



Audit of the
Superior Court of California,
County of San Diego

**REPORT OF
INTERNAL AUDIT SERVICES**

APRIL 2011



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

This report contains confidential material for the sole use of the intended recipient(s). Any review, use, distribution, or disclosure by others not identified in the report transmittal letter is strictly prohibited.

For authorization to distribute this report to any other parties please contact:

Mr. John A. Judnick
Senior Manager, Internal Audit Services
Administrative Office of the Courts
Phone: (415) 865-7450
Fax: (415) 865-4337
E-mail: john.judnick@jud.ca.gov

Superior Court of California, County of San Diego

Table of Contents

MANAGEMENT SUMMARY..... iii

STATISTICS..... vi

FINANCIAL STATEMENTS..... viii

PURPOSE AND SCOPE..... xiv

TIMING AND REVIEWS WITH MANAGEMENT..... xiv

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration 1

- Trial Court Organization
- Responsibilities and Authority
- Internal Controls

2. Fiscal Management and Budgets 2

- Financial Management
- Budget Development, Monitoring, and Reporting
- Position Management
- Payroll and Timekeeping

3. Fund Accounting..... 4

4. Accounting Principles and Practices..... 5

- Accounting Principles
- Grant Accounting and Administration
- General Ledger

5. Cash Collections 8

- Cash Handling

6. Information Systems 17

- Business Continuity Planning
- Logical and Physical Access Security
- Automated Revenue Distribution

7. Banking and Treasury 26

- Banking Services

8. Court Security 30

9. Procurement 31

10. Contracts 32

- Contracts
- Memorandums of Understanding
- Contract Administration

11. Accounts Payable.....	33
• Judge and Employee Travel Expense Reimbursement	
• Vendor Invoice and Claim Processing	
• Business Meal Expense Guidelines	
• Petty Cash	
12. Fixed Assets Management	40
13. Audits.....	42
14. Records Retention.....	43
15. Domestic Violence.....	44
16. Exhibits	47
17. Bail.....	50
18. Facilities.....	51
19. Miscellaneous	53
• Gifts of Personal Property	
• Indirect Cost Rate Proposal	
• Escheatment	

APPENDIX

Issues Control Log.....	55
-------------------------	----

MANAGEMENT SUMMARY

Introduction

The Trial Court Funding Act of 1997 eliminated the requirement for county audits of the courts effective January 1, 1998. Since that time, the Superior Courts of California have undergone significant changes to their operations. These changes 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.

This audit of the Superior Court of California, County of San Diego (Court), was initiated by IAS in February 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 revenues and expenditures
- General operations

IAS audit plans cover all four of the above areas on this audit. 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 last audit of the Court in December 2006. In early 2006, at the Court's request, IAS contracted with Sjoberg Evashenk Consulting Inc. to perform a forensic review of exhibit handling and limited cash handling practices at the East County facility. IAS followed up on issues identified in the forensic review and 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 these 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 cash collections, equipment and other valuable items, and other court assets.
- A well documented system of authorization and recordkeeping for purchases, vendor payments, and accounting entries to ensure management oversight and conformance to accounting standards.
- A set of written internal policies and procedures to be followed by employees 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 communicated to court management. IAS provided the Court with opportunities to respond to all the issues identified in this report and included these responses in the report to provide the Court's perspective. IAS did not perform additional work to verify the implementation of the corrective measures asserted by the Court in its responses in all situations.

Although the audit identified sixty four reportable issues, only 25 were included in the body of the report as issues needing further detailed discussion. The remaining issues are listed in Appendix A with the Court's responses. While four issues are considered repeat items from the prior 2006 audit, only one (safe combination change requirements) was considered a high risk/exposure item. The following two issues are also highlighted for Court management's attention. Specifically, the Court needs to improve and refine certain procedures and practices to ensure compliance with statute and statewide policies and procedures. These issues are summarized below:

Court Distribution of Collections (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 a case management system (CMS) that automatically calculates and distributes amounts entered into the system to the appropriate State and local agency accounts. Our review of the CMS noted errors in the distribution of traffic school dispositions, the Emergency Medical Air Transportation assessment imposed on vehicle code convictions, and certain vehicle code convictions including Driving Under the Influence, Wet and Reckless Driving, and Red Light.

The Court reviewed the recommendations and is committed to making all the necessary corrections to comply. Due to the complexity of revenue distribution, the Court states it will further analyze the audit findings to validate and also to determine the cause.

Trust Account Reconciliations (7.1)

The Court has not reconciled all of its trust accounts to ensure that the general ledger trust account balance is supported by a detailed subsidiary ledger such as CMS records. Trial courts receive and hold trust funds in a fiduciary capacity on behalf of others and are responsible for properly managing, monitoring, and safeguarding these funds, including performing complete reconciliations of associated bank accounts. A complete reconciliation would involve reconciling the bank account, the fiscal system, and the detailed subsidiary record system for trust account activity, usually the CMS. However, our review determined that while the Central Accounting Division performs monthly reconciliations of trust funds deposited with the central court location, the remaining three accounting divisions have not reconciled trust funds deposited within their respective regional court locations. Additionally, the Central Accounting Division's trust reconciliations between the general ledger and CMS subsidiary ledgers were several months behind at the time of our review.

The Court agrees with the findings. The Court will reconcile the funds as outlined in the recommendations with a planned completion date of June 30, 2012. The Court will also review the feasibility of reconciling the trust funds centrally rather than on a regional basis.

STATISTICS

The Court, operates in 10 locations throughout the county. The Court had 130 authorized judges and 24 commissioners responsible for 760,757 filings in FY 2008 – 2009. In addition, the Court employed approximately 1,460 staff with a budget in FY 2009 – 2010 of approximately \$215 million. The ten locations are:

- Central Downtown, 220 West Broadway
- Hall of Justice, 330 West Broadway
- Family Court, 1555 Sixth Avenue
- Madge Bradley Probate Court, 1409 Fourth Avenue
- Kearny Mesa Traffic and Small Claims Court, 8950 Clairemont Mesa Blvd.
- Juvenile Court, 2851 Meadow Lark Drive
- East County Regional Center, 250 East Main Street, El Cajon
- North County Regional Center, 325 South Melrose Drive, Vista
- South County Regional Center, 500 Third Avenue, Chula Vista
- Ramona Branch, 1428 Montecito Road, Ramona

Before 1997, the Court and the County of San Diego (County) worked within common budgetary and cost parameters—often the boundaries of services and programs offered by each blurred. The Court operated much like other County departments and, thus, may not have comprehensively or actively sought to identify or segregate all the services and associated cost elements attributable to court operations and programs. With the mandated separation of the court system from county government, each entity had to reexamine their respective relationships relative to program delivery and services rendered, resulting in the evolution of specific cost identification and contractual agreements for the delivery of County services necessary to operate the Court. The Court and County entered into a memorandum of understanding they amend and extend annually to establish the provisions of services and payment of costs, such as:

- payroll services the County Auditor and Controller provides to the Court;
- benefits administration services the County Department of Human Resources provides to the Court; and
- enhanced collections services the Court provides to the County.

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 charts that follow contain additional statistical information related to the Court.

County Population - Estimated as of January 1, 2010	3,091,579
Source: California Department of Finance	
Number of Case Filings in FY 2008–2009:	
Criminal Filings:	
▪ Felonies	17,806
▪ Non-Traffic Misdemeanors	33,006
▪ Non-Traffic Infractions	43,831
▪ Traffic Misdemeanors	42,182
▪ Traffic Infractions	481,089
Total	617,914
Civil Filings:	
▪ Civil Unlimited	15,927
▪ Family Law (Marital)	14,581
▪ Family Law Petitions	24,938
▪ Probate	3,484
▪ Limited Civil	54,211
▪ Small Claims	20,927
Total	134,068
Juvenile Filings:	
▪ Juvenile Delinquency –Original	5,241
▪ Juvenile Delinquency –Subsequent	0
▪ Juvenile Dependency –Original	1,970
▪ Juvenile Dependency –Subsequent	34
Total	7,245
Source: Judicial Council of California's 2010 Court Statistics Report	

Number of Judicial Officers as of June 30, 2009	
▪ Authorized Judgeships	130
▪ Authorized Subordinate Judicial Officers	24
Number of Court Staff as of June 30, 2010	
▪ Authorized Full Time Equivalent (FTE) Employees	1785.05
▪ Actual FTE Employees	1462.75
Source: Judicial Council of California's 2010 Court Statistics Report and the Quarterly Financial Statement for FY 2009 – 2010, 4th quarter	

FINANCIAL STATEMENTS

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

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 AOC developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Court, implemented this fiscal system in July 2007, and processes fiscal data through the AOC Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three schedules are:

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

The fiscal year 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 only utilizes the following two 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 –Non-grants**
 1. Small Claims Advisory - 120003
 2. Enhanced Collections – 120007
 3. Pre-Trial Services – 120008
 4. 2% Automation/Micrographics – 180004
 5. Children's Waiting Room - 180005
 - **Grants**
 1. AB 1058 Family Law Facilitator Program - 1910581
 2. AB 1058 Child Support Commissioner Program - 1910591
 3. Substance Abuse Focus – 1910601
 4. Foundation of CA State BAR – 1970031
 5. Student Outreach & Education – SDJF - 1970131
- **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 funds included here are:
- Distribution – 400000
 - Civil Filing Fees Fund – 450000

¹ GASB Statement No. 34, paragraph 69.

² GASB No. 34, paragraph 12.

**San Diego Superior Court
Trial Court Operations Fund
Balance Sheet
(Unaudited)**

	For the month ended Jun							2008/09 Total Funds (Info. Purposes Only)
	Fiscal Year 2009/10							
	Governmental Funds Special Revenue			Capital Project	Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	
General	Non-Grant	Grant						
ASSETS								
Operations	(6,025,489)	6,183,164	213,658			0	371,332	(56,355)
Payroll								
Jury								
Revolving	7,350						7,350	7,350
Other								
Distribution						6,203,628	6,203,628	21,421,531
Civil Filing Fees						1,636,127	1,636,127	2,152,334
Trust						17,065,227	17,065,227	19,952,614
Credit Card								
Cash on Hand	26,624	300				200	27,124	27,074
Cash with County	12,749,084	(107,032)	(142,052)				12,500,000	12,500,000
Total Cash	6,757,569	6,076,432	71,605			24,905,182	37,810,788	56,004,548
Short Term Investment	19,901,569	29,840				21,108,503	41,039,912	18,954,707
Investment in Financial Institution								
Total Investments	19,901,569	29,840				21,108,503	41,039,912	18,954,707
Accrued Revenue	28,178	51,057	0			21	79,256	129,710
Accounts Receivable - General	25,344	0	514,562				539,906	835,783
Dishonored Checks								
Due From Employee								
Civil Jury Fees								
Trust								
Due From Other Funds	926,193	634,605				28,602	1,589,400	2,434,381
Due From Other Governments	787,085	0					787,085	1,261,488
Due From Other Courts	0					0	0	0
Due From State	3,871,348	93,826	0				3,965,174	4,390,494
Trust Due To/From							7,090,241	1,525,449
Distribution Due To/From	0					(7,095,303)	(7,095,303)	(1,570,388)
Civil Filing Fee Due To/From								0
General Due To/From	5,062						5,062	3,767
Total Receivables	5,643,211	779,487	514,562			23,562	6,960,822	9,010,683
Prepaid Expenses - General	828,090						828,090	710,779
Salary and Travel Advances	19,470		0				19,470	10,362
Counties								
Total Prepaid Expenses	847,560		0				847,560	721,141
Other Assets								
Total Other Assets								
Total Assets	33,149,909	6,885,759	586,167			46,037,247	86,659,082	84,691,079
LIABILITIES AND FUND BALANCES								
Accrued Liabilities	4,669,739	358,291	48,910				5,076,940	5,259,302
Accounts Payable - General	21,350	0	0			200	21,551	60
Due to Other Funds	28,333	321,270	347,614			892,183	1,589,400	2,434,381
Due to Other Courts	0						0	739
Due to State	0						0	376,447
TC145 Liability						1,636,127	1,636,127	2,152,334
Due to Other Governments	7,902,848						7,902,848	7,914,566
AB145 Due to Other Government Agency						7,738,267	7,738,267	7,810,046
Due to Other Public Agencies								
Sales and Use Tax	421	0	0				421	1,310
Interest						0	0	0
Miscellaneous Accts. Pay. and Accrued Liab.								0
Total Accounts Payable and Accrued Liab.	12,622,691	679,561	396,524			10,266,777	23,965,553	25,949,184
Civil						17,864,652	17,864,652	17,451,921
Criminal						17,870,626	17,870,626	13,741,820
Unreconciled - Civil and Criminal								
Trust Held Outside of the AOC								
Trust Interest Payable						27,961	27,961	534,555
Miscellaneous Trust						7,212	7,212	8,942
Total Trust Deposits						35,770,451	35,770,451	31,737,238
Accrued Payroll	5,554,444	114,308	151,000				5,819,752	
Benefits Payable								
Deferred Compensation Payable								
Deductions Payable								
Payroll Clearing								
Total Payroll Liabilities	5,554,444	114,308	151,000				5,819,752	
Revenue Collected in Advance	24,216		0				24,216	16,881
Liabilities For Deposits	76,127					0	76,127	41,358
Jury Fees - Non-Interest								
Fees - Partial Payment & Overpayment						19	19	20,378
Uncleared Collections	0					0	0	0
Other Miscellaneous Liabilities								
Total Other Liabilities	100,343		0			19	100,362	78,617
Total Liabilities	18,277,478	793,869	547,524			46,037,247	65,656,117	57,765,040
Fund Balance - Restricted	9,489,868	6,091,589	38,643				15,620,100	17,414,605
Fund Balance - Unrestricted								
Designated	5,382,864						5,382,864	9,511,434
Undesignated							0	0
Total Fund Balance	14,872,732	6,091,589	38,643				21,002,964	26,926,039
Total Liabilities and Fund Balance	33,150,210	6,885,458	586,167			46,037,247	86,659,082	84,691,079

San Diego Superior Court Trial Court Operations Fund Statement of Revenues, Expenditures and Changes in Fund Balances (Unaudited)										
For the year ended June										
Fiscal Year 2009/10							2008/09			
	Governmental Funds			Capital Projects	Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue								
		Non-Grant	Grant							
REVENUES										
State Financing Sources										
Trial Court Trust Fund	188,777,637	528,439				189,306,076	189,316,724	200,033,593	199,705,943	
Trial Court Improvement Fund	859,247					859,247	853,279	599,861	560,859	
Judicial Administration Efficiency & Mod Fund	171,721					171,721	208,405	438,291	603,571	
Judges' Compensation (45.25)										
Court Interpreter (45.45)	6,463,167					6,463,167	5,779,399	6,307,904	5,180,000	
Civil Coordination Reimbursement (45.55)	34,856					34,856	50,000	54,904	100,000	
MOU Reimbursements (45.10 and General)	2,428,642		0			2,428,642	2,494,653	2,389,368	2,271,899	
Other Miscellaneous								853,754	929,754	
	198,735,270	528,439	0			199,263,709	198,702,460	210,677,676	209,352,026	
Grants										
AB 1058 Commissioner/Facilitator			3,071,327			3,071,327	3,061,452	3,061,451	2,960,793	
Other AOC Grants			41,320			41,320	41,320	45,000	45,000	
Non-AOC Grants			6,317			6,317	7,098	7,469	7,000	
			3,118,964			3,118,964	3,109,870	3,113,921	3,012,793	
Other Financing Sources										
Interest Income	108,827	39,884				148,711	721,000	595,003	791,000	
Investment Income										
Donations	22,882					22,882				
Local Fees	1,742,818					1,742,818	1,882,141	1,918,859	1,901,100	
Non-Fee Revenues	769,256					769,256	800,000	857,869	650,000	
Enhanced Collections		7,779,554				7,779,554	6,200,000	7,752,428	8,144,000	
Escheatment	445,101					445,101	73,300	1,152,836	225,000	
Prior Year Revenue	(977)					(977)		58,777		
County Program - Restricted		1,561,864				1,561,864	1,600,000	1,541,896	1,968,000	
Reimbursement Other	314,811					314,811	276,259	334,552	270,150	
Sale of Fixed Assets										
Other Miscellaneous	3,914					3,914	4,500	4,420	11,500	
	3,406,631	9,381,302				12,787,934	11,557,200	14,216,640	13,960,750	
Total Revenues	202,141,902	9,909,741	3,118,964			215,170,607	213,369,530	228,008,236	226,325,569	
EXPENDITURES										
Personal Services										
Salaries - Permanent	89,224,044	2,859,048	2,998,981			95,082,073	80,443,918	97,166,192	90,085,473	
Temp Help	1,364,626	320,650	52,049			1,737,325	2,966,080	3,042,063	3,920,009	
Overtime	132,026	2,494	408			134,928	400,001	304,833	600,150	
Staff Benefits	53,872,499	1,669,870	1,726,518			57,268,888	63,263,118	56,233,092	62,016,334	
	144,593,196	4,852,062	4,777,957			154,223,215	147,073,117	156,746,180	156,621,966	
Operating Expenses and Equipment										
General Expense	3,352,634	16,020	47,691			3,416,345	2,457,459	3,076,851	3,459,049	
Printing	850,107	11,487	9,215			870,809	586,183	768,324	931,239	
Telecommunications	1,030,967	928				1,031,895	1,169,704	1,085,141	1,153,549	
Postage	699,568					699,568	625,600	745,549	656,500	
Insurance	40,028					40,028	45,000	43,097		
In-State Travel	367,635	5,862	8,911			382,408	346,669	482,781	386,400	
Out-of-State Travel	1,300					1,300	2,542	2,542	22,750	
Training	113,606	2,557	9,925			126,087	93,549	131,316	83,850	
Security Services	30,398,915		265,750			30,664,665	30,358,596	32,972,285	33,293,380	
Facility Operations	231,172	1,999	164			233,335	289,000	382,022	193,657	
Utilities										
Contracted Services	5,452,392	6,189,582	33,647			11,675,620	11,715,572	13,222,446	13,080,927	
Consulting and Professional Services	4,086,482	137,174				4,223,656	4,240,991	3,814,206	4,349,023	
Information Technology	12,103,618		0			12,103,618	14,605,007	12,177,041	14,105,973	
Major Equipment	179,553					179,553	288,491	520,775	422,262	
Other Items of Expense	106,318					106,318	125,000	102,390	125,000	
	59,014,296	6,365,608	375,303			65,755,207	66,946,821	69,526,765	72,263,559	
Special Items of Expense										
Grand Jury										
Jury Costs	1,115,260					1,115,260	1,225,000	1,259,074	1,187,866	
Judgements, Settlements and Claims										
Debt Service										
Other										
Internal Cost Recovery	(831,719)	228,932	602,787			0	0	0	0	
Prior Year Expense Adjustment	0					0		(115,821)		
	283,541	228,932	602,787			1,115,260	1,225,000	1,143,253	1,187,866	
Total Expenditures	203,891,033	11,446,602	5,756,046			221,093,681	215,244,938	227,416,197	230,073,391	
Excess (Deficit) of Revenues Over Expenditures	(1,749,131)	(1,536,861)	(2,637,082)			(5,923,075)	(1,875,408)	592,039	(3,747,822)	
Operating Transfers In (Out)	(4,220,745)	1,545,019	2,675,726			0	0	0	0	
Fund Balance (Deficit)										
Beginning Balance (Deficit)	20,842,307	6,083,732	0			26,926,039	26,926,039	26,334,001	26,334,001	
Ending Balance (Deficit)	14,872,431	6,091,890	38,643			21,002,965	25,050,631	26,926,039	22,586,179	

**San Diego Superior Court
Trial Court Operations Fund
Statement of Program Expenditures
(Unaudited)**

For the year ended June									
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	58,478,878	2,223,499				60,702,378	55,116,532	60,521,799	64,387,269
Traffic & Other Infractions	6,175,464	254,020				6,429,484	9,138,643	6,550,577	10,101,455
Other Criminal Cases	18,546,378	1,304,589			0	19,850,967	15,542,568	20,840,814	18,419,664
Civil	12,277,648	1,119,563				13,397,211	13,286,461	14,500,259	14,240,806
Family & Children Services	17,766,873	542,157			0	18,309,030	16,780,487	18,569,120	14,900,810
Probate, Guardianship & Mental Health Services	3,200,343	149,265				3,349,608	3,175,642	3,475,649	3,567,796
Juvenile Dependency Services	2,003,331	640,642				2,643,973	2,741,387	2,887,088	3,042,459
Juvenile Delinquency Services	1,936,193	30,796				1,966,989	1,944,647	2,140,451	2,193,157
Other Court Operations	2,014,257	8,645				2,022,903	1,803,678	2,075,174	1,946,711
Court Interpreters	5,344,318	696,796				6,041,115	6,654,023	6,089,379	6,497,262
Jury Services	1,255,832	598,207	1,115,260			2,969,298	3,073,653	3,241,774	3,161,493
Security		30,707,733				30,707,733	30,659,297	33,328,109	33,687,929
Trial Court Operations Program	128,999,516	38,275,912	1,115,260	0		168,390,687	159,917,017	174,220,194	176,146,811
Enhanced Collections	2,799,406	6,339,219		228,932		9,367,557	7,471,855	9,319,653	7,852,217
Other Non-Court Operations	2,311,343	19,355				2,330,698	1,834,693	2,352,573	1,233,603
Non-Court Operations Program	5,110,750	6,358,574		228,932		11,698,255	9,306,548	11,672,225	9,085,820
Executive Office	3,666,869	612,006				4,278,875	4,864,135	4,903,690	5,601,367
Fiscal Services	4,738,606	1,635,374		(228,932)	0	6,145,048	7,636,575	7,169,966	7,508,971
Human Resources	2,247,355	128,331				2,375,686	2,689,592	2,672,243	2,722,839
Business & Facilities Services	2,397,011	4,149,885				6,546,896	7,226,069	6,422,634	6,226,709
Information Technology	7,063,108	14,595,125				21,658,233	23,605,002	20,471,067	22,780,874
Court Administration Program	20,112,950	21,120,721		(228,932)	0	41,004,739	46,021,372	41,639,600	44,840,760
Prior Year Adjustments								-115,821	
Total	154,223,215	65,755,207	1,115,260	0	0	221,093,681	215,244,938	227,416,197	230,073,391

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, financial accounting and reporting, contracts and procurement, accounts payable, fixed assets, payroll, 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 March 1, 2011.

Audit fieldwork commenced on March 21, 2011.

Audit fieldwork was completed on August 31, 2011.

Preliminary results of the audit were communicated and discussed with court management during the course of the audit.

A meeting to present and review the audit results and draft report was held on October 4, 2011 with the following Court representatives:

- Hon. Kevin A. Enright, Presiding Judge
- Hon. Robert Trentacosta, Assistant Presiding Judge
- Michael Roddy, Court Executive Officer
- Harold Kosakoff, Court Accounting Officer
- Jeff Gately, Budget and Procurement Manager

IAS received the Court's final responses to the IAS recommendations on October 21, 2011. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court, on October 24, 2011, with a final version of the draft audit report to review.

The Court informed IAS that it completed its review of the draft audit report and did not consider a final exit conference necessary before IAS moved the draft report to pending status and issued the pending audit report to the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch for review.

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 requirements and guidelines concerning court governance.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
920502 DUES & MEMBERSHIPS-LEGAL	28,535	32,760	(4,225)	(13)
920503 DUES & MEMBERSHIPS-OTHER	10,630	14,787	(4,157)	(28)
* 920500 - DUES AND MEMBERSHIPS	39,165	47,547	(8,382)	(18)
933101 TRAINING	71,855	76,712	(4,857)	(6)
933102 TUITION REIMBURSEMENT (NO	54,233	54,604	(372)	(1)
* 933100 - TRAINING	126,087	131,316	(5,228)	(4)

We assessed the Court's compliance with trial court management rules and policies, including duties of the presiding judge (PJ), duties of the court executive officer (CEO), and management of human resources, through a series of questionnaires and tests. Primary tests included an evaluation of areas such as the following:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch*. 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.)

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

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 to for payroll processing services and various human resources services such as benefits administration. Under this agreement, the Court maintains a minimum balance in the County Treasury to fund these payroll disbursements.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
120001 CASH WITH COUNTY	12,500,000	12,500,000	-	-
Liabilities				
375001 ACCRUED PAYROLL	(5,819,752)	-	5,819,752	-
Expenditures				
900301 SALARIES - PERMANENT	90,561,772	89,135,607	1,426,165	2
900324 SICK LEAVE PAY	4,068,300	4,141,985	(73,685)	(2)
900325 BILINGUAL PAY	273,453	295,983	(22,530)	(8)
900327 MISCELLANEOUS DIFFERENTIAL	554,595	540,222	14,374	3
900350 FURLOUGH & SALARY REDUCTI	(3,492,616)	-	3,492,616	-
* 900300 - SALARIES - PERMANENT	91,965,505	94,113,797	(2,148,292)	(2)
903301 TEMPORARY EMPLOYEES - ON	1,737,325	3,042,063	(1,304,738)	(43)
* 903300 - TEMP HELP	1,737,325	3,042,063	(1,304,738)	(43)
906303 SALARIES - COMMISSIONERS	3,239,019	3,052,395	186,624	6
906350 FURLOUGH SAVINGS - COMMIS	(122,450)	-	122,450	-
* 906300 - SALARIES - JUDICIAL OFFI	3,116,569	3,052,395	64,174	2
908301 OVERTIME	134,928	304,833	(169,905)	(56)
* 908300 - OVERTIME	134,928	304,833	(169,905)	(56)
** SALARIES TOTAL	96,954,327	100,513,088	(3,558,761)	(4)
910301 SOCIAL SECURITY INS & MED	7,005,587	7,265,321	(259,734)	(4)
* 910300 - TAX	7,005,587	7,265,321	(259,734)	(4)
910502 FLEXIBLE BENEFITS	9,054,859	8,386,345	668,513	8
910503 RETIREE BENEFIT	1,770,934	2,109,544	(338,610)	(16)
* 910400 - HEALTH INSURANCE	10,825,793	10,495,889	329,904	3
910601 RETIREMENT (NON-JUDICIAL)	16,272,194	18,179,473	(1,907,278)	(10)
910604 RETIREMENT - OTHER	12,311,065	9,897,476	2,413,589	24
910607 RETIREMENT-EMPLOYEE EXPEN	6,141,464	5,889,856	251,608	4
* 910600 - RETIREMENT	34,724,723	33,966,805	757,918	2
912501 STATUTORY WORKERS COMPENS	1,660,463	1,741,514	(81,051)	(5)
* 912500 - WORKERS' COMPENSATION	1,660,463	1,741,514	(81,051)	(5)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures (continued)				
913301 UNEMPLOYMENT INSURANCE	366,744	116,976	249,768	214
913502 LONG-TERM DISABILITY	15,257	18,706	(3,449)	(18)
913699 OTHER INSURANCE	127,028	140,180	(13,152)	(9)
* 912700 - OTHER INSURANCE	509,028	275,862	233,167	85
913701 OTHER JUDGES BENEFITS	2,079,153	2,029,783	49,370	2
* 913700 - SUPERIOR COURT JUDGES BE	2,079,153	2,029,783	49,370	2
913850 BENEFIT REDUCTION SAVINGS	(117,804)	-	117,804	-
913851 BENEFIT REDUCTION	117,804	-	117,804	-
913899 OTHER BENEFITS	464,141	457,919	6,222	1
* 913800 - OTHER BENEFITS	464,141	457,919	6,222	1
** STAFF BENEFITS TOTAL	57,268,888	56,233,092	1,035,796	2
*** PERSONAL SERVICES TOTAL	154,223,215	156,746,180	(2,522,965)	(2)

We assessed the Court's budgetary controls by reviewing the Court's procedures for budget approval, monitoring, revisions, and transfers. In regards to personnel services costs, we compared budgeted and actual expenditures, and performed a trend analysis of personnel services expenditures in prior years to identify significant variances and determine their causes. 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 and other payroll files to determine whether timesheets were appropriately approved and payroll was correctly calculated.

There were no issues to report to management.

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 some of the Court's general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Fund Balance				
535001 RESERVE FOR ENCUMBRANCES	(505,679)	(2,091,015)	(1,585,336)	(76)
552001 FUND BALANCE-RESTRICTED	(17,414,605)	(17,248,210)	166,395	1
553001 FUND BALANCE - UNRESTRICT	(9,511,434)	(9,085,791)	425,643	5
615001 ENCUMBRANCES	505,679	2,091,015	(1,585,336)	(76)
*** Fund Balances	(26,926,039)	(26,334,001)	592,039	2
*** 701100 OPERATING TRANSFERS IN	(4,220,745)	(6,250,029)	(2,029,284)	(32)
*** 701200 OPERATING TRANSFERS OUT	4,220,745	6,250,029	(2,029,284)	(32)
C/Y Net Excess (Deficit) of Revenue over Exp.	5,923,075	(592,039)	5,331,036	900
Final Year End Fund Balance	21,002,965	26,926,039	(5,923,075)	(22)

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 to report to management.

4. Accounting Principles and Practices

Background

Trial courts must accurately account for their 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 are required to prepare and submit various financial reports using these accounting guidelines to the AOC and appropriate counties, as well as internal reports for monitoring purposes.

Since migrating onto the Phoenix Financial System in 2007, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the AOC Trial Court Administrative Services Division (TCAS). Some of the intended 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 many 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 some of the Court's general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
130001 A/R-ACCRUED REVENUE	79,256	129,710	(50,453)	(39)
131201 ACCOUNTS RECEIVABLE (CUST	1,884	835,783	(833,899)	(100)
131204 A/R-DUE FROM AOC (CUSTOME	538,022	-	538,022	-
140001 A/R - DUE FROM OTHER FUND	1,589,400	2,434,381	(844,981)	(35)
140002 TRUST-DUE TO DUE FROM DIS	7,093,911	1,529,086	5,564,826	364
140004 TRUST-DUE TO DUE FROM GEN	(3,671)	(3,637)	34	1
140005 DISTRIBUTION-DUE TO DUE F	(7,093,911)	(1,529,086)	5,564,826	364
140007 DISTRIBUTION-DUE TO DUE F	(1,391)	(41,303)	(39,912)	(97)
140011 GENERAL-DUE TO DUE FROM T	3,671	3,637	34	1
140012 GENERAL-DUE TO DUE FROM D	1,391	130	1,261	968
150001 A/R - DUE FROM OTHER GOVE	787,085	1,261,488	(474,403)	(38)
152000 A/R-DUE FROM STATE	3,965,174	4,390,494	(425,320)	(10)
** Receivables	6,960,822	9,010,683	(2,049,861)	(23)
171201 PREPAID - TRAVEL ADVANCES	19,470	10,362	9,108	88
172001 PREPAID EXPENSES	828,090	710,779	117,310	17
** Prepaid Expenses	847,560	721,141	126,418	18

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Liabilities				
341001 REVENUE COLLECTED IN ADVA	(1,603)	(2,870)	(1,266)	(44)
342001 REIMBURSEMENTS COLLECTED	(22,613)	(14,011)	8,602	61
351001 LIABILITIES FOR DEPOSITS-	(76,127)	(41,358)	34,769	84
Revenues				
812110 TCTF-PROGRAM 45.10-OPERAT	(174,794,067)	(185,517,859)	(10,723,792)	(6)
812140 TCTF-PROGRAM 45.10-SMALL	(54,909)	(48,454)	6,455	13
812141 TCTF-PROGRAM 45.10-ADMIN	(76,016)	(37,865)	38,151	101
812142 TCTF-PROGRAM 45.10-ADMIN	(5,373)	(4,848)	525	11
812143 TCTF-PROGRAM 45.10-FEE WA	(286)	(1,385)	(1,099)	(79)
812144 TCTF-PROGRAM 45.10-CLERKS	(90,875)	(94,090)	(3,214)	(3)
812145 TCTF-PROGRAM 45.10-EXTRA	(162)	(3,030)	(2,868)	(95)
812146 TCTF-PROGRAM 45.10-COPY P	(597,030)	(619,766)	(22,736)	(4)
812147 TCTF-PROGRAM 45.10-COMPAR	(294)	(307)	(13)	(4)
812148 TCTF-PROGRAM 45.10-MANUAL	(2,946)	(1,426)	1,520	107
812149 TCTF-PROGRAM 45.10-REIMBU	(152,045)	(123,827)	28,218	23
812150 TCTF-PROGRAM 45.10-ESTATE	(65)	-	65	-
812151 TCTF-10-CUSTODY/VISITATIO	(42,138)	(47,527)	(5,390)	(11)
812152 TCTF-PROGRAM 45.10-RETURN	(47,976)	(21,577)	26,399	122
812153 TCTF-PROGRAM 45.10-GUARDI	(128,305)	(120,955)	7,350	6
812154 TCTF-PROGRAM 45.10-INFO P	(2,770)	(3,141)	(371)	(12)
812155 TCTF-PROGRAM 45.10-ASSESS	(277,100)	(302,216)	(25,116)	(8)
812156 TCTF-PROGRAM 45.10-ANNUAL	(90)	(1,600)	(1,510)	(94)
812157 TCTF-PROGRAM 45.10-CHILDR	(528,439)	(546,655)	(18,216)	(3)
812158 TCTF-10-CUSTODY/VISITATIO	(28,095)	(31,684)	(3,589)	(11)
812159 TCTF-10-CIVIL ASSESSMENT	(12,090,092)	(12,088,695)	1,397	0
812160 TCTF-10-MICROGRAPHICS	(314,647)	(325,184)	(10,536)	(3)
812163 TCTF-PROGRAM 45.10-COURT	(72,266)	(91,469)	(19,203)	(21)
812164 TCTF-PRG45.10-PETITION DE	(56)	(36)	20	56
812165 TCTF-PROG 45.10-STEP PARE	(35)	-	35	-
** 812100-TCTF - PGM 10 OPERATIONS	(189,306,076)	(200,033,593)	(10,727,517)	(5)
816110 OTHER STATE RECEIPTS	-	(853,754)	(853,754)	(100)
** 816000-OTHER STATE RECEIPTS	-	(853,754)	(853,754)	(100)
821123 LOCAL FEE 3	(1,248,376)	(1,348,878)	(100,501)	(7)
821129 LOCAL FEE 9	(12,414)	(11,250)	1,164	10
821160 PRE-AB145	(39)	(62)	(23)	(38)
821190 VC11205m TRAFFIC SCHOOL	(372,334)	(447,912)	(75,578)	(17)
821191 VC40508.6 DMV HISTORY/PRI	(109,655)	(110,758)	(1,102)	(1)
** 821000-LOCAL FEES REVENUE	(1,742,818)	(1,918,859)	(176,041)	(9)
822102 NON-FEE REV 2	(769,256)	(857,869)	(88,613)	(10)
** 822000-LOCAL NON-FEES REVENUE	(769,256)	(857,869)	(88,613)	(10)
831010 GF-AB2030/AB2695 SERVICE	(268,010)	(278,430)	(10,420)	(4)
831012 GF-PRISONER HEARING COST	(9,821)	(8,492)	1,329	16
** 831000-GENERAL FUND - MOU/REIMBUR	(277,831)	(286,922)	(9,091)	(3)
832010 TCTF MOU REIMBURSEMENTS	(1,248,705)	(1,003,705)	245,000	24
832011 TCTF-PGM 45.10-JURY	(831,066)	(967,120)	(136,054)	(14)
832013 TCTF-PGM 45.10-ELDER ABUS	(71,040)	(69,375)	1,665	2
832014 TCTF-PGM 45.10-OTHER		(62,246)	(62,246)	(100)
** 832000-PROGRAM 45.10 - MOU/REIMBU	(2,150,811)	(2,102,446)	48,365	2

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Revenues (continued)				
834010 PROGRAM 45.45-COURT INTER	(6,463,167)	(6,307,904)	155,263	2
** 834000-PROGRAM 45.45 - REIMBURSEM	(6,463,167)	(6,307,904)	155,263	2
835010 PROGRAM 45.55-CIVIL COORD	(34,856)	(54,904)	(20,047)	(37)
** 835000-PROGRAM 45.55 - REIMBURSEM	(34,856)	(54,904)	(20,047)	(37)
836010 MODERNIZATION FUND	(171,721)	(438,291)	(266,571)	(61)
** 836000-MODERNIZATION FUND - REIMB	(171,721)	(438,291)	(266,571)	(61)
837010 IMPROVEMENT FUND REIMBURS	(859,247)	(599,861)	259,386	43
** 837000-IMPROVEMENT FUND - REIMBUR	(859,247)	(599,861)	259,386	43
838010 AB1058 GRANTS	(3,071,327)	(3,061,451)	9,875	0
838020 OTHER AOC GRANTS	(41,320)	(45,000)	(3,680)	(8)
** 838000-AOC GRANTS - REIMBURSEMENT	(3,112,647)	(3,106,451)	6,195	0
839010 NON-AOC GRANTS	(6,317)	(7,469)	(1,152)	(15)
** 839000-NON AOC GRANT-REIMB	(6,317)	(7,469)	(1,152)	(15)
841015 OTHER COUNTY SERVICES	(1,561,864)	(1,541,896)	19,968	1
** 840000-COUNTY PROGRAM - RESTRICTE	(1,561,864)	(1,541,896)	19,968	1
861010 CIVIL JURY REIMBURSEMENT	(296,775)	(298,322)	(1,547)	(1)
861011 MISCELLANEOUS REIMBURSEME	(18,036)	(36,230)	(18,195)	(50)
** 860000-REIMBURSEMENTS - OTHER	(314,811)	(334,552)	(19,741)	(6)
*** TRIAL COURTS REIMBURSEMENTS	(14,953,272)	(14,780,698)	172,574	1
899910 PRIOR YEAR ADJUSTMENTS -	977	(58,777)	(57,800)	(98)
** 890000-PRIOR YEAR REVENUE	977	(58,777)	(57,800)	(98)
Expenditures				
999910 PRIOR YEAR ADJUSTMENTS -	0	(115,821)	(115,821)	(100)
* 999900 -PRIOR YEAR EXPENSE ADJUST	0	(115,821)	(115,821)	(100)

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 was only one minor issue associated with this area that is reported in Appendix A to this report.

5. Cash Collections

Background

FIN 10.02 was established to provide uniform guidelines for trial court employees to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders. Additionally, FIN 10.01 provides courts with 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 some of the Court's general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
119001 CASH ON HAND - CHANGE FUN	24,094	27,074	(2,980)	(11)
Revenues				
821201 ENHANCED COLLECTIONS (CIV	(5,843,342)	(5,799,963)	43,378	1
821202 ENHANCED COLLECTIONS (OTH	(1,936,213)	(1,952,465)	(16,252)	(1)
** 821200-ENHANCED COLLECTIONS - REV	(7,779,554)	(7,752,428)	27,126	0
Expenditures				
939201 CIVIL ASSESSMENT COMMISSI	4,228,262	4,159,333	68,930	2
939202 COMMISSION COSTS	1,961,319	1,976,144	(14,825)	(1)
* 939200 - COLLECTION SERVICES	6,189,582	6,135,477	54,104	1
952599 CASHIER SHORTAGES	1,346	(35,647)	(34,301)	(96)
* 952500 - CASH DIFFERENCES	1,346	(35,647)	(34,301)	(96)

We visited each court location with cash handling responsibilities. At each of these locations, we assessed various cash handling controls and practices through observation, interviews with Court managers and staff, and review of sample transactions and other documentation. Specific controls and practices reviewed include, but are not limited to, the following:

- Beginning of day opening procedures.
- Daily cashiering practices.
- End-of-day closeout and reconciliation.
- Bank deposit preparation.
- Segregation of cash handling duties.
- Safe access, controls over keys, and security over other court assets.
- Physical and logical security of cashiering areas and systems.

We also 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. We discuss the results of our review of the safe access and other physical and logical security controls in the Information Systems and Court Security sections.

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

5.1 Procedures for Mail Payment Monitoring and Processing Need Improvement

Background

The FIN Manual provides policies and procedures for controlling and processing payments received through the mail to ensure that they are safeguarded and processed in a timely manner. FIN 10.02, 6.4(1) suggests that courts process mail payments on the day they are received, and any exceptions are to be brought to the attention of a supervisor, placed under dual control, and processed as soon as practical. FIN 10.02, 6.4(2) recommends using a two-person team to open mail, and 6.4(3) further recommends that mail payments be logged.

To provide for strong oversight and monitoring of payments not processed on the day they were received in the mail, FIN 10.02, 6.4(4) requires that the following procedures must be followed:

- a. Trial court staff responsible for processing payments must review on a daily basis all payments that are held over from a previous day's work to determine if any of the held payments can be processed. This requirement can be met by reviewing the held Payment Receipt Log sheets and associated checks and money orders to determine if the payment can be processed.
- b. The supervisor/manager responsible for the trial court staff that process payments must identify and log any payment that has been held for more than five (5) calendar days without being processed. The log must specify the reason why the payment cannot be processed. The log must specifically identify any cash payment being held in suspense for more than five (5) calendar days. This requirement can be met by adding a "Comment" column to the Payment Receipt Log sheet where the reason payment delay occurred can be entered.
- c. The supervisor/manager responsible for the trial court staff that process payments must provide a report at least on a monthly basis, to the Fiscal Officer that lists by age (length of time held) any payment that has been held for more than 15 days without being processed.
- d. On a monthly basis, a report must be provided to the Court Executive Officer or his or her written designee that lists by age (length of time held) any payment that has been held for 30 days without being processed.

Issues

The Court submitted three requests for alternative procedures to the AOC in December 2010 requesting waiver of certain FIN Manual procedures for mail payments monitoring and processing due to limited staffing. The AOC and the Court agreed to suspend review of these requests pending our cash handling audit. We identified the following issues relating to mail payments monitoring and processing:

1. None of the Court's operating divisions comply with FIN 10.02, 6.4(4) requirements for logging and reporting mail payments backlog to management. We noted that the Traffic Divisions receive higher volumes of mail payments and more significant backlogs in the processing of mail payments compared to other operating divisions. The Traffic Division at Kearny Mesa takes in the highest volume of mail payments, receiving several hundred mail and drop box payments daily, which may take up to a few months to be processed. To assist with these backlogs, the Kearny Mesa, East County, and South County locations have enlisted the assistance of their Accounting Division staff to process traffic mail payments into the system. Collections processed by an account clerk are verified by an accounting supervisor at close out, similar to how collections processed by an operations clerk are reviewed by an operations supervisor.

Due to the sheer volume of mail payments received in the Traffic Divisions, we feel that it may be too burdensome for these operating divisions to comply with logging and reporting requirements provided in FIN 10.02, 6.4(4). However, we noted that some operating divisions already implemented more streamlined backlog reporting and monitoring procedures that appear to be sufficient. For instance, each North County operating division prepares a monthly backlog report that identifies the extent of the backlog of each desk assignment either by volume or time, as well as the date of the oldest piece that is a backlog item. These reports are reviewed and discussed during monthly meetings held by the Assistant Executive Officer and Operating Managers. Some divisions have similar backlog reporting and monitoring procedures, but the reports do not contain sufficient information. Specifically, although some divisions' backlog reports identify the dates of the documents currently being processed, the log does not indicate the volume of backlog. On the other hand, some divisions' backlog reports identify the volume of backlog but not the oldest pieces of unprocessed mail. Yet another handful of operating divisions do not prepare periodic backlog reports at all.

2. In several operating divisions, cashiers ring mail payments into the system. Since mail payments are co-mingled with counter payments, there is a risk of lapping, but with no compensating controls in place, such as a mail payments log, to ensure all mail payments are processed. This was identified as an issue for divisions receiving a substantial amount of cash payments over the counter only.

Recommendations

To ensure that unprocessed mail payments are appropriately controlled and significant backlogs are reported to management, we recommend that the Court do the following:

1. The Court should implement backlog reporting and monitoring procedures prescribed in FIN 10.02, 6.4 (4) in operating divisions where such procedures do not present a significant burden on staff workload. For operating divisions receiving a high volume of mail payments where such procedures may be too burdensome, the Court should implement streamlined periodic reporting and monitoring procedures whereby the volume and timeframe of mail payments backlogs are tracked and communicated to Court management.

2. In divisions identified as receiving a substantial amount of cash payments where cashiers process both mail and counter payments simultaneously, the Court should implement mitigating controls such as mail opening and logging procedures described in FIN 10.02, 6.4 (2) and (3). Otherwise, the Court should reassign mail payment processing to non-cashier clerks, or require cashiers to take in counter and mail payments during separate cashiering sessions.

Superior Court Responses

1. All Court operating divisions will adopt backlog reporting and monitoring procedures similar to the North County's existing backlog reporting mechanism. Each operating division will prepare a backlog report that identifies the extent of the backlog and will contain the following information:

- Volume - the number of unprocessed checks or the number of hours it will take to process the backlog
- Oldest Date – the date of the oldest check to be processed

The backlog reports will be submitted monthly to the respective Assistant Executive Officer for review and discussion with operation managers.

2. In divisions identified as receiving a substantial amount of cash payments where cashiers process both mail and counter payments simultaneously, the Court will attempt to follow AOC recommendations and do so by December 31, 2011. In situations where the Court cannot comply with the AOC recommendations due to staffing levels, the Court will institute an alternative policy and procedure by December 31, 2011 to address this issue.

5.2 Court has Control Weaknesses in its Daily Closeout and Balancing Procedures

Background

The FIN Manual provides procedures for daily balancing and closeout to ensure that payments collected during the day are recorded in the system and are safeguarded until deposited. Specifically, FIN 10.02, 6.3.10 requires all cashiers to balance their own cash drawer or register at the end of the workday. Cashiers may not leave the premises nor transact new business until daily balancing and closeout are complete. Balancing and closeout include completing and signing the daily report; attaching a calculator tape for checks; turning in the report, money collected and change fund to the supervisor; and verifying the report with the supervisor. After daily balancing and closeout are completed, the collections are prepared for deposit to the county or bank. If the daily collections are not deposited on the same day they are collected, they must be locked in a safe, vault, or secure cabinet overnight.

Issue

The Court records payments related to civil, small claims, and probate cases into the California Case Management System, Version 3 (CCMS V3). This system allows cashiers to self-balance their registers whereby users may input collection amounts by tender type after closing out their registers.

If the inputted amounts match the register totals, CCMS V3 notifies the user that the register is balanced and allows the user to print a Daily Balance and Cashier Report.

The Court's CCMS Program Office informed us that CCMS V3 allows users assigned as cashiers to view or print the detailed transactions entered during their cashiering sessions before and after they have balanced. Additionally, CCMS V3 allows cashiers to view the variances between the amounts entered during the balancing session versus the register amounts after the third attempt to balance. Cashiers should be restricted from having access to their register entries for proper self-balancing. We notified the AOC's CCMS Project Office of these control weaknesses, who assured us that these control weaknesses have been corrected in CCMS V4 to be rolled out to the Court.

The Court informed us that it has been working with the AOC to resolve this control weakness in CCMS V3 and has implemented interim procedures requiring a secondary reviewer to verify a cashier's balancing and closeout. However, we observed that in one collection area where CCMS V3 is used, a secondary closeout and balancing verification was not performed. In three additional collection areas, while an appropriate individual such as a supervisor, lead clerk, or accounting clerk verified the cashier's closeout and balancing reports, the verifier did not count the cashier's collections to ensure that amounts collected reconciled to reported amounts.

Recommendation

The Court should continue working with the AOC CCMS Project Office to resolve the access control deficiencies noted in CCMS V3. In the interim, the Court should ensure that all collection areas comply with interim procedures for closeout and balancing verification.

Superior Court Response

As indicated in the Issue Memorandum, the weaknesses in the daily closeout and balancing procedures are beyond the control of the Court. The balancing issues and other cashiering issues were identified when CCMS V3 was implemented but they remain unresolved. Although the issue has not been corrected in CCMS, the Court implemented an internal procedure to have the cash counted and reconciled at close out. The non-compliance situations observed during the audit were lapses and corrective action has been taken to reinforce the need to follow proper close out procedures. The Court believes that the issues have been resolved with the retraining on the interim internal procedure.

Although this issue will be resolved in CCMS V4, it is the Court's understanding that the enhancement will not take place in CCMS V3, nor are there current plans to do so. The AOC CCMS Project Office has been notified of the CCMS V3 weakness in this area and the Court will continue to utilize the internal procedure until an enhancement to CCMS V3 is implemented.

5.3 Controls over Manual Receipts are Insufficient in Two Operating Divisions

Background

The FIN Manual provides procedures for using handwritten receipts to ensure that payments collected during system down time are safeguarded until they are processed into the system. Specifically, FIN

10.02, 6.3.9 (1) requires that, in the case of a failure of the automated accounting system, the supervisor or designated employee will issue books of pre-numbered receipts. The cashier will give the customer a handwritten receipt. A copy shall be retained by the court. The supervisor issuing the receipt books of pre-numbered receipts will monitor and maintain an accounting of the receipt books including; the receipt book(s) issued, to whom the receipt book(s) was given, the date given, the person returning the book(s), the receipts used within each book and the date on which the receipt book(s) are returned. FIN 10.02, 6.3.9 (2) requires the court to keep payments processed during down time separate from money processed through the system. Furthermore, 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.

Issues

The Court in general has sufficient controls over handwritten receipts. For instance, we observed at most collection locations that supervisors or other designated individuals only distribute three-part handwritten receipts to cashiers when needed and collect any unused receipts at the end of the day. They also maintain logs to track handwritten receipts distributed to cashiers, receipts used, and unused receipts returned. Additionally, the Accounting Division reviews carbon copies of used receipts to ensure that payments are timely processed into the system. The North County Accounting Division also periodically reviews each division's supply of unused manual receipts to ensure that they are accounted for. However, we found various control weaknesses and inconsistent procedures in the Central Family Services and Family Court Services Divisions.

1. The Central Family Services Division used a handwritten receipt book that was not properly controlled. Specifically, the Division used receipts that are pre-printed with the County of San Diego logo and receipt numbers rather than the Court-issued receipts. Additionally, the Division left the receipt book behind the payment counter rather than securing the book, and did not log receipts used. The Division used 28 receipts from the book, including 2 receipts used as recently as February 2011, but we were unable to determine whether these receipts were timely entered into the system because neither the system receipt or case information were documented on the carbon copies of used receipts.
2. The Central Family Services and Family Court Services Divisions did not have sufficient controls over Court-issued handwritten receipts, and as a result could not locate carbon copies of some used receipts. Of the 30 handwritten receipts the Accounting Division had checked out in 2005 to the Central Family Services Division, 19 receipts could not be located. The Court believes that these receipts were used, but does not have documentation to evidence when the receipts were issued and when corresponding payments were processed into the system. Although the Family Court Services Division has a Hand Receipts Log, many of the log entries were missing information required to be logged, including which receipts were returned at the end of the day, date used receipts were entered into the system, and initial of individual who verified these entries; however, the last three entries were completely filled out. Of the last four receipts logged as used, the Court could not provide the carbon copy of the receipt, and the Accounting Division did not verify that they were used.

Recommendations

To ensure that handwritten receipts are properly controlled and secured when not in use, we recommend that the Court do the following:

1. Discontinue using the County handwritten receipt book in the Central Family Services Division and require cashiers to use Court-issued handwritten receipts only.
2. Require all divisions with manual receipts to maintain a log to track receipts checked out and used. Additionally, the respective Accounting Division should follow up with the respective divisions when it identifies gaps in the number sequences of manual receipts used.

Superior Court Responses

Agree with Findings

Date of Corrective Action: September 14, 2011

Person Responsible: Caroline Idos, Accounting Manager
Theresa Stackhouse, Accountant, Central Division

Corrective Action:

The Court agrees to discontinue using the County receipt book. This recommendation was implemented on September 14, 2011. For audit purposes, the unused receipts have been perforated and stored in the Central Accounting Unit for inspection/verification at any time. The Court believes that this was an isolated incident and staff have been reminded of the proper procedures.

5.4 Court Does Not Comply with Certain FIN Manual Requirements for Change Funds

Background

The FIN Manual allows courts to establish a change fund in each location where payments are collected, and contains requirements for courts to follow to protect funds against theft or loss. For instance, FIN 10.02, 6.3.1 (5), which became effective September 1, 2010, requires the CEO or his or her designee to appoint a custodian for each change fund exceeding \$500. The custodian is personally responsible for the safekeeping, replacement, disbursement, and accounting for the assigned change fund. The custodian must have no other cash handling responsibilities and keep detailed records to document change fund establishment and replenishment, the amount and denomination of currency and coin held in the fund, and all exchanges of currency and coin made from the fund.

FIN 10.02, 6.3.1 (6) requires that at the end of each business day the change fund custodian must in the presence of a court manager or supervisor verify that change fund monies at the end of the day are reconciled to the day's beginning balance.

Issues

The Court does not comply with FIN Manual requirements for appointing change fund custodians and for reconciling funds daily.

1. The following Court locations have change funds exceeding \$500, yet the Court has not appointed a designated change fund custodian for any of these funds.

Location/ Division	Amount of change fund
Central Accounting	\$ 800
Madge Bradley	649
Kearney Mesa	835
East Accounting	1500
South Accounting	1800
South Criminal	600
North Accounting	1030
North Civil, Small Claims, and Family Law	550
North Traffic	850

Rather, each of these change funds may be accessible to multiple individuals. In one location for instance, responsibility for safeguarding the fund, making change, and reconciling the fund is rotated periodically among accounting clerks. In another location, although multiple individuals are granted access to a change fund at any point in time, internal policy requires that at least two people be present to access the change fund.

2. Four operating divisions did not reconcile their change funds daily, although these locations made change from their funds either daily or multiple times per week.

Recommendations

To ensure appropriate oversight and security of change funds and compliance with FIN Manual requirements, we recommend that the Court do the following:

1. Appoint a change fund custodian over each change fund that exceed \$500, or submit a request for alternative procedures to the AOC. The Court should also consider lowering the change fund amount for locations that do not receive a high volume of currency to avoid the additional oversight requirements for funds exceeding \$500.
2. Require all locations that frequently access their change funds to make change (e.g. daily or a few times per week) to reconcile their change funds daily.

Superior Court Responses

1. The Court agrees to appoint a change fund custodian over each change fund that exceeds \$500. The Central Division complied with this requirement prescribed under FIN 10.02 6.3.1(5) in May 2011. The other three divisions have agreed to comply no later than September 15, 2011.

The Court also agrees with the recommendation to lower the change fund amount for locations that do not receive a high volume of currency. The change fund for Madge Bradley was lowered from \$649 to \$500 on May 24, 2011. The change fund for North Civil, Small Claims, and Family Law will be lowered from \$550 to \$500 no later than September 15, 2011.

For the operating divisions currently not complying with the requirements of FIN 10.02, 6.3.1 (6), the Court will develop an alternative policy and procedures to address this issue and it will be submitted to the AOC no later than 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 mishap. Additionally, because courts maintain sensitive and confidential information in these systems, courts must also take steps to control and prevent unauthorized access to these systems and the information contained in them.

The table below presents some of the Court's expenditure general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
943202 IT MAINTENANCE - HARDWARE	206,664	118,222	88,442	75
943203 IT MAINTENANCE - SOFTWARE	603,000	864,436	(261,436)	(30)
* 943200 - IT MAINTENANCE	809,664	982,658	(172,994)	(18)
943301 IT COMMERCIAL CONTRACTS	9,377,697	9,325,214	52,483	1
* 943300 - IT COMMERCIAL CONTRACT	9,377,697	9,325,214	52,483	1
943401 IT INTER-JURISDICTIONAL C	1,628,653	1,663,321	(34,668)	(2)
* 943400 - IT INTER-JURISDICTIONAL	1,628,653	1,663,321	(34,668)	(2)
943502 IT SOFTWARE & LICENSING F	287,604	205,846	81,757	40
* 943500 - IT REPAIRS/SUPPLIES/LICE	287,604	205,846	81,757	40
** INFORMATION TECHNOLOGY (IT) TOTAL	12,103,618	12,177,041	(73,423)	(1)

We reviewed various IS controls through interviews with Court IT managers and staff, observations of IS storage facilities and equipment, and review of documents. Some of the primary reviews included:

- Systems backup and data storage procedures
- Continuity and recovery procedures in case of 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 server rooms
- Controls over staff access to sensitive Department of Motor Vehicles (DMV) data
- Automated distribution of fees, fines, penalties, and assessments for selected criminal and traffic convictions

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

6.1 The Court Did Not Distribute Certain Collections in Accordance with Statutes and Guidelines

Background

State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. Courts rely on the *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C* issued by the State Controller’s Office (SCO Appendix C) and the *Uniform Bail and Penalty Schedule (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 records collections in Financial Management System (FMS), which automatically distributes these collections using a top-down distribution methodology. Specifically, the fines, fees, penalties, and other assessments for a violation may be combined into one or more amounts and associated allocation codes. The court clerk enters the required allocation code(s) and corresponding amount(s) collected into FMS, and the system distributes these amounts into the respective State, County, or local agency funds. We reviewed the FMS distribution tables for a sample of traffic infractions and misdemeanors to determine whether the Court distributed collections in accordance with applicable statutes and guidelines. We focused our review on violations requiring more complicated distributions and yielding higher collection volume, including Red Light, standard vehicle code violations such as Speeding, Proof of Correction (POC), Driving Under the Influence (DUI), and Wet and Reckless Driving (reckless driving). For these violations eligible for traffic violator school, we also reviewed distributions of traffic school dispositions. Our review identified the following issues:

1. *DUI and Reckless Driving*: The Court does not correctly distribute or impose certain fees for DUI and reckless driving convictions. Specifically, the Court imposes a \$50 Laboratory Fee pursuant to PC 1463.14(a), a \$30 Alcohol Prevention and Abuse Penalty Assessment pursuant to PC 1463.25, and a \$100 Substance Abuse Assessment pursuant to VC 23649 for every DUI or reckless driving conviction. The Court also imposes a \$20 Indemnification of Victims Fee pursuant to PC 1463.18 for every DUI conviction. However, some of these fees are incorrectly distributed or imposed, as follows:
 - The Court incorrectly added the \$50 PC 1463.14(a) and \$20 PC 1463.18 fees to the total bail amount rather than reducing these fees from the base fine amount. Penalty assessments are calculated on the original base fine amount. As a result, the base fine distribution is overstated and penalty assessment and surcharge distributions are understated.

- The Court also incorrectly imposed the \$30 PC 1463.25 fee on reckless driving convictions. According to VC 23645, the PC 1463.25 fee shall only be imposed on DUI convictions.
2. Emergency Medical Air Transportation (EMAT): The Court did not apply the 2 Percent Automation distribution to the \$4 EMAT assessment imposed on every vehicle code conviction. GC 68090.8(b) requires 2 percent of all fines, penalties, and forfeitures collected in criminal cases to be transmitted to the Trial Court Improvement Fund to be used exclusively to pay the costs of automated systems for trial courts. Since the EMAT assessment is a penalty as described in GC 76000.10(c), it is subject to 2 Percent Automation.
 3. Traffic School Dispositions: We identified minor discrepancies in traffic school dispositions, including both standard traffic school and Red Light traffic school dispositions, as follows:
 - The \$2 distribution to the County Traffic School Construction Fund is allocated as a percentage rather than a set dollar amount. Although FMS correctly distributes \$2 if the base fine is \$100, a violation with a base fine greater than \$100 would result in a distribution that exceeds \$2, and a base fine less than \$100 would result in a distribution below \$2. Pursuant to VC 42007(b)(1), \$1 is to be deposited in the County's local courthouse construction fund and the remaining \$1 is to be placed in the local criminal justice fund, if these funds were established by the County.
 - The FMS distribution table does not include a \$1 Night Court Assessment pursuant to VC 42006 for each traffic school disposition. Although the Night Court Assessment is not mandatory, the Court levies this assessment for vehicle code violations resulting in bail forfeitures, so it is also authorized to levy the assessment on traffic school dispositions.
 - For arrests occurring in local jurisdictions, the base fine distribution to the arresting agency pursuant to PC 1463.001 is not net of 2 percent. According to guidance provided for VC 42007 concerning the Traffic Violator School Fee in Revision 22 of the SCO Appendix C, an amount equal to the amount that would have been deposited into the treasury of the appropriate city pursuant to PC 1463.001(b)(3) (i.e. net of 2 percent court automation) is to be deposited with the appropriate local agency.
 4. Red Light Bail Forfeitures: The Court incorrectly calculated the 30 Percent Allocation for Red Light bail forfeitures. Specifically, the 30 Percent Allocation does not include 30 percent of the local penalty assessment deposited to the Emergency Medical Services (EMS) fund pursuant to GC 76000 and GC 76104, and from the EMAT assessment. According to guidance provided for PC 1463.11 concerning the 30 Percent Allocation in Revision 22 of the SCO Appendix C, the 30 Percent Allocation applies to PC 1463.001, PC 1464, GC 76000, and GC 70372(a) moneys, but not to GC 76000.5, GC 76104.6, and GC 76104.7 moneys. The SCO also provided further guidance to us specifying that the \$4 EMAT assessment is subject to the 30 Percent Allocation.

5. *Red Light Traffic School Dispositions*: The Court incorrectly calculated the 30 Percent Allocation and Traffic Violator School Fee for Red Light traffic school dispositions in the following manner:
- The 30 Percent Allocation is understated because it does not include 30 percent of the following penalty assessments: (1) EMS pursuant to GC 76000 and GC 76104, (2) additional EMS pursuant to GC 76000.5, (3) DNA pursuant to GC 76104.6, (4) additional DNA pursuant to GC 76104.7, and (5) EMAT pursuant to GC 76000.10(c). Additionally, the 30 Percent Allocation incorrectly included 30 percent of the State Surcharge pursuant to PC 1465.7.
 - The Traffic Violator School Fee pursuant to VC 42007 is overstated because it is impacted by incorrect distributions to other sources such as the 30 Percent Allocation, State Court Facilities Construction Fund, and other incorrect distributions identified for traffic school dispositions identified above.

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. Correct the distribution tables for DUI and Reckless Driving convictions in the following manner:
 - Reduce the \$50 PC 1463.14(a) and \$20 PC 1463.18 fees from the base fine for DUI violations, and reduce the \$50 PC 1463.14(a) fee from the base fine for Reckless Driving violations. Penalty assessments should still be calculated on the original base fine amount.
 - Discontinue imposing the \$30 PC 1463.25 fee for Reckless Driving violations.
2. Apply the 2 Percent Automation distribution to the \$4 EMAT assessment imposed on every vehicle code violation (not traffic school dispositions).
3. Correct the distribution tables for traffic school dispositions, including standard vehicle code and Red Light violations, in the following manner:
 - Distribute \$2 to the County Traffic School Construction Fund as a set dollar amount rather than as a percentage allocation.
 - Add a \$1 Night Court Assessment pursuant to VC 42006.
 - Calculate the base fine distribution to the arresting agency pursuant to PC 1463.001 as net of 2 percent for local arrests.

4. Ensure that the 30 Percent Allocation include 30 percent of the local penalty assessment deposited to the Emergency Medical Services (EMS) fund pursuant to GC 76000 and GC 76104, and from the EMAT assessment.
5. Adjust the 30 Percent Allocation, Traffic School Violator Fee, and State Court Facilities Construction Fund distributions associated with Red Light traffic school dispositions so that it is consistent with VC 42007.3 and related guidance provided in SCO Appendix C, Revision 22. We will provide a sample distribution table for the Court as reference.

Superior Court Response

Agree with Findings

Date of Corrective Action: June 30, 2012

Person Responsible: Caroline Idos, Accounting Manager
Divina Tejada, Accounting Manager
Steve Travers, Accounting Manager

The Court has reviewed the recommendations. Due to the complexity of revenue distribution, the Court will further analyze the audit findings to validate and also to determine the cause. The Court will make all necessary corrections to comply. Because the Court's aging legacy system likely will require updates in certain situations and based on the amount of work to update the system, including programming and testing, the Court has set a completion date of June 30, 2012.

6.2 The Court Has Weak Account Management and Password Controls for Its Receipting System

Background

Similar to other government agencies, courts maintain information systems that contain sensitive and confidential data. For example, court information systems contain or access sensitive criminal information and confidential personal information that court employees access and update on a daily basis. It is important for courts to implement sound IT controls to ensure such data is secured from unauthorized access. The National Institute of Standards and Technology (NIST), a federal agency that is responsible for preparing standards and guidelines for the security of sensitive federal information systems, issued various publications providing IT principles, practices, and controls. For instance, NIST issued Special Publication 800-53, Revision 3 titled *Recommended Security Controls for Federal Information Systems and Organizations* in August 2009 identifies baseline controls and control enhancements for low- to high-impact systems, including but not limited to the following:

- Account management controls such as identifying account types; identifying authorized users and specifying access privileges; and establishing, activating, modifying, disabling, and removing accounts.
- Logical access enforcement controls. In addition to enforcing authorized access at the information system level, access enforcement mechanisms are employed at the application level, when necessary, to provide increased information security for the organization.

- Appropriate separation of duties. For example, mission functions and distinct information system support functions are divided among different individuals or roles.
- Employ the concept of least privilege by allowing only authorized accesses necessary to accomplish assigned tasks in accordance with organizational missions and business functions. For instance, limit access to security functions, such as establishing system accounts and configuring access authorizations, to explicitly authorized personnel, such as security administrators and other privileged users. Additionally, limit authorization to super user accounts on the information system to designated system administration personnel.
- Enforce a limit on the number of consecutive invalid access attempts by a user during a specified time period, and automatically lock an account when the maximum number of unsuccessful attempts is exceeded.

Issues

The Court has weak account management controls over its FMS receipting system systems to process payments and distribute collections for criminal, traffic, and family case types due to the following:

1. Court accounting supervisors and above are given administrative rights in FMS that allows them to create, modify, and delete user accounts, and assign user passwords to their staff. The Court has informed us that FMS is a legacy application that does not have the ability to allow individual users to change their own passwords, but passwords may only be changed by users with administrative rights. This arrangement creates an excessive number of administrative users that makes it difficult to have an effective account management system.
2. FMS also does not have the capability to enforce strong password controls, such as requiring passwords to be changed periodically, requiring passwords to be of a sufficient minimum length and complexity, or locking a user out after a certain number of invalid logon attempts. For instance, passwords currently need only be four characters long and may be made up of any character. Furthermore, operations supervisors and above have been historically set up to have administrator rights.

Providing accounting supervisors with administrative rights to a system they use to carry out operational functions are conflicting duties, and, coupled with the system's weak password controls, provides a potential for abuse of the system.

Recommendations

We recommend that the Court strengthen its FMS account management controls to ensure against unauthorized and inappropriate access by doing the following:

1. Disable administrative access to accounting supervisors and other individuals with operational functions and shifting responsibilities for user account and password management to IT staff.
2. To make up for the limitation of the system to enforce strong password controls, the FMS account administrator should assign passwords that are of a sufficient length and complexity (e.g. at least eight characters in length and made up of a combination of alpha, numeric, and special characters), and periodically change (e.g. at least every six months) and reassign new

passwords to users. The account administrator's master password list should be protected or encrypted with a password. Encrypted passwords should be known only by the account administrator and direct management (e.g. CIO) and stored in a secured location.

Superior Court Responses

Agree with Findings

Date of Corrective Action: November 21, 2011 (FMS Administration)
 November 30, 2011 (Completion of feasibility study)
 December 31, 2011 (Courtwide Implementation if feasibility
 study is successful)

Person Responsible: Lynda Abas, Information Technology Manager
 John Schmitt, Information Technology Manager

The Court agrees with the recommendation and will move the administration of FMS user accounts to the Information Technology Division.

Although the Court agrees with the recommendation regarding passwords, the Court cannot, in a reasonably cost-effective way, replace the architecture of our aging legacy system to implement a password system that satisfies the requirements of the corrective action. However, there is a potential workaround that may allow the Court to implement additional security measures within this system. The Court will conduct a feasibility study to test this possible solution.

6.3 The Court Has an Outdated MOU for Access to DMV Records and Does Not Comply With Certain Security Requirements

Background

The DMV and California Superior Courts agree to cooperate and share information when each court enters into a mutually beneficial memorandum of understanding (MOU) with DMV. For example, courts need certain DMV data to assist them in determining appropriate judgments in traffic cases. Similarly, DMV needs certain traffic case information from each court to assist it in carrying out its motor vehicle and driver license program responsibilities. These MOUs provide courts with the ability to access and update DMV data on-line, such as data in the DMV vehicle registration and driver license files.

Before the DMV allows courts to access and update sensitive and confidential DMV data, DMV requires each court to agree to certain conditions spelled out in a MOU. For example, DMV may require courts to agree to the following conditions in an MOU:

- Maintain a current list of individuals who are authorized to access DMV files.
- Establish security procedures to protect the confidentiality of DMV records and access information, including ensuring that each employee or person working on behalf of the court

having direct or incidental access to DMV records has signed an individual security statement that contains, at a minimum, the same provisions as DMV's Information Security Statement.

- Ensure that any additional access control program used by the Court requires, at a minimum, verification of unique individual user identification and verification of manually keyed, user-selected passwords for initiation of an access session.
- Electronically log and store all DMV record access information for a minimum period of two-years from the date of the transaction. The log information must be preserved for audit purposes and include, at a minimum, the following: (a) transaction and information codes, (b) court code, (c) record identifiers, (d) individual user identifiers, (e) date and time of transaction, and (f) terminal ID.

Additionally, MOUs include a condition that allows DMV to immediately cancel the MOU and terminate court access to DMV data if a court, for example, negligently or intentionally misuses DMV data.

Issues

Court staff may access sensitive DMV data in two ways. Some Court employees have a computer program application installed in their desktop computers that allows them to send updates to DMV directly. Court staff may also use the CMS to look up DMV information. Our review of Court procedures to control and monitor access to sensitive DMV data identified the following control weaknesses:

1. The Court's MOU with DMV for online access was executed over 20 years ago and therefore contains outdated terms and conditions. Specifically the MOU was executed in 1991 and amended in 1993. Although it appears to be 'evergreen' after the 1993 amendment, the MOU terms and conditions may no longer reflect the current technology environment and security requirements.
2. The Court does not electronically log online DMV record access information as required by DMV. Although the Court's 1991 MOU with DMV does not contain an electronic logging requirement, the DMV states it has added this requirement in later versions of the MOU at other agencies and expects this requirement to apply to all requestor agencies. Specifically, DMV has informed us that all agencies were put on a four year renewal cycle in 2004. The DMV states the MOU which is issued upon the approval of the security requirements package for each entity that has an online connection to DMV information requires each entity to log all requests for DMV information, and to provide an accounting of all DMV information accesses for a two year period in the event the agency is audited. Therefore, we believe that the Court is exposed to a significant risk of adverse action by DMV due to noncompliance.
3. The Court did not ensure that all court employees and contractors with direct or incidental access to DMV records completed and signed Information Security Statements. Our review of the Information Security Statements certified in 2011 revealed that the Court does not have on file signed Information Security Statements for all CMS users with lookup access to DMV

records. The Court could not provide us with a list of individuals with update access to DMV records, so we could not determine whether all those individuals submitted a signed Information Security Statement.

4. Court has not ensured that online access to DMV records is restricted to employees who require access to perform their job duties. Specifically, we identified CMS users set up to perform lookup queries but are no longer court employees.

Recommendations

To ensure that access to sensitive DMV data is properly controlled and monitored in compliance with terms and conditions of the MOU with DMV, the Court should consider the following:

1. Work with DMV to enter into a new MOU for online access.
2. Move towards adopting the same level of records access monitoring as the DMV currently expects. Once such access information is logged, the Court should use this information to produce reports to actively monitor and identify inappropriate record access.
3. Augment its current DMV Security Statements list to include all individuals with access to DMV record information, identifying those with direct access and those with incidental access, and require each of these individuals to complete and sign Information Security Statements.
4. Review existing CMS users set up with lookup access to DMV records and disable access for former Court employees and individuals who no longer require the access to perform their job functions.

Superior Court Response

Date of Corrective Action: June 30, 2012 - For all the recommendations except the following:
December 31, 2012 (Develop and implement the IT solution to properly monitor and identify record access)

Responsible Person(s): Jeffrey Gately, Budget and Procurement Manager
Lynda Abas, Information Technology Manager
John Schmitten, Information Technology Manager

The Court reviewed the recommendations and agrees with the findings. The Court is working to address the issues outlined in this finding. The Court will update the MOU with the DMV and address the current DMV requirements. This includes ensuring access is logged so that activity can be more readily monitored as well as updating user lists and Information Security Statements.

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. FIN 13.01 establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. The Court deposits in AOC-established accounts trial court allocations and other sources of funding for court operations; fees, fines, penalties, and other assessments collected by the Court; and trust deposits. The Court maintains a small portion of its operating funds in two revolving accounts and locally controls the checks issued out for these 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 some of the Court's general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
111000 CASH-OPERATIONS ACCOUNT	2,459,458	2,374,587	84,871	4
111002 CASH OPERATIONS IN-TRANSI	5,213	-	5,213	-
111100 CASH-OPERATIONS CLEARING	(2,093,339)	(2,430,942)	(337,604)	(14)
114000 CASH-REVOLVING	7,350	7,350	-	-
117000 CASH DISTRIBUTION ACCOUNT	5,523,459	21,408,921	(15,885,461)	(74)
117002 CASH DISTRIBUTION IN-TRAN	680,169	12,611	667,558	5,294
117500 CASH CIVIL FILING FEES	1,636,127	2,152,334	(516,207)	(24)
118000 CASH-TRUST ACCOUNT	22,309,659	33,709,015	(11,399,356)	(34)
118002 CASH TRUST IN-TRANSIT	208,611	(74)	208,537	281,807
118100 CASH-TRUST CLEARING	(5,453,043)	(13,756,327)	(8,303,285)	(60)
120050 SHORT TERM INVESTMENTS-LA	19,931,409	18,954,707	976,702	5
120051 SHORT TERM INVESTMENTS-CA	21,108,503	-	21,108,503	-
Liabilities				
353002 CIVIL TRUST-CONDEMNATION	(16,961,963)	(954,451)	16,007,512	1,677
353003 CIVIL TRUST-OTHER(RPRTR	(891,684)	9,010,904	(8,119,220)	(90)
353006 CRIMINAL - GENERAL	(6,234,483)	557,921	5,676,562	1,017
353050 AB145 DUE TO OTHER GOVERN	(7,760,423)	(7,433,214)	327,209	4
353051 CRIMINAL FINES DUE TO OTH	(11,586,648)	(10,281,115)	1,305,533	13
353070 DUE TO OTHER GOVERNMENT A	22,145	(366,391)	(344,247)	(94)
353602 CIVIL TRUST-INTEREST BEAR	-	(24,629,293)	(24,629,293)	(100)
353603 CIVIL TRUST- NON-INTEREST	(11,005)	(879,082)	(868,077)	(99)
353606 CRIMINAL TRUST	(49,496)	(4,018,626)	(3,969,130)	(99)
353630 CIVIL TRUST - PARTIAL PAY	-	(11,493)	(11,493)	(100)
353631 CIVIL TRUST - OVERPAYMENT	(19)	(8,885)	(8,866)	(100)
353670 DUE TO OTHER AGENCIES - C	11	(10,441)	(10,430)	(100)
353999 TRUST INTEREST PAYABLE	(27,961)	(534,555)	(506,594)	(95)
373002 CASH TRUST-SUSPENSE/CLARI	(7,212)	(8,942)	(1,731)	(19)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Revenues				
825010 INTEREST INCOME	(148,711)	(595,003)	(446,292)	(75)
** 825000-INTEREST INCOME	(148,711)	(595,003)	(446,292)	(75)
Expenditures				
920302 BANK FEES	122,250	86,470	35,780	41

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 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.

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

7.1 The Court Has Not Fully Reconciled All Trust Funds, While Trust Reconciliations Performed Are Not Current

Background

Trial courts receive and hold trust funds in a fiduciary capacity on behalf of others and are responsible for properly managing, monitoring, and safeguarding these funds. Specifically, the FIN Manual requires courts to implement procedures and controls to manage and safeguard these funds. For example, FIN 13.01, 6.6(1) requires trial courts to reconcile all bank accounts for which court employees are authorized signers, such as local revolving and jury bank accounts, at least monthly, and more frequently if required, to maintain adequate control over trial court funds. FIN 13.01, 6.2(4) also requires that courts keep a detailed record of all money received in trust by a trial court such as for bail, litigation deposits, jury fee deposits, and payments on judgments, monies for which trial courts have a fiduciary responsibility to hold in trust. This record must be maintained by case number at a sufficient level of detail to properly account for all funds held by the court. Records must contain at a minimum the following information: date received, from whom payment was received, purpose, case number, payments received, disbursements made, and method of payment. Therefore, a complete reconciliation would involve reconciling the bank account, the fiscal system, and the detailed subsidiary record system for trust account activity, usually the case management system.

Issues

The Court has not reconciled all its trust accounts to ensure that the general ledger trust account balance is supported by a subsidiary ledger such as case management system records. Detailed records on trust deposits and disbursements are maintained in two of the Court's systems.

Specifically, trust transactions for civil case types, excluding family law cases, are recorded in CCMS V3, and trust transactions for all other case types are recorded in FMS. The Court deposits all its trust funds in an AOC-established bank account. The Court has the following year-end general ledger account balance:

Trust Account Description	General Ledger Balance as of June 30, 2011
Civil interest-bearing accounts	\$ 16,206,675
Civil non-interest-bearing accounts	877,257
Criminal trust accounts	4,725,238
Other (stale-dated checks, interest payable, due to other funds, and overpayment of fees)	216,883
Total	\$22,026,053

1. While the Central Accounting Division performs monthly reconciliations of trust funds deposited with the Central court location, the East, North, and South County Accounting Divisions have not reconciled trust funds deposited within their respective regional court locations. A consolidated reconciliation is not performed on all trust funds, but trust account reconciliations have historically been the responsibilities of each regional accounting office. Additionally, FMS users are set up to only have access to information, including trust account transactions, occurring within their region.
2. The Central Accounting Division's trust reconciliations between the general ledger and CMS subsidiary ledgers are not current. As of August 2011, its civil interest-bearing account reconciliation is five-months behind, and its civil non-interest-bearing account and criminal account reconciliations are eight months behind. According to the Central Accounting Manager, trust reconciliations are not up to date due to shortages in accounting staff able to perform these trust reconciliations. Additionally, the Court has only recently resolved reconciling discrepancies resulting from an ineffective trust interest module that was implemented in June 2008 and discontinued less than one year later.

Recommendations

We recommend that the Court do the following to ensure that it properly accounts for and safeguards trust funds it has a fiduciary responsibility for:

1. Periodically reconcile all trust funds, including trust funds deposited with the East, North, and South County facilities. These regional facilities may use trust account reconciliation maintained by the Central Accounting Division as a template to conduct their trust reconciliations. Once trust reconciliations are up-to-date, the Court should determine the feasibility of performing centralized trust reconciliations rather than require each regional accounting division to perform separate reconciliations.
2. The Central Accounting Division should bring its monthly trust account reconciliations up-to-date.

Superior Court Response

Agree with Findings

Date of Corrective Action:

June 30, 2012

In addition – By June 30, 2012: Determine feasibility of reconciling the trust funds centrally

Person Responsible:

Caroline Idos, Accounting Manager

Divina Tejada, Accounting Manager

Steve Travers, Accounting Manager

The Court agrees with the findings. The Court will reconcile the funds as outlined in the recommendations with a planned completion date of June 30, 2012. The Court will also review the feasibility of reconciling the trust funds centrally rather than on a regional basis.

8. Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a 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. The Court entered into an MOU with the County Sheriff for court security services, including but not limited to stationing bailiffs in courtrooms, staffing deputies at the weapons screening checkpoint located at the entrance to the courthouse, perimeter monitoring using a closed circuit television, and retaining control of in-custodies transported to the courthouse.

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 some of the Court's expenditure general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
934503 PERIMETER SECURITY-SHERIF	11,957,559	12,886,433	(928,874)	(7)
934504 PERIMETER SEC-CONTRCT (OT	359,956	398,656	(38,701)	(10)
934510 COURTROOM SECURITY-SHERIF	18,160,407	19,495,623	(1,335,216)	(7)
934512 ALARM SERVICE	186,744	191,573	(4,829)	(3)
* 934500 - SECURITY	30,664,665	32,972,285	(2,307,619)	(7)
941101 SHERIFF - REIMBURSEMENTS	268,066	278,610	(10,544)	(4)
* 941100 - SHERIFF	268,066	278,610	(10,544)	(4)

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 significant issues to report to management.

9. Procurement

Background

The FIN Manual 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. 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.

The Court's Purchasing Unit receives approved purchase requests from court staff and performs the majority of procurements. These may include smaller or one-time transactions made on purchase cards or standard purchase orders, to reoccurring orders made via blanket purchases orders, to complex or large procurements that are competitively bid. Due to its size relative to other courts, the Court has established higher purchase approval thresholds than those recommended in the FIN Manual.

We interviewed Court managers and staff involved in purchasing activities, reviewed internal policies and procedures, and evaluated the procurement user functions set up on the Phoenix Financial System to obtain an understanding of the Court's procedures and established controls. We then reviewed selected purchases made in FY 2009 – 2010, including purchase orders created in the Phoenix Financial System, contract files, and purchase card files to assess compliance with FIN Manual requirements for procurement.

There were no significant issues to report to management.

10. Contracts

Background

FIN 7.01 establishes uniform guidelines for the trial courts to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. The trial courts must execute 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 some of the Court's general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
938201 CONSULTING SERVICES-TEMP		(1,746)	(1,746)	(100)
* 938200 - CONSULTING SERVICES - TE		(1,746)	(1,746)	(100)
938401 GENERAL CONSULTANTS & PRO	345,490	553,678	(208,188)	(38)
938406 ARCHITECTURAL SERVICES	71,623	465,627	(394,004)	(85)
938409 ARCHIVING/IMAGING MANAGEM	614,772	752,491	(137,719)	(18)
938411 TRAFFIC SCHOOL MONITORING	372,334	447,912	(75,578)	(17)
* 938300 - GENERAL CONSULTANT AND P	1,404,219	2,219,708	(815,489)	(37)
939401 LEGAL SERVICES	312,777	298,951	13,826	5
939402 LABOR NEGOTIATIONS	60,275	56,191	4,084	7
* 939400 - LEGAL	373,052	355,142	17,909	5
939801 OTHER CONTRACT SERVICES	108,519	113,883	(5,364)	(5)
* 939800 - OTHER CONTRACT SERVICES	108,519	113,883	(5,364)	(5)
942302 AUDITOR-CONTROLLER SERVIC	1,316,808	1,225,160	91,648	7
942501 COUNTY - HUMAN RESOURCES	46,354	44,153	2,201	5
942601 COUNTY - OFFICE SERVICES	450,778	458,395	(7,618)	(2)
942701 COUNTY - BUSINESS SERVICE	2,126,838	1,646,854	479,984	29
942901 COUNTY - OTHER SERVICES	14,813	161,034	(146,221)	(91)
* 942100 - COUNTY-PROVIDED SERVICES	3,955,590	3,535,596	419,995	12

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.

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

11. Accounts Payable

Background

The FIN Manual 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 some of the Court's expenditure general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
119002 CASH ON HAND - PETTY CASH	3,030	-	3,030	-
Liabilities				
301001 A/P - GENERAL	(200)	(60)	140	233
301002 A/P - CLEARING GR/IR ACCT	(21,350)	-	21,350	-
311401 A/P - DUE TO OTHER FUNDS	(1,589,400)	(2,434,381)	(844,981)	(35)
311402 INTEREST CONTROL ACCOUNT	-	-	-	-
321001 A/P - DUE TO COURTS	-	(739)	(739)	(100)
321501 A/P DUE TO STATE	-	(376,447)	(376,447)	(100)
321600 A/P - TC145 LIABILITY	(1,636,127)	(2,152,334)	(516,207)	(24)
322001 A/P - DUE TO OTHER GOVERN	(7,902,848)	(7,914,566)	(11,718)	(0)
323001 A/P - SALES & USE TAX	(421)	(1,310)	(889)	(68)
330001 A/P - ACCRUED LIABILITIES	(5,076,940)	(5,259,302)	(182,362)	(3)
*** Accounts Payable	(16,227,286)	(18,139,139)	(1,911,853)	(11)
Expenditures				
920304 REGISTRATION FEES-PERMITS	6,622	-	6,622	-
920306 PARKING FEES	258,704	289,490	(30,786)	(11)
920699 OFFICE EXPENSE	768,831	914,153	(145,322)	(16)
* 920600 - OFFICE EXPENSE	768,831	914,153	(145,322)	(16)
921599 ADVERTISING	6,464	10,364	(3,900)	(38)
* 921500 - ADVERTISING	6,464	10,364	(3,900)	(38)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures (continued)				
921702 MEETING AND CONFERENCE -	18,630	57,509	(38,879)	(68)
921799 MEETINGS, CONFERENCES, EX		1,276	(1,276)	(100)
* 921700 - MEETINGS, CONFERENCES, E	18,630	58,785	(40,155)	(68)
922304 LEGAL PUBLICATIONS-ON-LIN	45,222	184,968	(139,746)	(76)
922305 NEWSPAPER	102,611	102,031	580	1
922399 LIBRARY PURCHASES AND SUB	329,672	504,566	(174,893)	(35)
* 922300 - LIBRARY PURCHASES AND SU	477,506	791,564	(314,058)	(40)
922599 PHOTOGRAPHY	1,630	3,956	(2,326)	(59)
* 922500 - PHOTOGRAPHY	1,630	3,956	(2,326)	(59)
922799 EQUIPMENT RENTAL/LEASE	4,617	26,379	(21,762)	(82)
* 922700 - EQUIPMENT RENTAL/LEASE	4,617	26,379	(21,762)	(82)
923908 SHREDDING SERVICE	8,149	14,269	(6,120)	(43)
923909 DOC RETRIEVAL SERVICE	168,559	163,289	5,271	3
923910 DEMOLITION: SALVAGE	1,338	758	580	76
923914 MOVING/TRANSPORT SERVICE	64,519	80,453	(15,934)	(20)
* 923900 - GENERAL EXPENSE - SERVIC	242,565	258,769	(16,204)	(6)
924599 PRINTING	870,809	768,324	102,485	13
* 924500 - PRINTING	870,809	768,324	102,485	13
925101 TELECOMMUNICATIONS	994,153	1,021,027	(26,873)	(3)
925103 CELL PHONES/PAGERS	37,741	64,159	(26,418)	(41)
925106 LEASED LINES		(45)	(45)	(100)
* 925100 - TELECOMMUNICATIONS	1,031,895	1,085,141	(53,246)	(5)
926199 STAMPS, STAMPED ENVELOPES	698,785	744,405	(45,620)	(6)
* 926200 - STAMPS, STAMPED ENVELOPE	698,785	744,405	(45,620)	(6)
926399 POSTAGE METER	783	1,143	(360)	(32)
* 926300 - POSTAGE METER	783	1,143	(360)	(32)
928801 INSURANCE	40,028	43,097	(3,069)	(7)
* 928800 - INSURANCE	40,028	43,097	(3,069)	(7)
929207 RAIL, BUS TAXI, FERRY-IN	65		65	-
929210 PRIVATE CAR MILEAGE-OTHER	148,724	140,536	8,187	6
929299 TRAVEL IN STATE	233,620	342,244	(108,625)	(32)
* 929200 - TRAVEL- IN STATE	382,408	482,781	(100,372)	(21)
931101 OUT-OF-STATE TRAVEL EXPEN	1,300	2,542	(1,242)	(49)
* 931100 - TRAVEL OUT OF STATE	1,300	2,542	(1,242)	(49)
938502 COURT INTERPRETER TRAVEL	65,634	68,711	(3,077)	(4)
938503 COURT INTERPRETERS - REGI	100,778	116,197	(15,419)	(13)
938504 COURT INTERPRETERS - CERT	151,999	146,713	5,286	4
938505 COURT INTERPRETERS - NONR	81,360	94,474	(13,114)	(14)
938506 COURT INTERPRETERS - NONC	140,992	122,326	18,666	15
938507 COURT INTERPRETERS - AMER	134,181	101,866	32,314	32
* 938500 - COURT INTERPRETER SERVIC	674,944	650,288	24,656	4

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures (continued)				
938601 COURT REPORTERS SERVICES	258,085	641,308	(383,223)	(60)
938602 STENOGRAPHY SERVICE	55,638	8,372	47,267	565
* 938600 - COURT REPORTER SERVICES	313,723	649,679	(335,956)	(52)
938701 COURT TRANSCRIPTS	1,629,029	1,779,349	(150,320)	(8)
* 938700 - COURT TRANSCRIPTS	1,629,029	1,779,349	(150,320)	(8)
938803 COURT-APPOINTED COUNSEL C	249,275	410,191	(160,917)	(39)
938899 COURT APPOINTED COUNSEL C	5,675	10,161	(4,486)	(44)
* 938800 - COURT APPOINTED COUNSEL	254,950	420,352	(165,403)	(39)
938905 FINGERPRINT PROCESSING	16,207	15,138	1,069	7
* 938900 - INVESTIGATIVE SERVICES	16,207	15,138	1,069	7
939002 PSYCHIATRIC EVALUATIONS	633,771	811,826	(178,055)	(22)
939009 EXPERT WITNESS	400		400	-
* 939000 - COURT ORDERED PROFESSION	634,171	811,826	(177,655)	(22)
939101 MEDIATORS/ARBITRATORS	76,476	72,450	4,026	6
939102 CIVIL ARBITRATION FEE	750	900	(150)	(17)
* 939100 - MEDIATORS/ARBITRATORS	77,226	73,350	3,876	5
965101 JURORS - FEES	818,798	936,197	(117,400)	(13)
965102 JURORS - MILEAGE	194,443	206,334	(11,891)	(6)
965110 JUROR PUBLIC TRANSPORTATI	102,019	116,543	(14,524)	(12)
* 965100 - JUROR COSTS	1,115,260	1,259,074	(143,815)	(11)

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.

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

11.1 The Court Did Not Comply with Some FIN Manual Requirements for Travel and Business Meals

Background

FIN 8.03 defines the rules and limits that courts must observe when arranging, engaging in, or claiming reimbursement for travel on court business, and FIN 8.05 defines the rules and limits that must be observed when arranging or claiming reimbursement for meals connected to official court business.

Travel

There are instances where courts have a need to exceed maximum allowable lodging rates, and may appropriately do so by following the procedures provided in the manual. Specifically, FIN 8.03, 6.1.6 provides procedures for requesting a lodging exemption when lodging above the maximum rate is the only lodging available, or when it is cost-effective. An Exception Request for Lodging form and supporting documentation must be submitted in advance of travel and must be approved by the appointing power designee (Presiding Judge or designee). Because employees do not have control over where non-state-sponsored business is conducted, reimbursement of actual expenses, supported by receipts is authorized, without the approval of an Exception Request for Lodging form if the participant stays at the conference, convention, or meeting site. In all instances, the traveler must attach substantiating documentation (such as a registration form or an agenda) to the travel expense claim.

FIN 8.03, 6.1.6(3) provides the following criteria for use in the consideration of exception requests:

- a. For approval of alternative lodging, the judicial branch requires a good faith effort to locate establishments within the identified maximum rates, which is evidenced by attaching a list of at least three moderately priced establishments contacted, the dates of the contacts, phone numbers, contact persons, rates available, and any other results of the contacts.
- b. Approval of alternative lodging may also be justified if the rate difference is exceeded by either the cost or the loss of productive time required by travel between the work location and a less expensive lodging establishment. This is supported by an explanation of efforts to obtain transportation and a cost comparison analysis.
- c. For State business conducted at a designated lodging establishment, exception requests may be supported by attaching an agenda and supporting documentation addressing the availability of alternative lodging as identified above.
- d. An exception may be authorized when attendance is required at a state conference, convention, business meeting, or training where the contracted facility exceeds the maximum daily lodging allowance. The traveler is to provide specific facts, including confirmation related to this criterion.
- e. An exception may also be authorized when a participant in a non-state-sponsored function cannot stay at the designated function site. The traveler is to explain the circumstances, such as specific facts that prevent on-site lodging. Please note that an exception will not be authorized solely for the convenience of the traveler.

It is the responsibility of the appropriate approval level to ensure reasonableness and completeness of the Exception Request for Lodging form. An incomplete form or a form with inadequate justification

shall be returned unprocessed. If advance approval is not obtained, the traveler shall be reimbursed only for the specified maximum rate plus tax and surcharges. A copy of the Exception Request for Lodging documentation must be attached to the respective Travel Claim on file in Accounting.

Business Meals

FIN 8.05, 6.1 specifies that the PJ – or, if delegated in writing by the PJ, the CEO or another judge – must determine in each instance that there is a business purpose to permit the business meal expenditure. All business meal expenditures must be supported by an original receipt, reflecting the actual costs incurred and a completed, approved business-related meal expense form or a memo or e-mail authorizing the expenditure in advance. The form, memo, or e-mail must include all information required under FIN 8.05, 6.2(1)(a)-(g). When properly authorized, the actual cost of a reasonable business meal will be reimbursed or paid up to the maximum rate specified in FIN 8.05, 6.6. The manual provides different maximum rates for breakfast, lunch, dinner, and breaks provided within a court or government facility, at a conference site, or at a restaurant. The specified rates are intended to cover all expenses related to business meals, such as food, beverages (including water), service charge, tip, and taxes. FIN 8.05, 6.7 authorizes courts to request exceptions to FIN Manual business meal expense guidelines in extraordinary instances. However, no exceptions will be granted for missing receipts or for exceeding maximum meal rates.

The Court established an internal travel policy last revised in 2005 that delegates responsibilities to authorize expense reimbursement for business and approved travel claims, and provides guidelines and procedures in relation to the expenditure of Court funds, including grant monies, for business travel activities. According to this policy, requests to travel outside the County on Court business must be submitted on a Travel Request Form. If the traveler received an advance or incurred expenses during the trip, the traveler must complete and submit a Travel Expense Worksheet within five working days upon return. The Court also uses a Request for Approval of Official Court Business Meeting Expense Form to document requests and approvals for business meals.

Issues

During our review of sample travel and business meal expenditures incurred in FY 2009-2010, we identified the following issues:

1. For seven travel claims reviewed where lodging expenditures were incurred, four claims exceeded the allowable nightly rate of \$110 but were not supported by sufficient exception request documentation. These exceptions range from \$133 to \$179 per night before taxes. All four travel claims were supported by Staff Travel Request forms approved by the traveler's direct supervisor and either the CEO or an executive team member. Although the forms specify the lodging establishment and rate, they do not provide justification and other supporting information for the exception request. Additionally, three of the four travel claims were for staff to attend CCMS V4 meetings in Santa Ana. Although the Court provided an e-mail in which the CEO authorized staff to be reimbursed at an increased rate at a named hotel, the e-mail does not include other necessary information such as the nightly rate to be authorized and information on hotels contacted to evidence that the Court attempted to locate lodging within the State rate. Furthermore, the e-mail approved a higher rate at a named hotel, but only one of these three lodging expenditures reviewed were incurred at the named

hotel. The Court later explained to us that this approval was intended to authorize a higher rate at the named hotel and surrounding lodging establishments.

2. The Court did not comply with FIN Manual requirements over allowable rates and authorized approvals for business meals:
 - **Repeat Issue:** One of four business meals reviewed exceeded the allowable per person rate provided in the FIN Manual. A similar issue was identified in the 2006 IAS audit. Specifically, the Court paid for a catered business lunch during an annual judicial officers' retreat for \$43 per person, which exceeded the allowable rate of \$28 for a business meal held at a conference site. The Court only paid for the business meal and audio visual costs because it had determined that these costs were incurred for meeting and educational training sessions and therefore allowable business expenses, while remaining retreat costs such as lodging were paid for by attendees.
 - Two of four business meal expenditures reviewed did not include a business meal form, memo, or e-mail approved by the PJ, CEO, or another judge; but was supported by e-mail requests approved by directors. The judicial retreat was also not supported by a business meal form, memo, or e-mail. Although the approval of the event may be implied, a request was not prepared to document the information required under FIN 8.05, 6.2(1)(a)-(g) to evidence that event met the requirements of a business meal.

Recommendations

To ensure that the Court demonstrates prudent use of public funds, we recommend that it does the following:

1. Improve its lodging exception request documentation by utilizing the sample Exception Request for Lodging form provided as an appendix to FIN 8.03, or ensure that lodging exception requests submitted by Court staff contain the elements required under FIN 8.03, 6.1.6(3).
2. Adhere to the business meal requirements provided in the FIN Manual. Specifically, the Court may pay or reimbursement for up to the allowable maximum business meal rate, and require individuals to pay for the portion that exceed the allowable maximum rate. Additionally, the Court should ensure that all business meal expenses are supported by a business meal form, memo, or e-mail pre-approved by the PJ, CEO, or another judge that includes all required information.

Superior Court Response

Date of Corrective Action: December 31, 2011

Responsible Person(s): Linda Abercrombie, Judicial Services Manager, Jeffrey Gately, Budget and Procurement Manager

The Court reviewed the recommendations and agrees with the findings. The Court will address and correct the issues. Also, the group meal costs in the facility in question included the room rental/set-up fee in the group meal cost. In the future, the Court will insure that these fees are itemized so that the group meal costs are reflected separately.

12. Fixed Assets Management

Background

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 Court's Property Unit tracks non-IT fixed assets, inventory items, and certain disposable items with an asset tracking software. The Court also contracts with a third party vendor to, among other things, track and regularly inventory IT equipment.

The table below presents some of the Court's expenditure general ledger accounts that are considered to be associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
922699 MINOR EQUIPMENT - UNDER \$	1,232,172	354,875	877,297	247
* 922600 - MINOR EQUIPMENT - UNDER	1,232,172	354,875	877,297	247
922899 OFFICE EQUIPMENT MAINTENA	234,628	232,282	2,346	1
* 922800 - EQUIPMENT MAINTENANCE	234,628	232,282	2,346	1
922913 REUPHOLSTERING FURNITURE	2,560	2,216	344	16
* 922900 - EQUIPMENT REPAIRS	2,560	2,216	344	16
952400 VEHICLE LEASING	104,370	136,704	(32,333)	(24)
952405 TOWING	601	1,334	(733)	(55)
* 952300 - VEHICLE OPERATIONS	104,971	138,038	(33,066)	(24)
945204 WEAPON SCREENING X-RAY MA	22,843	91,335	(68,492)	(75)
945301 MAJOR EQUIPMENT - NON-IT	16,400	334,881	(318,482)	(95)
946601 MAJOR EQUIPMENT - IT	140,311	94,558	45,753	48
* 945200 - MAJOR EQUIPMENT	179,553	520,775	(341,222)	(66)

We evaluated compliance with the FIN Manual requirements over fixed asset management, inventory control, software licensing control, and transfer and disposal practices through interviews with Court managers and staff, observations, and a review of supporting reports and documentation. Our review included the following:

- Reviewing the accuracy of the Court's fixed asset information reported in the Comprehensive Annual Financial Report worksheet statements 18 and 19 by comparing the reported amounts to the Court's supporting fixed asset listings or reports.
- Reviewing supporting purchase documents and invoices of selected expenditure transactions recorded to major and minor equipment general ledger accounts to determine whether the Court appropriately classified and recorded its purchases of fixed asset items.

- Assessing the completeness and accuracy of the Court's fixed asset and inventory listings by validating the existence of selected inventory and fixed asset items through physical observation.

There were only minor issues associated with this area that are contained in Appendix A to 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 FIN Manual requires a court, as a part of its standard management practice, to 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

IAS performed an audit of the Court in 2006 to determine compliance with statutes, Rules of Court, FIN Manual, and other policies; evaluate internal controls in fiscal and operational practices; and assess fiscal readiness for implementing the Court Accounting and Reporting System, currently known as Phoenix Financial System. Earlier in 2006, at the Court's request, IAS contracted with Sjoberg Evashenk Consulting to perform a forensic review of exhibit handling and limited cash handling practices at the East County facility. We followed up on issues identified in the forensic review and prior audit to determine whether the Court adequately resolved previous issues. Any uncorrected issues that had resurfaced in this audit are identified as repeat issues.

"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 San Diego County for the period July 1, 2000, through June 30, 2006. The revised report was issued on April 29, 2011. The SCO reported seven findings, of which three findings were directed at the Court. We take these findings into consideration when planning our revenue distribution review to determine, to the extent possible, whether these findings have been resolved. Issues identified from our revenue distribution review, if any, are presented in Section 6 of this audit report.

14. Records Retention

Background

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

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

There were no issues to report to management.

15. Domestic Violence

Background

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.

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 reviewed the case files for selected 2011 criminal domestic violence convictions at each Court location to determine whether the Court assessed the mandated fines and fees in the appropriate amounts.

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

15.1 The Court Did Not Correctly Impose Certain Required Fines, Fees, and Assessments for Criminal Domestic Violence Offenses

Background

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

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

Courts are required to impose or assess the following statutory fines and fees in DV cases:

- Penal Code (PC) 1202.4 (b) State Restitution Fine
Courts must impose a separate and additional State Restitution Fine of not less than \$200 for a felony conviction and not less than \$100 for a misdemeanor conviction in every case where a person is convicted of a crime.
- 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.
- 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.

The Court developed and maintains sentencing guidelines, *Standard Sentencing Guidelines for Infractions and Misdemeanors* as a tool to be used by judicial officers. The sentencing guidelines provide standard monetary and non-monetary sentences for domestic violence offenses. Since the sentencing guidelines were last revised in January 2009, the Court issued memorandums notifying judicial officers of statutory changes in required fines, fees, penalties, and other assessments intended to supplement the sentencing guidelines until the next revision.

Issues

During our review of 32 sample criminal domestic violence cases at each of the regional court locations, we identified the following issues:

1. The South and Central court locations did not assess the correct \$40 Court Security Fee, and in some cases the South County location did not assess a \$30 Criminal Conviction Assessment for sample cases reviewed. The Central location assessed a \$30 Court Security Fee and the South County location assessed a \$20 Court Security Fee in most cases. This may be a result of relying on outdated sentencing guidelines and forms. Specifically, the 2009 sentencing guidelines listed a \$20 Court Security Fee. Additionally, the Court relied on versions of the "Plea of Guilty/No Contest - Misdemeanor Domestic Violence" form that did not list the current Court Security Fee or Criminal Conviction Assessment.
2. **Repeat Issue:** For two cases reviewed where the defendant was convicted but probation was denied, the Court did not impose any monetary assessments. A similar issue was identified in the 2006 IAS audit. A minimum State Restitution Fine, Court Security Fee, and Criminal Conviction Assessment should have been assessed on the conviction, regardless of whether probation was granted. This may be due to unclear sentencing guidelines. Specifically, the

sentencing guidelines list all standard sentences for domestic violence offenses as pursuant to PC 1203.097. However, PC 1203.097 only lists minimum sentences if granted probation, including the \$400 Domestic Violence Fee, but does not address the State Restitution Fine, Court Security Fee, and Criminal Conviction Assessment that are mandatory for all convictions.

3. For six of seven cases reviewed with multiple convictions, the Court assessed only one Court Security Fee and/or one Criminal Conviction Assessment per case. However, both the Court Security Fee and Criminal Conviction Assessment are to be imposed per number of counts convicted, not per case.

Recommendations

The Court should revise its sentencing guidelines and forms in the following manner to assist judicial officers in imposing the minimum required fines, fees, penalties, and other assessments:

1. Issue sentencing guidelines and forms that reflect current fines, fees, penalties, and other assessments. For instance, the standard sentences for Domestic Violence Offenses should be updated to reflect a \$40 Court Security Fee per conviction. Although the Court issues memorandums notifying judicial officers of statutory changes intended to supplement the sentencing guidelines, they do not appear as effective as a set of updated and current sentencing guidelines.
2. Clarify that the minimum State Restitution Fine, Court Security Fee, and Criminal Conviction Assessments are to be imposed based on the conviction rather than as a condition of probation pursuant to PC 1203.097.
3. Further clarify that the Court Security Fee and Criminal Conviction Assessment are to be imposed per conviction as opposed to per case.

Superior Court Response

The Court reviewed the issues and agrees with the findings. The Court has already corrected the Plea of Guilty/No Contest - Misdemeanor Domestic Violence (SDSC Form #CRM-184) form and will address and implement the other recommendations as well.

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 best practice for trial courts is to establish written Exhibit Room Manuals (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.

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

16.1 The Court Has Not Inventoried Its Exhibits and Lacks Sufficient Management Oversight of Exhibit Room Activities

Background

Trial courts are responsible for properly handling, safeguarding, recording and transferring exhibits. Those trial courts that successfully perform these duties do so through monitoring tools that include but are not limited to the following:

- A physical inventory of exhibits to confirm their existence and status, which includes reconciling exhibit items to the records stored in an automated or manual exhibit inventory system,
- A periodic and independent inspection by Court employees not handling exhibits, and,
- A methodology to timely purge exhibits in accordance statute, such as PC §1417 et. seq.

We contracted with Sjoberg Evashenk Consulting to perform a forensic review of cash and exhibit handling activities at the El Cajon Court in 2006. The AOC and the Court requested this review after the Court discovered that an El Cajon employee stole more than \$117,000 over a 20 year period. This 2006 review identified various internal control weaknesses in the Court's cash and exhibit handling practices that provided an opportunity for the employee to steal from cash collections and exhibit files, and for the theft to go undetected for a long period of time. The review concluded that a lack of management oversight and involvement by non-exhibit room staff in exhibit room activities provided an opportunity for the perpetrator, who held the position of a part-time exhibit room clerk, to steal money and other valuables from the exhibit files.

Issues

The Court has exhibit storage areas at five court facilities, with the Central Courthouse storing the majority of exhibits. With the exception of Juvenile Court, each location's exhibit storage area contains a wide range of exhibit items, ranging from paper documents and poster boards that hold no intrinsic value, to cash, firearms, and controlled substances. These locations also store toxic and biohazard materials that require special handling and packaging. The Court has implemented various controls to ensure that exhibits are appropriately handled and safeguarded. For instance, a regularly updated Exhibit Room Manual is provided to exhibit custodians to ensure that Penal Code sections and internally established procedures for handling exhibits are followed. Each exhibit storage area is alarmed, and each individual granted access into exhibit areas are assigned unique passwords to disarm the alarm, so entry into exhibit rooms may be recorded and monitored. Additionally, exhibit custodians use a manual system supplemented by database entries to track existing and disposed exhibits. Although the Court has established good controls to handle and safeguard exhibits, it has not established other important controls, as follows:

1. A physical inventory to reconcile the exhibit tracking system to the exhibit item is not performed at least annually, so the Court cannot ensure that it has an accurate and complete record of exhibits nor confirm the exhibit's existence.
2. There is insufficient management oversight of exhibit room activities, and similar concerns were raised in the 2006 forensic review. Although the Exhibit Custodian Coordinator performs periodic inspections of East, North, and South County exhibit rooms, periodic inspections are not performed at the Central and Juvenile Courthouse exhibit storage areas. The Exhibit Custodian Coordinator performs an audit of the cash exhibits during his inspections. He also audits the cash exhibits at the Central exhibit storage areas, but this conflicts with this duty as a Central exhibit custodian.

Inspections currently performed do not include a review of exhibit documentation to ensure that the addition and disposal of exhibits are properly supported. For instance, courtroom clerks detail exhibits received on a three-part exhibit list form, and submits this form with exhibits to the exhibit room custodian for storage. Although the custodian returns a copy of this form to the courtroom clerk, these forms are not centrally filed and utilized by management to validate the completeness of exhibit files. These control weaknesses were identified in the 2006 forensic review but have not been addressed.

Recommendations

To ensure that it maintains an accurate and complete record of exhibits and exhibits are properly stored, the Court should do the following:

1. Conduct an annual inventory at each exhibit storage location, which includes a reconciliation of the records maintained in the exhibit tracking system to the exhibit. Due to the sheer number of exhibits stored in the Central location, it may be a burden to require a full inventory to be conducted annually. As an alternative, a surprise inventory on a sample basis may be performed by an appropriate individual outside of the Central exhibit staff.
2. Perform periodic inspections at each exhibit storage location to ensure that appropriate documentation support the addition and disposal of exhibits. For instance, this review should include a validation of exhibit list forms collected by courtroom clerks to exhibit files, and that any items recorded as being disposed are supported by appropriate disposal documentation. Due to the large volume of exhibits received, the Court may focus this review on valuable and sensitive exhibits prone to theft, such as cash, firearms, and controlled substances. To ensure proper management oversight, inspections should be performed by an appropriate individual other than the exhibit custodian, such as the custodian's direct supervisor.

Superior Court Response

Agree with finding

Date of Corrective Action: Immediately

In addition: By December 31, 2012: Determine feasibility of full inventory on a periodic basis

Responsible Person: Kathy Williams, Court Operations Manager

Corrective Action: The Court agrees with the findings. Effective immediately, a periodic/surprise and independent inspection will be conducted biannually at each location by the Court Operations Manager who oversees the Exhibit Division countywide, but does not handle the exhibits. This inspection will include the records outlined in the audit recommendations. The Court will consider full inventory on a periodic basis.

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 were no issues to report to management.

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.

Construction of the new Central San Diego Courthouse received initial funding authorization under SB 1407 in November 2009, with an expected completion date of January 2016. The County and the AOC have negotiated an equity exchange agreement for a site near the Central Jail, Hall of Justice and the existing County Courthouse. The proposed project, which is identified as an immediate and critical need project, would replace the County Courthouse, the Family Courthouse, and the Madge Bradley Courthouse in downtown San Diego. These buildings have been found to be unsafe, overcrowded, and inadequate for modern court operations. It would also bring to downtown a small claims calendar from the Kearney Mesa courthouse. The project also includes a tunnel between the new courthouse and the Central Jail and a bridge between the new courthouse and the Hall of Justice.

According to OCCM's August 2011 Progress Report for the New San Diego Central Courthouse, Schematic Design has been completed. The FY 2011 – 2012 state budget included authorization and funding for the working drawing phase of this project, but funds have not been transferred for this phase because of the unallocated funding reduction by the legislature from the entire SB 1407 Court Building Program. The Judicial Council is expected to decide on how to proceed with the Court Building Program, including the new San Diego Central Courthouse, by December 2011.

In the table below are balances from the Court's expenditure general ledger accounts that are associated with this section. A description of the areas and how they have been reviewed as part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
935202 RENT/LEASE NON-STATE OWNE	205,937	233,964	(28,026)	(12)
* 935200 - RENT/LEASE	205,937	233,964	(28,026)	(12)
935405 CARPET	4,985	19,352	(14,367)	(74)
935407 PAINT, PROTECTIVE COATING	2,265	4,340	(2,075)	(48)
* 935400 - MAINTENANCE AND SUPPLIES	7,250	23,692	(16,442)	(69)
935501 GROUNDS MAINTENANCE	12,831	10,200	2,631	26
* 935500 - GROUNDS	12,831	10,200	2,631	26
935601 ALTERATION & IMPROVEMENTS	5,810	110,953	(105,143)	(95)
* 935600 - ALTERATION	5,810	110,953	(105,143)	(95)
935702 WINDOW COVERINGS	1,451	2,723	(1,272)	(47)
* 935700 - OTHER FACILITY COSTS - G	1,451	2,723	(1,272)	(47)
935801 WASTE REMOVAL SERVICE	56	490	(434)	(88)
* 935800 - OTHER FACILITY COSTS - S	56	490	(434)	(88)
** FACILITY OPERATION TOTAL	233,335	382,022	(148,686)	(39)

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 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 balances from the Court's general ledger that are associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Revenues				
823001 MISCELLANEOUS REVENUE	(3,914)	(4,420)	(506)	(11)
823003 ESCHEATMENT REVENUE TRUST	(445,101)	(1,152,836)	(707,735)	(61)
823010 DONATIONS	(100)	-	100	-
823011 JUDGES VOLUNTARY DONATION	(22,782)	-	22,782	-
** 823000-OTHER - REVENUE	(471,896)	(1,157,256)	(685,359)	(59)

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 to report to management.

Appendix A

Issues Control Log

Superior Court of California, County of San Diego

Note:

The Issues 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 considered minor and listed only in the appendix. Additionally, issues that were not significant enough to be included in the report were communicated to 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 incomplete at the end of the audit have an ‘I’ in the column labeled I and include the Court’s Estimated Completion Date.

Internal Audit Services will periodically contact the Court to monitor the status of its stated corrective efforts.

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration							
	Log		Although the CCMS V3 and Fastrack systems have the capability to track matters taken under submission, most Court locations do not utilize this functionality to assist judicial officers with monthly reporting. Specifically, only the Central (Civil) and South Counties periodically review and update submitted matters entries to ensure accuracy so that this information may be relied on by judicial officers for monthly reporting.	I	The Court will address with all branches that the proper codes are to be entered into CCMS V3 and Fastrack to ensure that the monthly reporting is accurate. By June 30, 2012, the Court will review the feasibility and operational effects of periodically reviewing/verifying the reports.	Carol Marchesano	June 30, 2012
2 Fiscal Management			No issues to report				
3 Fund Accounting and Budgets			No issues to report				
4 Accounting Principles and Practices							
	Log		Certain expenditures submitted for reimbursement for the AB1058 CSC grant were not within the period of availability. Specifically, the personnel services and courtroom security expenditures submitted for the July 2009 service period included services performed on June 19-30 because these were part of the payroll period ending July 2.	C	AB 1058 invoices starting in FY 10-11 only include personnel dates worked within the fiscal year (July 1 to June 30).	Beverly Tuazon	July 1, 2010

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
5	Cash Handling						
	5.1	1	Procedures for Mail Payment Monitoring and Processing Need Improvement				
			The Court does not comply with FIN 10.02, 6.4(4) requirements for logging and reporting mail payments backlog to management, but more streamlined backlog reporting and monitoring procedures may be sufficient for divisions receiving high volume of mail payments.	I	All Court operating divisions will adopt backlog reporting and monitoring procedures similar to the North County's existing backlog reporting mechanism. The backlog reports will be submitted monthly to the respective Assistant Executive Officer for review and discussion with operation managers.	Accounting Managers, Central and North County Divisions; Accountant, Central Division; Accounting Supervisors, South and East County Divisions	November 1, 2011
			In operating divisions where cashiers ring mail payments into the system, mail payments are co-mingled with counter payments, so there is a risk of lapping.	I	The Court will attempt to follow AOC recommendations and do so by December 31, 2011. In situations where the Court cannot comply with the AOC recommendations due to staffing levels, the Court will institute an alternative policy and procedure by December 31, 2011 to address this issue.		December 31, 2011
	5.2	2	Court has Control Weaknesses in its Daily Closeout and Balancing Procedures				
			There are control weaknesses associated with the self-balancing module in CCMS V3. Although the Court has implemented interim closeout procedures, they were not always followed.	C	The non-compliance situations observed during the audit were lapses and corrective action has been taken to reinforce the need to follow proper close out procedures. The Court believes that the issues have been resolved with the retraining on the interim internal procedure. The AOC CCMS Project Office has been notified of the CCMS V3 weakness in this area and the Court will continue to utilize the internal procedure until an enhancement to CCMS V3 is implemented.	Accounting Managers, Central and North County Divisions; Accountant, Central Division; Accounting Supervisors, South and East County Divisions	Immediately
	5.3	3	Controls over Manual Receipts are Insufficient in Two Operating Divisions				
			The Central Family Services Division used a handwritten receipt book that was not properly controlled, and did not maintain sufficient records to evidence that handwritten receipt payments were entered into the system.	C	The Court agrees to discontinue using the County receipt book. This recommendation was implemented on September 14, 2011. For audit purposes, the unused receipts have been perforated and stored in the Central Accounting Unit for inspection/ verification at any time.	Accounting Manager and Accountant, Central Division	September 14, 2011
			The Central Family Services and Family Court Services Divisions did not have sufficient controls over Court-issued handwritten receipts, and as a result could not locate carbon copies of some used receipts.	I	The Court also implemented the use of local form ADM-293, Hand Receipt Log to address the issues identified. This form will facilitate follow-up with divisions should gaps be identified in the number sequences of manual receipts used. In addition, the Court plans to conduct a Hand Receipts Inventory that will contain sufficient information for audit trail purposes.	Accounting Managers, Central and North County Divisions; Accountant, Central Division; Accounting Supervisors, South and East County Divisions	October 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	5.4	4	Court Does Not Comply with Certain FIN Manual Requirements for Change Funds				
			The Court has not appointed a designated change fund custodian for funds that exceed \$500.	C	The Court agrees to appoint a change fund custodian over each change fund that exceeds \$500. The Court also agrees with the recommendation to lower the change fund amount for locations that do not receive a high volume of currency.	Accounting Managers, Central and North County Divisions; Accountant, Central Division;	September 15, 2011
			Four operating divisions did not reconcile their change funds daily, although these locations made change from their funds either daily or multiple times per week.	I	For the operating divisions currently not complying with the requirements of FIN 10.02, 6.3.1 (6), the Court will develop an alternative policy and procedures to address this issue and it will be submitted to the AOC no later than December 31, 2011.	Accounting Supervisors, South and East County Divisions	December 31, 2011
		Log	Two employees of AllianceOne, the Court's collections agency, may accept forthwith counter payments, a function performed by Court employees, but the function is not covered in the contract with the vendor.	C	Alliance One staff is no longer accepting counter payments, they are completing duties that are included as a function of their contract.	Steve Travers	July 5, 2011
		Log	Although the Central Family Services Division, Juvenile Business Office, and East County Family Law Division log all mail payments, the logs do not contain columns for one or more of the following: check/MO number, date received, and names of persons handling payments.	I	The Court will ensure mail payment logs will be updated and will substantially comply with the recommendations as the logs will contain sufficient information in order to track payments for audit or research purposes.	Central: Steve Travers East: Caroline Idos	December 31, 2011
		Log	The Central Family Services and East County Family Law Divisions do not reconcile their mail payments logs to cashiering reports to ensure that all mail payments were promptly processed into the system.	I	Due to staffing shortages, the Court cannot comply but will submit alternate procedures for these areas.	Central: Steve Travers East: Caroline Idos	March 30, 2012
		Log	In the East County Family Law Division, the same person who opened and logged mail payments may also process mail payments into the system, but these are conflicting duties.	C	The Court now segregates these duties.	Caroline Idos	September 30, 2011
		Log	We observed during the opening process at the Central Civil Division that the cashier did not count her starting cash fund in the presence of the supervisor or lead clerk.	C	The Court believes that the observed occurrence was a lapse in procedures. The concerned area confirmed that staff has been reminded of the proper procedures.	Steve Travers	September 30, 2011
		Log	In East County, a cashier did not submit her collections and closeout report at the end of the day, and this incident occurred undetected because the cashier did not check out a starting cash fund.	C	The Court believes that this is an isolated occurrence. The cashier has been reminded of the proper procedures.	Caroline D. Idos	September 30, 2011
		Log	Repeat Issue: The Central Criminal Division, Central Misdemeanor Business Office, and Juvenile Business Office did not change their safe combinations periodically or when the composition of staff with knowledge of the combination changes.	I	The Court has made arrangements to have the safe combinations changed. The Court will maintain the approved form ADM-292 Safe/Vault Combination Change Record.	Steve Travers	December 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The key to the safe in the Juvenile Administration Office is locked in an overhead cabinet, but the key to the overhead cabinet is not secured. The office is unlocked during the day and accessible to the public and other division staff. Additionally, there is only one safe key available. Therefore, if the Court secures or loses the key, this would pose access problems.	I	The safe at the Juvenile Administration office is going to be replaced with a combination safe. This eliminates the risks regarding the key to the old safe.	Steve Travers	December 1, 2011
		Log	The North County Criminal Division and Ramona Branch do not have records of the last time their safe combinations were changed, and/or individuals with access to the safe.	I	The Court has made arrangements to have the safe combinations changed. The Court will maintain the approved form ADM-292 Safe/Vault Combination Change Record.	Divina Tejada Carol Idos	December 1, 2011
		Log	The Court has an excessive number of CCMS V3 users authorized to void transactions, and some of these users' ability to void transactions is not commensurate with their job responsibilities.	I	The Court will review the CCMS V3 users authorized to void transactions and remove that authorization for those that are not commensurate with their job responsibilities.	Steve Travers Carol Idos Divina Tejada	December 31, 2011
		Log	North County Divisions require voids to be approved by (1) a supervisor or lead clerk and (2) an accounting clerk, which may be excessive since the FIN Manual only requires supervisory approval.	I	Court Operation Supervisor will approve void transactions. Accounting will fill in only if no supervisor is available to approve void transactions.	Divina Tejada	November 1, 2011
		Log	The Court did not always generate a partial payment notice in CCMS V3. As a result, full payment was not always received within 20 days.	I	An amendment to an operational directive addressing this issue is being finalized. After system programming, this will be fully implemented by 3/1/2012.	Steve Travers	March 1, 2012
		Log	The Court has conflicting procedures for processing insufficient payments. Specifically, the Court's more recent CCMS V3 procedures direct clerks to deposit partial payments for civil and small claims fees in trust, while a Courtwide Operational Directive directs clerks to accept filings but reject insufficient payments.	I	An amendment to an operational directive addressing this issue is being finalized and will be implemented by 1/31/2012.	Steve Travers	January 31, 2012
		Log	The Court's threshold for refunding excess payments is more than \$25 instead of the \$10 threshold authorized by the FIN Manual.	I	The Court will submit an alternate procedure request to the AOC to address this area.	Steve Travers	March 31, 2012
		Log	Repeat Issue: Several divisions allow payments to be received in the courtroom, but do not issue manual receipts to (a) ensure that all payments are timely processed into the system, and (2) provide an acknowledgment to the party for payment.	I	The Court will evaluate the feasibility of this recommendation. The Court will weigh the level of risks compared to the operational costs. Therefore, the Court may decide not to change procedures since the additional costs to comply may exceed the potential risk of loss.	Steve Travers Carol Idos Divina Tejada	December 31, 2011
		Log	The Central Division did not consistently notify the DMV when defendants failed to timely pay amounts due on criminal convictions pursuant to VC 40509(b) or VC 40509.5(b).	C	A new manual process has been adopted to ensure all criminal cases with DMV reportable violations are reported upon referral to collections effective September 1, 2011.	Steve Travers	September 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
6							
Information Systems							
	6.1	10	The Court Did Not Distribute Certain Collections in Accordance with Statutes and Guidelines				
			The Court does not correctly distribute or impose certain fees for DUI and reckless driving convictions, including the \$50 Laboratory Fee pursuant to PC 1463.14(a), \$30 Alcohol Prevention and Abuse Penalty Assessment pursuant to PC 1463.25, and \$20 Indemnification of Victims Fee pursuant to PC 1463.18.	I	The Court has reviewed the recommendations. Due to the complexity of revenue distribution, the Court will further analyze the audit findings to validate and also to determine the cause. The Court will make all necessary corrections to comply. Because the Court's aging legacy system likely will require updates in certain situations and based on the amount of work to update the system, including programming and testing, the Court has set a completion date of June 30, 2012.	Steve Travers Carol Idos Divina Tejada	June 30, 2012
			The Court did not apply the 2 Percent Automation distribution to the \$4 Emergency Medical Air Transportation (EMAT) assessment imposed on every vehicle code conviction.	I	See above	See above	See above
			The standard traffic school and Red Light traffic school dispositions contain minor discrepancies in the distribution of \$2 to the County Traffic School Fund, \$1 for the Night Court Assessment, and the base fine amounts for city arrests.	I	See above	See above	See above
			The Court incorrectly calculated the 30 Percent Allocation for Red Light bail forfeitures, as it does not include 30 percent of the local penalty assessment deposited to the Emergency Medical Services fund pursuant to GC 76000 and GC 76104, and from the EMAT assessment.	I	See above	See above	See above
			The Court incorrectly calculated the 30 Percent Allocation and Traffic Violator School Fee for Red Light traffic school dispositions so that the 30 Percent Allocation is understated and the Traffic Violator School Fee pursuant to VC 42007 is overstated.	I	See above	See above	See above
		Log	The Court only distributed \$7 for each Priors History Fee and License Hold Fee assessed on applicable Red Light Violations pursuant to VC 40508.6, but each fee should be \$10.	I	This oversight will be corrected immediately.	Accounting Supervisor, Central Division	October 11, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	6.2	6	The Court Has Weak Account Management and Password Controls for Its Receipting System				
			Court operations supervisors and above are given administrative rights in FMS that allows them to create, modify, and delete user accounts, and assign user passwords to their staff.	I	The Court agrees with the recommendation and will move the administration of FMS user accounts to the Information Technology Division.	IT Manager, IT Operation Services	November 21, 2011
			FMS does not have the capability to enforce strong password controls.	I	The Court will conduct a feasibility study to test a system update requiring users to be validated against a complex expiring password for each update transaction in FMS.	IT Manager, Application Services	December 31, 2011
	6.3	11	The Court Has an Outdated MOU for Access to DMV Records and Does Not Comply With Certain Security Requirements				
			The Court's MOU with DMV for online access was executed over 20 years ago and therefore contains outdated terms and conditions.	I	The Court reviewed the recommendations and agrees with the findings. The Court is working to address the issues outlined in this finding. The Court will update the MOU with the DMV and address the current DMV requirements. This includes ensuring access is logged so that activity can be more readily monitored as well as updating user lists and Information Security Statements.	Jeffrey Gately Lynda Abas John Schmitt	June 30, 2012 - For all the recommendations except the following: December 31, 2012 (Develop and implement the IT solution to properly monitor and identify record access)
			The Court does not electronically log online DMV record access information as required by DMV.	I	See above	See above	See above
			The Court did not ensure that all court employees and contractors with direct or incidental access to DMV records completed and signed Information Security Statements.	I	See above	See above	See above
			The Court has not ensured that online access to DMV records is restricted to employees who require access to perform their job duties.	I	See above	See above	See above
	Log		The Court informed us that it has not tested its Business Continuity Plan (BCP), such as through mock drills or table top analysis, since it completed the plan in 2007, although it does periodically update the plan as needed.	C	The BCP developed in 2007 has been tested in yearly tabletop analysis and updated annually. The results and updates are forwarded to the County's Office of Emergency Services. The BCP was implemented in part during the October 2007 Wildfires in San Diego County.	Ming Yim	Annually
	Log		Repeat issue: The Court has not developed a Disaster Recovery Plan (DRP) to address the recovery of IT processes, systems, applications, databases and network assets used to support critical business processes. The 2006 audit found that the Court has not developed a BCP and DRP. While the Court has completed its BCP, it has not yet developed a DRP. The Court informed us that it will undertake several major IT projects in FY 2011-2012 that will enhance its ability to respond to disaster scenarios.	I	The Court is developing a Continuity of Operations Plan (COOP) with the AOC's Office of Emergency Response & Security and is scheduled to complete the full Plan within 6 months. This Plan includes a DRP and is intended to meet the needs of all State Courts in California when developed to its full potential.	Ming Yim	March 1, 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log		Court management does not regularly review privileged user accounts set up on FMS and CCMS V3, such as accounts with administrative access.	I	The Court will review privileged user accounts on a quarterly basis.	Steve Travers Carol Idos Divina Tejada	November 1, 2011
7	Banking and Treasury						
	7.1	9	The Court Has Not Fully Reconciled All Trust Funds, While Trust Reconciliations Performed Are Not Current				
			The East, North, and South County Accounting Divisions do not periodically reconcile trust funds deposited within their respective regional court locations.	I	The Court agrees with the findings. The Court will reconcile the funds as outlined in the recommendations with a planned completion date of June 30, 2012. The Court will also review the feasibility of reconciling the trust funds centrally rather than on a regional basis.	Steve Travers Carol Idos Divina Tejada	June 30, 2012
			The Central Accounting Division's trust reconciliations between the general ledger and CMS subsidiary ledgers are not current.	I			
	Log		The Court closed six bank accounts that had been established outside of the AOC in 2008 and 2009, but did not submit requests to close bank accounts and supporting documentation to the AOC for approval.	C	The Court has now submitted the Notification to Close Bank Account and provided supporting documentation.	Catherine Bosinger, Steve Travers, Carol Idos, Divina Tejada	October 4, 2011
	Log		The Court has a revolving account for \$2,350 controlled by the Judicial Services Division to reimburse for low-dollar value purchases rather than for non-routine urgent disbursements. Low-dollar value purchases should be through the standard purchasing process or the petty cash fund.	C	Prior to the audit, the Court already had placed restrictions on this account's usage. The last reimbursement made by this account was December 2, 2010.	Michael Roddy	December 2, 2010
8	Court Security						
			No issues to report				
9	Procurement						
			No issues to report				
10	Contracts						
	Log		For one of four contract files reviewed, the Court does not have a current Certificate of Liability Insurance on file to evidence that the vendor has proper insurance coverage.	C	The Court did have the current Certificate of Liability Insurance but it was misfiled.	Charles Hall	October 5, 2011
	Log		Although the County bills the Court for payroll and human resources services (posted as County Auditor Controller Services expenditures) based on the A-87 indirect cost allocation methodology, the Court does not request for supporting documentation to verify that amounts billed match the cost allocation plan.	I	The Court has now requested the FY 11-12 A-87 supporting documentation from the County.	Beverly Tuazon	December 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE		
11	Accounts Payable								
		11.1	8		The Court Did Not Comply with FIN Manual Requirements for Travel and Business Meals				
					For seven travel claims reviewed where lodging expenditures were incurred, four claims exceeded the allowable nightly rate of \$110 but were not supported by sufficient exception request documentation.	I	The Court reviewed the recommendations and agrees with the findings. The Court will address and correct the issues. Also, the group meal costs in the facility in question included the room rental/set-up fee in the group meal cost. In the future, the Court will insure that these fees are itemized so that the group meal costs are reflected separately.	Linda Abercrombie	December 31, 2011
					The Court did not comply with FIN Manual requirements over allowable rates and authorized approvals for business meals.	I	See above	See above	See above
		Log			Although three of four business meal expenditures reviewed were supported by a request form or e-mail, the requests were missing one or more of the following: scheduled start and end times of the meeting, category and duration of the meal, copy of formal agenda, and/or list of expected attendees.	C	The Court has reminded staff that all business meal expenses should be supported by a pre-approved business meal form, memo, or e-mail that includes all required information.	Jeff Gately	October 19, 2011
		Log			One of seven travel expense claims reviewed where lodging expenses were claimed did not include a hotel bill with a zero balance due.	C	The Court now has the receipt from the Hotel showing a zero balance. The concerned staff has been reminded of the correct procedure.	Linda Abercrombie	September 28, 2011
		Log			Two of 30 invoices and claims reviewed (leased copier usage invoice and record storage and retrieval invoice) did not contain a signature to evidence that services were rendered and invoice is approved for payment.	C	The Court has reminded account payable staff to verify all documentation for invoices and claims prior to payment.	Matt Browning	October 19, 2011
		Log			Four of 30 invoices and claims reviewed were not date-stamped.	C	Accounts payable staff were reminded that invoices received from other court areas are required be date stamped.	Matt Browning	September 28, 2011
		Log			The Petty Cash Funds at East (\$750), South (\$600), and North (\$500) County Divisions may be too large for the frequency of petty cash disbursements and/or replenishments.	I	North, South, and East County Divisions agree with the auditor's observation and will reduce their respective Petty Cash Funds to \$300.	North: Divina Tejada South/East: Caroline Idos	November 1, 2011
		Log			The Change of Petty Cash Custodian Form was not always approved by the CEO or AEO of the respective court location. Specifically, the form documenting the most recent change in East County in 2006 does not include an approval signature, and the form documenting the change in South County Petty Cash Custodian in 2008 was approved by a Court Operations Supervisor.	C	The Change of Petty Cash Custodian Form (SDSC ADM-210) has now been completed and approved by the AEO.	South/East: Caroline Idos	September 1, 2011
		Log			During a review of the Central Executive Office Petty Cash disbursements within a 12-month period, we found that the fund was used repeatedly to pay for food and refreshments, but not all claims for these expenses were supported by an approved business meal request.	C	The Court has reminded staff that all business meal expenses should be supported by a pre-approved business meal form, memo, or e-mail that includes all required information.	Jeff Gately	October 19, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
12 Fixed Assets Management							
	Log		The Court has not correctly reported all fixed asset transactions on its CAFR worksheets 18 and 19. Specifically, additions may be understated because the Court did not record all components of an asset, including ancillary costs, as major equipment expenditures in its general ledger. Additionally, deductions may be overstated because it only includes salvaged items tracked on the Court's asset tracking database, but not salvaged IT equipment tracked by the Court's vendor.	I	The Court Admin Services Division is currently working with Court IT and the Property Department to report its fixed asset transactions on its CAFR worksheets 18 and 19. Once completed, the Court will adjust next year's CAFR worksheets 18 and 19.	Catherine Bosinger/Lynda Abas/Norm Bryant	June 30, 2012
	Log		During our review of the Court's asset tracking database, we could not locate 15 of the 100 minor equipments (valued at less than \$5,000) or records of the equipments sampled, although we were able to locate all 34 fixed assets (valued at \$5,000 and above) sampled. Since bringing these exceptions to the Court's attention, the Court informed us that it has been able to locate and/or adjust its records relating to 11 of these 15 items.	C	As of September 29, 2011, the remaining four (4) items have been located and validated against an inventory report.	Lynda Abas	September 29, 2011
13 Audits			No issues to report				
14 Records Retention			No issues to report				
15 Domestic Violence							
	15.1	7	The Court Did Not Correctly Impose Certain Required Fines, Fees, and Assessments for Criminal Domestic Violence Offenses				
			The South and Central court locations did not assess the correct \$40 Court Security Fee, and in some cases the South County location did not assess a \$30 Criminal Conviction Assessment for sample cases reviewed.	I	The Court reviewed the issues and agrees with the findings. The Court has already corrected the Plea of Guilty/No Contest - Misdemeanor Domestic Violence (SDSC Form #CRM-184) form and will address and implement the other recommendations as well.	Senior Administrative Analyst, Government Documents/ San Diego Justice Foundation	January 1, 2012
			For two cases reviewed where the defendant was convicted but probation was denied, the Court did not impose any monetary assessments.				
			For six of seven cases reviewed with multiple convictions, the Court assessed only one Court Security Fee and/or one Criminal Conviction Assessment per case.				

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	C/I	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
16 Exhibits							
	16.1	5	The Court Has Not Inventoried Its Exhibits and Lacks Sufficient Management Oversight of Exhibit Room Activities				
			A physical inventory to reconcile the exhibit tracking system to the exhibit item is not performed at least annually.	C	Effective immediately, a periodic/surprise and independent inspection will be conducted biannually at each location by the Court Operations Manager who oversees the Exhibit Division countywide, but does not handle the exhibits.	Court Operations Manager, Central Court Support, Appeals, Exhibits	Immediately
			There is insufficient management oversight of exhibit room activities, and similar concerns were raised in the 2006 forensic review.	C	A periodic inspection of the documentation for disposal and additions to the exhibit room will be performed biannually at each location by the Court Operations Manager who oversees the Exhibit Division countywide. This review will include the exhibit lists and forms that are maintained outside the exhibit room including, but not limited to, forms or lists maintained by courtroom staff.		
	Log		At the Central and East County exhibit locations, the combination to the exhibit vault/safe is not changed periodically or with changes in exhibit staff.	C	Effective immediately, the Exhibit Custodian Coordinator will periodically request the combinations to the exhibit vaults/safes be changed.	Bill Nicks	September 28, 2011
	Log		Panic buttons are not installed in the East County exhibit room.	I	South County does have a panic button already installed located next to the clerk's desk. A panic button will be installed in the exhibit room in East County.	Bill Nicks	January 31, 2012
	Log		The two panic buttons installed in the main vault anteroom in Central Courthouse are not periodically tested.	C	The Exhibit Custodian Coordinator will coordinate periodic testing of the panic buttons through County Security.	Bill Nicks	September 28, 2011
	Log		In the East County exhibit room, there are six sensitive items in the exhibit room that cannot be associated with a case in the case management system.	I	These are high risk items where exhibit tags have been removed/lost many years ago. The exhibit custodian has attempted to locate case information/ownership of these high risk items, but has been unsuccessful. These high risk items are being held in lieu of disposing of them until they can be matched up with the correct case through the normal destruction process.	Bill Nicks	On-going
17 Bail			No issues to report				
18 Facilities			No issues to report				
19 Miscellaneous			No issues to report				