923900 - GENERAL EXPENSE - SERVIC	90,008.76	111,029.58	(21,021)	(19)
** GENERAL EXPENSE TOTAL	2,204,745.08	3,176,612.90	(971,868)	(31)
924501 PRINTED FORMS	21,958.29	30,388.03	(8,430)	(28)
924599 PRINTING	167,074.03	232,445.48	(65,371)	(28)
* 924500 - PRINTING	189,032.32	262,833.51	(73,801)	(28)
** PRINTING TOTAL	189,032.32	262,833.51	(73,801)	(28)
925101 TELECOMMUNICATIONS	751,103.12	913,784.36	(162,681)	(18)
925107 LAN/WAN	144,400.66	215,698.78	(71,298)	(33)
* 925100 - TELECOMMUNICATIONS	895,503.78	1,129,483.14	(233,979)	(21)
** TELECOMMUNICATIONS TOTAL	895,503.78	1,129,483.14	(233,979)	(21)
926199 STAMPS, STAMPED ENVELOPES	516,822.14	419,365.58	97,457	23
* 926200 - STAMPS, STAMPED ENVELOPE	516,822.14	419,365.58	97,457	23
926399 POSTAGE METER	5,037.68	7,903.51	(2,866)	(36)
* 926300 - POSTAGE METER	5,037.68	7,903.51	(2,866)	(36)
** POSTAGE TOTAL	521,859.82	427,269.09	94,591	22
928801 INSURANCE	35,477.87	69,808.28	(34,330)	(49)
928802 VEHICLE INSURANCE	4,752.52	6,985.21	(2,233)	(32)
* 928800 - INSURANCE	40,230.39	76,793.49	(36,563)	(48)
** INSURANCE TOTAL	40,230.39	76,793.49	(36,563)	(48)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Other Expenditures (continued)				
965101 JURORS - FEES	545,750.00	562,115.00	(16,365)	(3)
965102 JURORS - MILEAGE	133,316.19	136,044.79	(2,729)	(2)
965110 JUROR PUBLIC TRANSPORTATI	12,435.50	12,334.40	101	1
* 965100 - JUROR COSTS	691,501.69	710,494.19	(18,993)	(3)
972299 GRAND JURY COSTS	10,898.73	4,768.76	6,130	129
* 972200 - GRAND JURY COSTS	10,898.73	4,768.76	6,130	129

We assessed the Court's compliance with the invoice and claim processing requirements specified in the FIN Manual through interviews with accounts payable managers and staff and testing of sample invoices and claims paid in FY 2009 – 2010.

We also assessed the Court's compliance with additional requirements provided in statute or policy for some of these invoices and claims, such as contract interpreter claims. Furthermore, we reviewed a sample of travel expense claims and business meal expenses to assess compliance with the *AOC Travel Reimbursement Guidelines* and *Business-Related Meals Reimbursement Guidelines* referenced in the FIN Manual.

We reviewed sample jury fee payments and mileage reimbursements to determine whether the amounts were properly paid and reported. Since jury checks are distributed by TCAS, we did not review controls over check stock and check issuance procedures.

There were 3 minor issues associated with this area contained in Appendix A of this report.

12. Fixed Assets Management

Background

FIN Manual, Procedure No. FIN 9.01, states that the trial court shall establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report 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. A description of the areas and how they have been reviewed as a part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
945204 WEAPON SCREENING X-RAY MA	154,726.25		154,726	100
945301 MAJOR EQUIPMENT - NON-IT	99,340.89	144,641.28	(45,300)	(31)
* 945200 - MAJOR EQUIPMENT	254,067.14	144,641.28	109,426	76
** MAJOR EQUIPMENT(OVER \$5,000) TOTA	254,067.14	144,641.28	109,426	76
922616 CELL PHONES/PAGERS	38.01	9,111.80	(9,074)	(100)
922699 MINOR EQUIPMENT - UNDER \$	414,816.81	1,295,999.88	(881,183)	(68)
* 922600 - MINOR EQUIPMENT - UNDER	414,854.82	1,305,111.68	(890,257)	(68)
922702 COPIERS-RENTAL-LEASE	368,629.88	320,616.59	48,013	15
922799 EQUIPMENT RENTAL/LEASE	6,216.86	7,239.33	(1,022)	(14)
* 922700 - EQUIPMENT RENTAL/LEASE	374,846.74	327,855.92	46,991	14
922899 OFFICE EQUIPMENT MAINTENA	63,973.71	164,301.91	(100,328)	(61)
* 922800 - EQUIPMENT MAINTENANCE	63,973.71	164,301.91	(100,328)	(61)

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

- Determination of the accuracy of the Court's fixed asset reporting by comparing the fixed asset information reported in the Comprehensive Annual Financial Report (CAFR) worksheet statements 18 and 19 to the general ledger and sub-ledgers.
- Validation of a sample of expenditures posted to major and minor equipment general ledger accounts to supporting invoices to ensure that expenditures were appropriately classified.
- Determination of whether fixed asset capitalization policies were adhered to.
- Validation of some major fixed asset purchases through physical observation.

There were 6 minor issues associated with this area contained in Appendix A of this report.

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. The court shall, as part of its standard management practice, conduct its operations and account for its resources in a manner that will withstand audit scrutiny. During an audit, the court shall fully cooperate with the auditors to demonstrate accountability, efficient use of public resources, and compliance with all requirements. Substantiated audit findings shall be investigated and corrected in a timely fashion.

Previous Internal Audit Services Audits

In August 2006, IAS contracted with Sjoberg Evashenk Consulting (SEC) to perform a performance review of the Court. The review covered assessing the Court's compliance with the FIN Manual as well as reviewing eight other areas; court administration, fiscal management, revenue and cash collections, procurement, contracts and expenditures, information systems, exhibit room administration and security, court building security, and domestic violence. We followed up on issues to determine whether the Court adequately resolved previous issues. Any uncorrected issues that had resurfaced in this audit are presented as repeat issues in this report.

Also, in February 2008, at the Court's request, IAS contracted with SEC to perform a limited compliance review of the contract between the Court and the firm Santa Clara Juvenile Defenders (SCJD). The review focused on evaluating SCJD's adherence to contract terms, requirements and deliverables and did not delve into the contractor's performance quality. We took the findings into consideration in planning our own review of other contracts involving the Court. Findings from our contracts review are presented in Section 10 of this report.

"Court Revenue" Audit

The State Controller's Office (SCO) performed an audit to determine the propriety of "court revenues" remitted to the State of California by the County for the period July 1, 2001, through June 30, 2004. Issued on October 2006, the report found nine findings, of which five findings involved the Court. IAS considered these findings in our revenue distribution review to determine, to the extent possible, whether these findings have been resolved. Issues identified in our review, if any, are presented in Section 6 of this audit report.

There were 3 repeat issues from the prior audit which are listed below and referenced to where they are discussed:

- Implementation of a disaster recovery plan (Appendix A, section 6 – Information Systems, pg. 7)
- Inconsistent assessment of the domestic violence fees and documentation of waivers, etc. (section 15 – Domestic Violence, p. 31)
- Security and appropriate change of criminal exhibit safe combinations (Appendix A, section 16 – Exhibits, p.12)

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.

Courts are allowed under CRC 10.810 to pay for records storage leases although the AOC's OCCM Division is requesting all leases be moved to it for consistency since it manages other court facility space.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
935202 RENT/LEASE NON-STATE OWNE	1,155,648.05	1,126,439.66	29,208	3
* 935200 - RENT/LEASE	1,155,648.05	1,126,439.66	29,208	3

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 associated with this area to report to management.

15. Domestic Violence

Background

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

There are three main categories of domestic violence cases: Criminal, Civil, and Juvenile. However, most of the court-ordered domestic violence fines and fees are derived from assessments in criminal cases. At most courts, the collection and distribution of court-ordered domestic violence fines and fees in criminal cases are the responsibility of the county probation departments.

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 selected a sample of calendar year 2010 domestic violence criminal convictions, and reviewed the corresponding CMS and case file information to determine whether the court assessed the mandated fines and fees.

The following issues were considered significant to bring to management's attention in this report. Included are repeat issues from the prior audit. An additional minor issue is contained in Appendix A of this report.

15.1 Some Criminal Domestic Violence Fines and Fees Were Incorrectly and Inconsistently Imposed and Assessed

Background

Courts are required to impose or assess some or all of the following statutory fines and fees depending on the sentencing conditions of every DV case:

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

- PC 1202.44 (or PC 1202.45) – Probation (or Parole) Revocation Restitution Fine
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed.
- PC 1203.097 (a)(5) – Domestic Violence Fee
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee if a person is granted probation for committing domestic violence crimes. The legislation that amended the Domestic Violence Fee from \$200 to \$400 sunset on January 1, 2010, but a bill enacted on August 13, 2010, amended the fee back to \$400. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1203.097 (a)(11) Payments to Battered Women’s Shelter and Victim Reimbursement of Expenses
Courts may include as a condition of a defendant’s probation payments to a battered women’s shelter, up to a maximum of \$5,000, and/or reimbursement of the victim’s expenses that are the direct result of the defendant’s offense. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1465.8 (a)(1) – Court Security Fee
Effective August 17, 2003, courts must impose a \$20 (\$30 effective July 28, 2009, and \$40 effective October 19, 2010) Court Security Fee on each criminal offense conviction.
- Government Code (GC) 70373 – Criminal Conviction Assessment
Effective January 1, 2009, courts must impose a \$30 Criminal Conviction Assessment for each misdemeanor or felony and an amount of \$35 for each infraction.

Issues

Using DV court calendar information, the Court provided DV filings for the Hall of Justice (HOJ), North County and South County locations within calendar year 2010, which includes the latter part of FY 2009-2010 and early part of FY 2010-2011. We estimated more than 2,700 filings for the year and judgmentally selected to review 30 cases with convictions to determine whether the Court imposed the mandatory fines, fees, and assessments. Our review of the case files and the CJIC docket entries for these cases identified the following exceptions:

1. For 20 of the 30 DV cases we reviewed where the defendant was sentenced to probation, the Court did not correctly and consistently assess the statutorily required DV fines, fees, and assessments related to a probation sentencing as follows:
 - a. Pursuant to PC 1202.44, the revocation fine is equal to the PC 1202.4(b) State Restitution fine. However, in each of the 20 cases, the Court’s revocation fine

included both the restitution fine **and** the restitution administrative cost recovery fee [PC 1202.4(l)].

- b. For 3 of 20 cases, Court did not impose the correct DV fee amount pursuant to PC 1203.097(5). When probation is granted, for disposition dates between 1/1/10 and 8/31/10, DV Fee should be \$200 then \$400 thereafter. This is a repeat issue from the prior audit.
 - c. For 1 of 20 cases, Court did not impose any fines or fees pursuant to proper DV-related statutes, including the court security fee and criminal conviction assessment. It is not documented whether the fines and fees were waived. This is a repeat issue from the prior audit.
 - d. For 1 of 20 cases, Court did not impose the Probation Revocation fine pursuant to PC 1202.44 at the time when PC 1202.4(b) Restitution fine was imposed and probation was granted.
2. Court waived statutorily required fines without a compelling and extraordinary reason documented on record as required by the statutes. PC 1202.4 (b) State Restitution fine was waived in 3 cases and the PC 1202.44 Probation Revocation fine was waived in 1 case.
 3. For 2 of 10 cases where probation is denied, Court incorrectly imposed the DV fee of \$400 pursuant to PC 1203.097 (a) (5). According to statute, DV fee is assessed only when probation is granted.
 4. For 6 of 30 test cases, Court did not impose the correct PC 1465.7 Court Security fee. For conviction dates on or after 10/2/10, fee is \$40 and \$30 prior to that date.

Recommendations

To make sure statutorily required minimum fines, fees, and assessments are imposed on criminal DV convictions, the Court should consider the following:

1. Ensure DV fines and fees related to cases with probation are correctly and consistently imposed by developing a better bench schedule/tool of DV fines and fees for use by judicial officers and consistently update it with every applicable statute changes. The schedule should emphasize what are mandatory and what are conditional fines and fees with notation to provide explanations or reasons for any waivers or non-assessment if required. To further assure the probation order, minute order and case management system reflect correct fines and fees; the schedule should also be distributed to pertinent personnel in charge of recommending and recording DV fines and fees such as the probation department and court clerks. Also, the Court should conduct awareness training especially when changes in statute and/or court procedures are implemented.

As an added control, determine whether it is feasible to implement monitoring capabilities, where appropriate, to the current or future iteration of the case management system (CMS) to flag exceptions for supervisory review cases.

2. Document compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why required minimum fines and fees are not assessed especially for the PC 1202.4 (b) State Restitution fine and the PC 1202.44 Probation Revocation fine. This should be documented and recorded in the minute orders, probation orders and ultimately in the case management system.
3. Ensure DV fee, currently at \$400, is assessed only when a condition of probation is granted pursuant to PC 1203.097 (a) paragraph (5).
4. Ensure the PC 1465.8 – Court security fee is assessed on every conviction and follows the current statute in effect. Changes should be immediately communicated to judicial officers and pertinent staff and reflected in any reference tools such as a bench schedule and in the CMS.

Superior Court Response

Agree.

A Criminal Fines & Fee Chart is maintained and distributed to the judicial officers. The chart is updated whenever there are statute changes. The Court will look at modifying the chart to address mandatory and conditional fines and include language to address issues related to ability to pay, findings of compelling and extraordinary reasons for not doing so that states those reasons on the record. In addition to judicial officers; it will be distributed to courtroom clerks, Probation and any others that are involved with addressing these fees and fines.

Judge Emede will address these issues with the Judicial Officers.

Responsible Person: Marvin Bell, Director of Finance

Effective Date: December 1, 2011

16. Exhibits

Background

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

A prudent business practice for trial courts is to establish a written Exhibit Room Manual (manual). These manuals normally define the term “exhibit” as evidence such as papers, documents, or other items produced during a trial or hearing and offered in proof of facts in a criminal or civil case. Depending on the type and volume of exhibits, the manual at superior courts can be minimal in length or very extensive. To minimize the risk of exhibits being lost, stolen, damaged, spilled, and/or disbursed into the environment, the manual should contain procedures to guide and direct exhibit custodians in the proper handling of exhibits. The manual would also provide procedures for storing and safeguarding evidence until final closure 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 manual and other internal policies and procedures, and observing the physical conditions of exhibit storage areas. We also 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 13 minor issues, including one repeat issue from the prior audit, associated with this area contained in Appendix A of this report.

17. Bail

Background

In general, bail is used to ensure the presence of the defendant before the court and is most commonly submitted in the form of cash or a surety bond. Surety bonds are contracts guaranteeing that specific obligations will be fulfilled and may involve meeting a contractual commitment, paying a debt, or performing certain duties. Bail bonds are one type of surety bond. If someone is arrested on a criminal charge, he may be held in custody until trial unless he furnishes the required bail. The posting of a bail bond acquired by or on behalf of the incarcerated person is one means of meeting the required bail. When a bond is issued, the bonding company guarantees that the defendant will appear in court at a given time and place. Bail bonds are issued by licensed bail agents who specialize in their underwriting and issuance and act as the appointed representatives of licensed surety insurance companies.

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

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

There are 2 minor issues associated with this area contained in Appendix A of this report.

18. Facilities

Background

The Trial Court Facilities Act of 2002 (Senate Bill 1732) was enacted to transfer the responsibility for funding and operation of California's more than 450 courthouse facilities from the counties to the State. Uniting responsibility for operations and facilities increases the likelihood that operational costs will be considered when facility decisions are made, and enhances economical, efficient, and effective court operations. After the transfer of each facility, the Judicial Council assumes full responsibility for the building, with ongoing input from county representatives. All Court facilities have been transferred to Judicial Council responsibility, with the last transfer agreement executed in 2009.

The Judicial Council proposed the construction of the new Family Justice to replace the current six leased facilities, which has existing deficiencies such as inefficient access to court users, undersized buildings and lack of secure facilities for in-custody defendants. The proposed new courthouse would provide a 233,906 square-foot courthouse with 20 courtrooms. The estimated project cost of \$240.7 million will come from SB 1407 funds, court funds, and proceeds from the sale of a vacated courthouse. This project, ranked in the Critical Need priority group of the Trial Court Capital-Outlay Plan, is one of the highest priority capital outlay projects for the judicial branch.

The project, authorized by the State Public Works Board on June 14, 2010, has construction scheduled to begin in mid-2012. The project's targeted completion date is mid-2014.

In the table below are the Court's expenditure general ledger accounts that are associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
935202 RENT/LEASE NON-STATE OWNE	1,155,648.05	1,126,439.66	29,208	3
* 935200 - RENT/LEASE	1,155,648.05	1,126,439.66	29,208	3
935301 JANITORIAL SERVICES	64,143.28	81,936.28	(17,793)	(22)
935302 CARPET CLEANING AND FLOOR	660.00	3,680.00	(3,020)	(82)
935303 JANITORIAL CLEANING SUPPL	59,204.68	141,493.45	(82,289)	(58)
* 935300 - JANITORIAL	124,007.96	227,109.73	(103,102)	(45)
935499 MAINTENANCE & SUPPLIES	73,891.46	214,527.73	(140,636)	(66)
* 935400 - MAINTENANCE AND SUPPLIES	73,891.46	214,527.73	(140,636)	(66)
935599 GROUNDS	388.33	8,359.28	(7,971)	(95)
* 935500 - GROUNDS	388.33	8,359.28	(7,971)	(95)
935699 ALTERATION	24,760.30	259,332.75	(234,572)	(90)
* 935600 - ALTERATION	24,760.30	259,332.75	(234,572)	(90)
935801 WASTE REMOVAL SERVICE	3,145.54	4,561.10	(1,416)	(31)
935899 OTHER FACILITY COSTS - SE	265.00	2,918.50	(2,654)	(91)
* 935800 - OTHER FACILITY COSTS - S	3,410.54	7,479.60	(4,069)	(54)
** FACILITY OPERATION TOTAL	1,382,106.64	1,843,248.75	(461,142)	(25)

We may review select facility operations expenditures as part of our Accounts Payable review to determine whether they were allowable. We also determined whether the Court complied with the AOC Office of Court Construction's Court Funded Request procedures to address facilities needs that may not be paid for using court operations funds.

There were no issues associated with this area to report to management.

19. Miscellaneous

Background

Gifts of Personal Property

Courts may accept unsolicited gifts of personal property, either financial or non-financial, if doing so would neither create the appearance of partiality nor a conflict of interest for the court. FIN 15.01 provides guidelines for courts to use in deciding what gifts it may accept, and acknowledging, documenting, monitoring, accounting for, and reporting those gifts.

Indirect Cost Rate Proposal

Indirect costs are administrative and other expenses that benefit more than one organizational unit, program, or project and therefore cannot be readily associated with a particular unit, program, or project without effort disproportionate to the results achieved. As an alternative, courts may use an indirect cost rate to bill other entities for services provided to recover an appropriate share of indirect costs. FIN 15.02 provides a method for developing an indirect cost rate proposal, and application and documentation of the indirect cost rate.

Escheat

The Uniform Civil Fees and Standard Fee Schedule Act of 2005 created a new escheat provision codified under GC §68064.1 that authorizes courts to escheat money, excluding restitution to victims, that is on deposit with them or that they are holding if the money remains unclaimed for three years after the associated case is closed or the money otherwise becomes eligible for distribution. This code section along with FIN 15.03 provides procedures that courts must follow before they may escheat funds.

In the table below are the Court's general ledger accounts that are associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Revenues				
823001 MISCELLANEOUS REVENUE	1,765,751.06-	88,551.85-	1,677,199	1,894
823002 ESCHEATMENT REVENUE	1,306.00		(1,306)	(100)
823010 DONATIONS	36,169.11-	37,819.15-	(1,650)	(4)
823011 JUDGES VOLUNTARY DONATION	59,085.28-		59,085	100
** 823000-OTHER - REVENUE	1,859,699.45-	126,371.00-	1,733,328	1,372

We assessed the Court's compliance with FIN Manual requirements for handing gifts of personal property and preparing an indirect cost rate proposal through a self-assessment questionnaire. We also reviewed the Court's trial balance to identify receipt of gifts and followed up on these gifts, if any. Furthermore, we reviewed documentation supporting escheatment activity to determine whether the Court periodically identify funds available for escheatment, and whether the Court complied with FIN Manual requirements prior to escheatment.

There were no issues associated with this area to report to management.

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APPENDIX A

Issue Control Log

Superior Court of California, County of Santa Clara

Note:

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

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

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

December 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration							
			No issues to report				
2 Fiscal Management and Budgets							
	Log		For 1 of 10 employees tested, OT hours reported in the timesheets does not match the OT hours entered into Kronos and subsequently into Peoplesoft. Employee reported 22.6 OT hrs but only 20.8 was entered and subsequently paid.	C	Court acknowledged the error and submitted a Payroll Adjustment Form to the County Payroll Unit.	Payroll, Senior Accountant	July 6, 2011
3 Fund Accounting							
			No issues to report				
4 Accounting Principles and Practices							
			No issues to report				
5 Cash Handling							
	5.1	3	Void Procedures and Tracking of Void Transactions Need Consistency and Improvement				
			For civil case types, Court does not utilize a void report to efficiently and effectively track and monitor civil voids given the fairly high occurrence rate and the capability of the existing UCS system to generate a report. The UCS-Civil should be able to generate a void report since it came from the same base system as the UCS-Traffic system, which can generate a daily void listing. Our review revealed close to 100 voided transactions with a civil case type over a one month period using an existing but unused report from UCS-Civil called "Receipt Adjustment Report." Court verified that this is a report of voided civil transactions.	C	Corrective actions were implemented in Civil effective September 6, 2011. The Court opted to use the Daily Transaction Summary Report to track and monitor voids which can be generated by location, date range and users. The report also includes the reason of the void. Cashiers now submit voided receipts and new receipts during the closeout process. Fiscal Specialist reconciles the receipts with the Receipt Adjustments Report. George McElroy-Senior Accountant will ensure that Fiscal Specialists perform the reconciliation of voided receipts daily. Fiscal Specialists in Traffic are already performing the reconciliation of voided receipts with the Daily Accounting Report-Void Tab daily and reasons for voids are indicated on the receipts. Reasons can also be found in the Daily Transaction Summary similar to Civil.	Fiscal Specialists at all court locations and Senior Accountant	September 6, 2011
			Court did not always document the justification or reason for the void transaction, either on the voided receipt or in the CMS. This affects five of the Court's eight locations.	C	See response above	See above	September 6, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Court did not consistently attach the voided receipt to the daily collection documentation to properly account for all void activity. This was found in one of the Court's eight locations.	C	See response above	See above	September 6, 2011
	5.2	2	Control over Handwritten or Manual Receipts Needs Improvement				
			Two of eight court locations were unaware they were missing some manual receipts. During our manual receipt book inventory, Downtown Civil court location had one unused book with 10 missing receipts while Sunnyvale court location had one currently used book with 5 missing receipts. All copies of the receipts were detached. To resolve this, the Court should perform a periodic inventory of manual receipt books at each division maintaining manual receipts. This can be done either in conjunction with main Fiscal's annual certification of revolving funds or periodically by a designee at each location or a combination of both.	C	Finance Division will request a Manual Receipt Certification annually at each courthouse.	Marvin Bell, Finance Director	January 31, 2012
	5.3	4	Court Needs to Strengthen Its Safekeeping of Cash and Cash Count Procedures				
			Safekeeping of cash controls are inadequate, which increase the risk for potential loss. <ul style="list-style-type: none"> • Safe combination has not been changed for several years at all court locations. • At four court locations, the safe combination is known to an excessive number of employees. For instance, the Hall of Justice safe combination is known by a total of six people; one manager and all five supervisors. However, many of the supervisors act as back-ups and have no direct cash handling functions to necessitate safe access. • At some court locations, petty cash is not secured separately from other monies and/or is not placed in lockable bank bags. 	C	The Court will keep petty cash funds separate from other funds. The Court will utilize a verifier and witness for surprise cash counts and annual certification. The Court will update procedure to reflect the need to change the safe combination with any change in staff as well as an annual reminder. The court will consider changing the combination on a case by case process if it determines it is changing the safe combinations too often.	Director of Finance	December 31, 2011

Appendix A
 Issues Control Log

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			<p>Periodic cash count procedures need improvement to properly determine if cash funds and payments are properly accounted for and processed.</p> <ul style="list-style-type: none"> • Random surprise cash counts are not performed at all court locations as required. During our fieldwork, many of the court locations expressed that a surprise cash count will be a good practice. • While the Court is to be commended for conducting periodic cash counts called 'annual certification of revolving funds' wherein the main fiscal division notifies each court location to report via email the amount of each cash fund (i.e. starting cash, change fund, and petty cash) maintained then verifies the amount reported against the documented amounts, it is, however, inadequate because it cannot be verified if the cash count was conducted by a person without payment processing responsibilities and was witnessed by a secondary individual. 	C	See response above	Director of Finance	December 31, 2011
		Log	<p>The petty cash custodian identified on the petty cash vendor list for HOJ, Family Court, Sunnyvale, Notre Dame, Drug Court Terraine, Family Wellness Court Terraine, and DTS Jury is a different employee than the Authorized Signatories for the vendor code assigned to that location. Our expectation is that the employee responsible for FIN 8.04 Petty Cash compliance should be appointed in writing, is that person listed in the column labeled 'Custodian'.</p>	C	The Finance Division sent out a "Change of Petty Cash Custodian" form (FN-043) to each location to update the petty cash custodians. The custodian signs the form and acknowledges they are responsible for the petty cash fund and follow the appropriate procedures.	Payroll, Senior Accountant	November 1, 2011
		Log	<p>Petty cash is not properly secured. Based on on-site fieldwork, one petty cash is not secured separately, one bank bag does not lock, and another has petty cash in an envelope.</p>	C	Either a lock bag or lock box was provided to those locations that did not have one. All petty cash funds are now secure separately.	Director of Finance	January 1, 2012
		Log	<p>One of ten petty cash funds is not verified at the recommended frequency. All of the funds at the 10 court locations are verified annually by accounting. However, the \$300 petty cash fund in Family Court should be verified quarterly as recommended by the FIN Manual.</p>	C	The Finance Division will request that Family Court submit "Petty Cash Count & Reconciliation" form (FN-042) quarterly.	Payroll, Senior Accountant	February 1, 2012
		Log	<p>Court acknowledged that it does not conduct an independent verification of petty cash funds. The court relies on the court managers to verify petty cash funds at the outlying locations.</p>	C	The Finance Division annual certification form has been modified to require two signatures. One for the counter and one for the verifier. A surprise count by the Finance Division will also be done at least annually.	Director of Finance	February 1, 2012
		Log	<p>Administration petty cash fund of \$800 is excessive and should be reduced because it exceeds the \$750 petty cash fund that may be authorized under FIN 8.04, 6.3 par. 2 and due to the lack of activity. At the time of review, the Admin petty cash fund has been replenished only six times in a span of over a year.</p>	C	The Finance Division will look into reducing the administration petty cash fund to at least \$750. The fund was increased over time to avoid having to replenish the petty cash fund an excessive number of times in any given year. Every other month is fairly frequent for a petty cash fund.	Payroll, Senior Accountant	March 1, 2012

Appendix A
Issues Control Log

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log		One of four petty cash reimbursement reviewed was for taxi and dinner that should have been reimbursed through the TEC process.	C	The Finance Division will direct future reimbursement request for taxi and dinners to Human Resources to be processed as a travel expenditure.	Payroll, Senior Accountant	March 1, 2012
	Log		Two court locations (Downtown and Santa Clara) have manual receipt logs that are incomplete because they have not recorded some issuance activity.	C	Supervisors will log beginning & ending receipts #. Santa Clara reported that problem was inherited from former Manager/Supervisor. They will close out of receipt books and request new ones to establish new log and process pursuant to current procedures. Santa Clara will create pages in log for books 25 through 30. Downtown instructed to record all activity. Finance is currently creating electronic logs to be used by all court locations.	Director of Finance	June 1, 2012
	Log		Two of seven court locations (Downtown and Santa Clara) lacked adequate information about the manual receipt payments including: the case number, name of individual making the payment and the payment date.	C	Supervisors will be reminded to instruct their staff to fully complete each manual receipt with case #, name of party making payment, payment date, etc.	Directors/Managers/Supervisors, all court locations	December 1, 2011
	Log		One court location (Terraine receipts processed by HOJ) did not post manual receipt payments into the CMS timely. Procedure NO. FIN 10.02, 6.3.9 states, "Handwritten receipts must be processed as soon as possible after the automated system(CMS) is restored." Two of fifteen samples tested were processed longer than 1 business day but not 1 week or longer.	C	HOJ will return validated manual receipt to the Terraine Courthouse. Supervisor at Terraine will staple the validated manual receipt to the duplicate receipt in the receipt book. Supervisor will then update the manual receipt log.	Revenue, Senior Accountant	March 30, 2012
	Log		Three court locations (Downtown, Family Court and Santa Clara) may have more manual receipt books than they need and should re-evaluate their need for that many books. At the time of review, the three locations were retaining 17 or more books.	I	The Finance Division will re-evaluate the number of receipt books at these locations when it implements the electronic logs.	Director of Finance	June 30, 2012
	Log		Fiscal Division needs to advise three court locations (Downtown, HOJ and Santa Clara) to return all their used handwritten receipt books. Courts should request new manual receipt books only when they return used manual receipt books.	C	Directors/Managers/Supervisor have been reminded of the procedures and the requirement to send completed receipt books to central fiscal division.	Directors/Managers/Supervisors, all court locations	July 1, 2011
	Log		The Fiscal Division needs to perform periodic reviews of manual receipt books at all court locations to ensure they are all accounted for and have been entered into the CMS accurately and timely.	C	Directors/Managers/Supervisor have been reminded of the procedures and the requirement to review manual receipt books to ensure receipts are accounted for and validated. Also, Fiscal Division will review manual receipt books that are received from Operations.	Directors/Managers/Supervisors, all court locations and Finance Division	July 2011
	Log		One court location (Family Court) has some loose manual receipts with sequence numbers outside those in the manual receipt books on hand. Follow-up should be performed to attach them to the correct book(s).	C	Staff have been informed to retain all manual receipts in the receipt books. Supervisors to maintain log and post and distribution of receipt books.	Supervisors, all court locations	August 2011

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log		Court does not conduct periodic inventory of safe contents. When inventories are conducted periodically, the court may identify missing and/or inappropriate assets and papers that should removed and relocated.	C	Directors/Managers/Supervisor have been reminded maintain a safe log and periodically inventory those items. Finance will periodically remind them of this requirement. At a minimum the Finance Division will remind supervisor with the annual revolving fund certification.	Directors/ Managers/ Supervisors, all court locations and Finance Division	July 2011
	Log		One court location (Sunnyvale) was not reviewing the change fund to ensure it was complete on a daily process.	C	Supervisors reminded to count change fund daily and each time the fund is utilized.	Supervisors, all court locations	July 2011
	Log		One court location (HOJ) needs to define and document the delegation of the change fund custodian.	C	HOJ-Asst Director has been directed to delegate a custodian for the change fund.	Asst. Director, HOJ	June 27, 2011
	Log		The Change Fund custodian should have a copy of the FIN Manual to assist identify those procedures to follow when the change fund is \$500 or more	C	Supervisors will be provided a copy of the Fin Manual policy section relating to change funds and reminded of the courts revolving fund policies.	Supervisors, all court locations	July 2011
	Log		Two court locations (Downtown and Palo Alto) do not secure unprocessed mail payments overnight.	C	Palo Alto-Deputy Manager will insure that unprocessed mail payments are locked in cabinet each night. Downtown Courthouse management has designated a locked cabinet in the supervisor area to store unprocessed payments.	Deputy Court Manager, Palo Alto Courthouse	July 31, 2011
	Log		Court should post a notice at conspicuous place near the court counter to advise court customers to request a receipt when paying fees, fines and penalties in the event the cashier fails to provide one to them.	C	Supervisors instructed to post a public notices as follows: "NOTICE TO PUBLIC: Each Superior Court is required to issue a receipt for all Cash or Checks paid to the court. Please secure your receipt when payment is made."	Supervisors, all court locations	June 1, 2012
	Log		The Court must post a notice at conspicuous place near the court counter to advise court customers regarding fee waivers pursuant to CRC 3.63.	C	Sunnyvale reported sign is posted where the public picks up forms, but not at the front counter. Will look into having Facilities move the sign.	Supervisor, Sunnyvale location	August 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
6 Information Systems							
	6.1	6	Court Did Not Properly Assess Certain Distributions in Accordance with Statutes and Guidelines				
			The Court incorrectly assessed the VC§40508.6 (a) Priors Admin Assessment of \$10 on cases without prior convictions. We found this on all test cases without priors.	I	The Court will discuss a programming change with ISB to impose the Prior Search Fee on subsequent violations. It is estimated the programming change could be done by September 30, 2012.	Director of Finance	September 30, 2012
			The Court did not assess the PC§1465.8 Court Operations Assessment (previously called "Court Security Fee") and GC§76000.10 Emergency Medical Air Transportation (EMAT) Penalty based upon the conviction date. We found this on all test cases where the effective dates of the statutes fall in between the violation date and conviction date of the test cases. Statutory language states that both shall be imposed on every conviction. Rather, the Court uses the violation date because of system limitations, which becomes problematic when statute amends the dollar amount because the cases with violation dates prior to the effective date of the amendment will not reflect the correct assessment or penalty. Specifically, a case will have a lower total fine than expected because PC§1465.8 is only \$30 instead of \$40 and EMAT is not assessed instead of \$4. State distributions pursuant to both statutes may be significantly understated depending on the number of cases affected.	I	The Court will re-evaluate whether systems can be programmed to impose fees, penalties, assessments by conviction date instead of violations date when required by statute. Note: The current practice is due to system limitations and impacts only a small number of cases. In traffic most cases are either paid in full or go through a Trial in Absentia within the first 60 days in which the defendant is found guilty and fined. Any programming on the existing fees would have an insignificant impact on collections. Therefore, no programming will be done unless a new fee or fee increase is imposed by statute.	Director of Finance	TBD
			The Court did not correctly assess the GC§70373 – Criminal conviction assessment. The assessment should be \$35 for traffic infractions and \$30 for misdemeanors/felonies. However, our testing revealed some traffic infractions with \$30 and \$40 assessments while some misdemeanor cases with \$35 assessments. According to the Court, the issue resulted from judicial officers imposing the incorrect amount and/or clerical errors when entering the payment in the UCS-Traffic system.	C	The Court will continue to communicate to the judicial officers and court staff on all existing and new statutory fines, fees, penalties and assessments on a regular basis. This includes email, memos, statutes, penalty charts and criminal fee/fine/penalty charts. Supervisor and fiscal staff will continue to monitor fines imposed and payment distribution to help insure correct amounts are imposed and distributed.	Director of Finance	March 12, 2012

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court incorrectly prorates any underpayments \$10 or less among all distribution including mandatory or statutorily fixed State distributions such as GC§70373 – Criminal Conviction Assessment and PC§1465.8 – Court Operations Assessment. For payments thru the mail, the Court’s policy is to accept underpayments \$10 or less as payment in full. The commuted or suspended fine is then prorated evenly among all distribution accounts thus the mandatory amounts are less than the full amount. However, there is no clear judicial discretion to reduce, suspend and stay these mandatory amounts under the applicable statutes. Instead, commuted or suspended amounts should be prorated among fines and penalties where there is clear judicial discretion noted on statutes. In aggregate, testing did not result in any significant understatement of the mandatory distributions.	I	The Court will continue to prorate over and under payments of \$10 or less based on its established policy and court order that has been in place for many years. The Court will not implement the recommendation due to the anticipated programming cost and the known fact that the current policy results in an insignificant impact on the collected accounts.	Director of Finance	TBD
		Log	For 5 of 25 applicable cases tested, base fine used does not comply with the applicable Uniform Bail and Penalty Schedule (UBS).	C	Judicial Officers have discretion as to the amount they may impose for fines in court. Penalty imposed is based on corresponding fine imposed.	Chief Executive Officer	October 1, 2011
		Log	Repeat Issue: Court does not have a complete Disaster Recovery Plan (DRP) in place. DRP is still in progress with sections such as Test/Exercise plans, Plan Maintenance and Procedures to Recover Lost or Damaged Data are yet to be defined. This is further exacerbated by not having a fully functioning back-up site (see issue below).	I	Funding for DR equipment was not available until the last 12 months. Full DR site implementation and processes are in progress and should be completed in the next 6 months.	Chief Technology Officer	September 30, 2012
		Log	Court does not have a fully functioning back-up or fail-over site. Located at the Downtown location (5 miles from the main data center), the Court is still in the process of completing this project and last tested its viability in December 2010.	I	Funding for DR equipment was not available until the last 12 months. Full DR site implementation and processes are in progress and should be completed in the next 6 months.	Chief Technology Officer	September 30, 2012
		Log	For the network, Court should place time restrictions on the user's session after a period of inactivity (e.g. 30 mins). It is best to enable a screen lock after a specified time and require entry of log-in credentials upon resume.	I	Disabling a user account after 30 minutes of inactivity would create a significant business disruption. The Court will determine if other options are available to ensure network security.	Chief Technology Officer	May 1, 2012
		Log	For the network, Court should track and disable user accounts after a period of inactivity (e.g. 90 days).	I	The Court will determine the technical feasibility for implementing this recommendation.	Chief Technology Officer	May 1, 2012
		Log	For the network, Court should limit court employees' ability to have multiple concurrent logins, especially if time restrictions on user sessions are not in place, to minimize risk of unauthorized access.	C	Since the Court has multiple remote locations, it is sometimes necessary to login from different locations. Multiple concurrent logins is a business requirement. No action planned.	Chief Technology Officer	May 1, 2012
		Verbal	Court should perform periodic reviews of user accounts and access rights to ensure that permissions are commensurate with job responsibilities.		Managers are responsible for notifying IT of any changes related to system access for their employees. Access is provided commensurate with job responsibilities.	Chief Technology Officer	April 9, 2012

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		DROPPED	Priveleged user rights should be reviewed on a regular basis.		User rights are reviewed upon any changes in job responsibilities.	Chief Technology Officer	April 9, 2012
		DROPPED	Court's administrators only use administrator accounts and do not have a separate user account with less access rights to perform regular non-administrator tasks.		Court administrators also have personal user logins that are used when not performing administrative duties.	Chief Technology Officer	April 9, 2012
		Log	Management and/or Security Administrator should periodically review security log files.	I	The Court will investigate and implement an appropriate process.	Chief Technology Officer	June 1, 2012
		Log	At the main data center and backup site, Court does not require visitors to sign an entry log.	I	The Court will investigate and implement an appropriate process.	Chief Technology Officer	May 1, 2012
		Log	At the back-up site, there are some roof stains on the drop-down ceiling and the source is undetermined. Stains may have come from a water source (i.e. pipeline) making the technology equipment susceptible to possible damage.	I	The Court will investigate the source of the stains and take appropriate action if necessary.	Chief Technology Officer	May 1, 2012
7	Banking and Treasury						
			No issues to report				
8	Court Security						
		DROPPED	Court employees are not required to pass through metal detection equipment at security screening check points	C	Court employees are issued key cards and enter the courthouse through an employee entrance.	Chief Executive Officer	May 1, 2011
			No issues to report				
9	Procurement						
			No issues to report				
10	Contracts						
		Log	One of seven contracts (two invoices reviewed) reviewed may need a clause in the contract for inspection, testing and/or acceptance requirements as some de-bugging of the Court's CMS has been performed over time. There was no documentation to support the fact that the Court verified the vendor's work.	C	Court implemented AOC Contract Template in December 2011. Currently waiting for template related to IT services. Invoices related to CMS are approved by ISB staff upon completion of work performed.	Chief Technology Officer	January 1, 2012
		Log	In one of seven contracts reviewed, invoice documentation is inadequate because the invoices (2 invoices reviewed) did not have contractor timesheets and other labor documentation to support the time and materials (hourly labor) charges.	C	Court implemented AOC Contract Template in December 2011. Court staff worked with vendor to obtain appropriate back-up documentation.	Procurement Court Manager	January 1, 2012
		Log	In one of seven contracts reviewed, Court used Change Orders when it should have used "contract amendments" because the changes were material price changes and extended the existing contract over time and were signed by the contracting parties.	C	All change orders are approved by the Vendor, Program Manager/Director, CEO and CFO. Change Order title should be changed to Contract Amendment.	Procurement Court Manager	May 1, 2011

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	One of two contracts that had business related travel did not have a clause or additional provisions wherein the Court would <ul style="list-style-type: none"> • Reimburse travel expenses to the vendor • Require travel documentation be submitted by the vendor prior to reimbursement and, • Limit the cost of travel as outlined in the AOC Travel Guidelines in the FIN Manual 	C	Court implemented AOC Contract Template in December 2011 which includes AOC travel guidelines	Procurement Court Manager	January 1, 2012
11 Accounts Payable							
		Log	Four of five travel expenditures reviewed lacked a Travel Expense Claim (TEC) form as required by FIN Manual 8.03 section 6.4.1.	C	The expenditures reviewed were lodging and airfare charged on the Human Resources credit card. HR provides Finance the lodging and airfare documentation to support each charge. A TEC is subsequently submitted to HR by the individual for their reimbursement expenditures. The associated credit card charges for lodging and airfare are reflected on the TEC. HR enters all TEC documents in Phoenix and Finance approves the TEC.	Senior Court Analyst, Human Resources	March 14, 2012
		Log	For applicable travel expenditures, TEC did not have an approval signature pursuant to FIN 8.03 section 6.4.1.	C	All Travel Expense Claims are approved by Finance. This includes the posting in Phoenix and approval on the TEC. This one appears to be an oversight for the approval signature on the TEC.	Senior Court Analyst, Human Resources	March 14, 2012
		DROPPED	All travel expenditures reviewed exceeded the in-state maximum rate of \$140 per night for bay area lodging without an approved Exception Request for Lodging form pursuant to FIN 8.03 section 6.1.6.	C	An Exception Request for Lodging is not required if the conference is at the same hotel. This information is all contained with the TEC processed by HR and approved by Finance. The TEC documents reside in HR. The conferences were held in the same hotel.	Senior Court Analyst, Human Resources	March 14, 2012
		Log	All travel expenditures reviewed did not have a note attached to document that the traveler presented a Hotel Tax Waiver form as recommended.	C	Human Resources currently provides the Hotel Tax Waiver form for AOC/CJER travel. HR will start including the Hotel Tax Waiver form along with the hotel reservation, for presentation to the hotel upon check in for all travelers in California.	Senior Court Analyst, Human Resources	March 14, 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
12	Fixed Assets Management						
		Log	The Court's IT asset tracking process is inadequate because it is unable to locate several IT inventory items and some IT inventory items are not recorded on the tracking list. <ul style="list-style-type: none"> In its recent full asset inventory on 2011, the Court identified 29 IT inventory items or 2% of all IT inventory items (PC's, monitors and printers) missing due to inadequate tracking procedures when moving asset items. Similarly, the previous comprehensive inventory in 2004 resulted in one projector and some PC's missing. Based on our testing, we identified 4 laptops and 10 printers purchased in 2009 that are not recorded in the Court's IT inventory list. 	I	ISB is looking into improving its fixed asset tracking system and improving the physical inventory process. ISB will work with Finance to standardize the procedures and disseminate them to the appropriate staff.	Chief Technology Officer, ISB	September 1, 2012
		Log	Assets are not consistently and properly tagged and recorded. Based on testing and review of documentation related to fixed assets and inventory items, we identified the following: <ul style="list-style-type: none"> Thirty-five interchangeable air tanks listed on the fixed asset tag list did not have any assigned fixed asset tag numbers. According to the Court, it cannot determine the status of the items and when the items were acquired since purchase occurred during the "old" asset management process. One hundred one fixed asset tag numbers (tag #'s 1773-1873) do not have any asset information recorded. According to the Court, asset tags were provided to a Sheriff deputy pursuant to its "old" asset management process but did not receive or follow-up on any asset information regarding the tags. One printer is recorded without an assigned inventory item asset tag number. 	I	Finance and ISB are now aware of this issue. The first two bullets appear to be Facilities related. ISB and Finance will review procedures to insure fixed asset tags are properly managed and applied to fixed asset equipment.	Chief Technology Officer and Director of Finance	September 1, 2012
		Log	The Court does not conduct a full inventory of all assets (fixed assets and inventory items) at least every 3 years as required by FIN 9.01 section 6.6. Prior to 2011, the last full asset inventory was on 2004.	C	The Court will strive to conduct a full inventory annually and insure one is done every three years.	Chief Technology Officer and Director of Finance	March 1, 2012
		Log	The Court does not have documented processes for the transfer of fixed assets and inventory items pursuant to FIN 9.01 section 6.7.1 and for the disposal of non-IT inventory items pursuant to FIN 9.01 section 6.7.3.	I	ISB and Finance will work together to update and standardize the fixed asset/inventory procedures.	Chief Technology Officer and Director of Finance	September 1, 2012
		Log	Court's software listing has insufficient tracking information because it only shows the number of licenses on hand and not the number of licenses in use.	I	ISB will look into updating its listing to insure compliance with FIN Manual	Chief Technology Officer	September 1, 2012

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Fixed asset amount is underreported in CAFR because an asset is misclassified. Purchased in FY 09-10, a court-wide armored car security (intercom) system totaling \$59,697 is incorrectly coded to GL 922699-Minor equipment. The system is for 8 court locations costing \$7,462.13 per location (\$59,697 divided by 8) thus should be under Major Equipment GL specifically GL 945208 - Equipment Systems.	C	Finance will reclassify the intercom system as fixed assets.	Senior Accountant Accounts Payable.	March 16, 2012
13	Audits						
		Mgmt Summary	Repeat Issues from the Prior Audit				
			The Court continued to not have a disaster recovery plan in place. This increases the risk of not properly and timely recovering and continuing court operations, which is exacerbated by the lack of a full functioning back-up or fail over site. Both plan development and completion of the fail over site are in progress.	I	See response at Function 6 - Information Systems Log item #2	Chief Technology Officer	September 1, 2012
			The Court continued to inconsistently assess the proper domestic violence fee pursuant to Penal Code §1203.097 (a). In addition, there is still no formal financial evaluation in place when reducing or waiving the required fee.	C	See response at Function 15 - Domestic Violence Report No. 15.1	Director of Finance	December 1, 2011
14	Records Retention						
			No issues to report				

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
15	Domestic Violence						
	15.1	5	Some Criminal Domestic Violence Fines and Fees Were Incorrectly and Inconsistently Imposed and Assessed				
			<p>For 20 of the 30 DV cases we reviewed where the defendant was sentenced to probation, the Court did not correctly and consistently assess the statutorily required DV fines, fees, and assessments related to a probation sentencing as follows:</p> <ul style="list-style-type: none"> Pursuant to PC 1202.44, the revocation fine is equal to the PC 1202.4(b) State Restitution fine. However, in each of the 20 cases, the Court's revocation fine included both the restitution fine and the restitution administrative cost recovery fee [PC 1202.4(l)]. Repeat Issue: For 3 of 20 cases, Court did not impose the correct DV fee amount pursuant to PC 1203.097(5). When probation is granted, for disposition dates between 1/1/10 and 8/31/10, DV Fee should be \$200 then \$400 thereafter. This is a repeat issue from the prior audit. Repeat Issue: For 1 of 20 cases, Court did not impose any fines or fees pursuant to proper DV-related statutes, including the court security fee and criminal conviction assessment. It is not documented whether the fines and fees were waived. This is a repeat issue from the prior audit. For 1 of 20 cases, Court did not impose the Probation Revocation fine pursuant to PC 1202.44 at the time when PC 1202.4(b) Restitution fine was imposed and probation was granted. 	C	A Criminal Fines & Fee Chart is maintained and distributed to the judicial officers. The chart is updated whenever there are statute changes. The Court modified the chart to address mandatory and conditional fines and include language to address issues related to ability to pay, findings of compelling and extraordinary reasons for not doing so that states those reasons on the record. In addition to judicial officers; it was distributed to courtroom clerks, Probation and any others that are involved with addressing these fees and fines.	Director of Finance	December 1, 2011
			Court waived statutorily required fines without a compelling and extraordinary reason documented on record as required by the statutes. PC 1202.4 (b) State Restitution fine was waived in 3 cases and the PC 1202.44 Probation Revocation fine was waived in 1 case.	C	See response above	Director of Finance	December 1, 2011
			For 2 of 10 cases where probation is denied, Court incorrectly imposed the DV fee of \$400 pursuant to PC 1203.097 (a) (5). According to statute, DV fee is assessed only when probation is granted.	C	See response above	Director of Finance	December 1, 2011
			For 6 of 30 test cases, Court did not impose the correct PC 1465.7 Court Security fee. For conviction dates on or after 10/2/10, fee is \$40 and \$30 prior to that date.	C	See response above	Director of Finance	December 1, 2011
		Log	For 2 of 20 cases with probation, Court did not impose any payment to battered women's shelter even when the case had a qualified DV violation and probation was granted.	C	Payment to a battered women's shelter is in lieu of a fine pursuant to PC1203.097(a)(11) and can be imposed based on the judges discretions. The section states "In no event shall any order to make payments to a battered women's shelter be made if it would impair the ability of the defendant to pay direct restitution to the victim or court-ordered child support. The supervising judge will be made aware of the log issue.	Director, Criminal Traffic/Judicial Officers	March 12, 2012

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16 Exhibits							
	Log		Court does not have exhibits custodians (Criminal, Civil, Family, Palo Alto, Juvenile Justice, & Dependency) read and affirm in writing her/his comprehension of the written operation manual	C	Exhibit custodians are now aware of the written operations manual.	Directors, Operations	June 1, 2011
	Log		Court does not have dual-locking key nest for exhibits room keys (Civil Downtown, Palo Alto, Family, Juvenile, and Dependency)	C	Supervisors/managers have been reminded that the exhibit room keys need to be secured.	Supervisors/Managers, all court locations	June 1, 2011
	Log		Court does not have a well defined key registers for exhibits room keys. Issue applies to the following locations; Criminal HOJ, Civil Downtown, Family, Juvenile, and Dependency.	C	Supervisors/managers have been reminded that the exhibit room keys need to be secured.	Supervisors/Managers, all court locations	June 1, 2011
	Log		Repeat Issue: Safe combinations to criminal exhibits safes have not ever been changed (HOJ & Palo Alto) and are not appropriately secured (HOJ).	C	Supervisors/managers have been notified to change the safe combinations and maintain a log of those who have access and when they change the combination. This will be incorporated in the procedure and they will be reminded each year when the exhibit room certification is done.	Supervisors/Managers, all court locations	June 1, 2011
	Log		Court does not keep or maintain a visitors log to track names and purpose for entering the exhibits room (HOJ, Civil DTS, Palo Alto, Juvenile, and Dependency)	C	Supervisors/managers will be asked to maintain a visitors log.	Supervisors/Managers, all court locations	March 1, 2012
	Log		Two court employees are not present when safes containing cash are opened (HOJ, Palo Alto, Family, & Civil DTS).	C	It is not feasible to require two court employees be present when the safe is opened. Supervisors and staff do count and verify cash when it is exchanged.	Supervisors/Managers, all court locations	February 1, 2012
	Log		Court does not conduct any inspections of either the civil or the criminal exhibit rooms (HOJ, Civil, Family, Palo Alto)	I	Court will look into whether it is feasible to conduct inspections over and above the inventory certification.	Supervisors/Managers, all court locations	September 30, 2012
	Log		Firearms are stored together with the matching ammunition (HOJ). It is recommended that the Court require parties to submit firearms and ammunition separately.	C	Supervisor/manager have been advised to store firearms and bullets separately. Firearms and bullets will be stored separately if they come in separate exhibit envelopes.	Supervisors/Managers, all court locations	June 1, 2011
	Log		Neither the civil nor the criminal exhibits rooms, have a sink or sanitary facilities in the exhibit room (HOJ, Civil DTS)	C	The Court will provide wipes, hand sanitizer solution and eye flush solution in its exhibit rooms. Installing a sink or sanitary facilities could cost as much as \$20,000 at each location. The Court does not have the resources for this costly purchase.	Court Manager, Facilities	March 31, 2012
	Log		Exhibits rooms are not independently alarmed nor are they covered by CCTV (All Locations)	C	The Facilities Manager indicated there would be significant cost to the court to install an alarm and cameras in all exhibit areas. The Court does not have the resources for anticipated cost.	Court Manager, Facilities	March 12, 2012
	Log		Court Manager/supervisor has 24 hour/7 days a week access to the exhibits rooms (Criminal HOJ & All Locations)	C	Supervisor/manager have 24/7 access due to weekend work and emergencies. They use a key card to access the courthouse. Access to the exhibit room is limited to staff with combination or keys	Court Manager, Facilities	March 9, 2012

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Court Services Division Procedures for courtroom clerks need improvement on how exhibits are to be transported to the exhibits room (All Locations)	C	Exhibit room procedures CRS2 (Criminal) and MS5 (Civil) address the transport of exhibits to the exhibit room after the release of the exhibit from the courtroom.	Supervisors/ Managers, all court locations	August 1, 2011
		Log	Court is storing bio-hazardous exhibits and some are marked for disposal. However, disposal process is yet to be performed and completed.(Criminal HOJ)	I	Checking with supervisors/managers to determine when they are disposed of.	Supervisors/ Managers, all court locations	June 30, 2012
17	Bail						
		DROPPED	Court does not make notations in the CMS regarding bail status for each in-custody such as release date, bail amount and name of surety, if surety bond was used to comply with PC 1269. Consequently, bail status updates may not be timely entered and reported.		Bail bond and custody status is entered into CMS (CJIC). The Court maintains a database related to bail bonds in CJIC. The surety name is recorded in the database. The court does not calculate release dates.	Supervisors/ Managers, all court locations	March 12, 2012
		Verbal	Court does not reconcile the surety bond register against the CMS.		The Court maintains a separate database related to bail bonds.	Supervisors/ Managers, all court locations	March 12, 2012
		Log	Court does not validate the bail bonds it accepts to comply with PC 1276 (a).	I	Supervisor/Manager was provided the website (www.insurance.ca.gov/license-status) and instructed to set up a procedure and create a list of licensed and unlicensed sureties. Also instructed to notify DOC/Sheriff if any surety is unlicensed.	Supervisors/ Managers, all court locations	June 30, 2012
		Log	One of eight surety insurers reviewed is not registered with the California Department of Insurance as required by PC 1276.	I	Supervisor/Manager was provided the website (www.insurance.ca.gov/license-status) and instructed to set up a procedure and create a list of licensed and unlicensed sureties. Also instructed to notify DOC/Sheriff if any surety is unlicensed.	Supervisors/ Managers, all court locations	June 30, 2012
18	Facilities		No issues to report				
19	Miscellaneous		No issues to report				