



Audit of the  
Superior Court Of California,  
County of El Dorado

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REPORT OF  
INTERNAL AUDIT SERVICES

APRIL 2011



ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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**Superior Court of California, County of El Dorado**

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## MANAGEMENT SUMMARY

### Introduction

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

The audit of the Superior Court of California, County of El Dorado (Court), was initiated by IAS in April 2010. Depending on the size of the court, the audit process typically includes three or four audit cycles encompassing the following primary areas:

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

IAS audits cover all four of the above areas. The audit process involves a review of the Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. In September 2002 IAS contracted with Sjoberg Evashenk Consulting, LLC, to perform an Agreed-Upon Procedures Review of the Court's fiscal operations. The primary purpose of this review was to assess the Court's readiness to migrate onto the AOC's Phoenix Financial System, previously known as CARS.

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 does not believe that FISMA applies 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.

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 discussed and 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.

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

#### *Distribution of Collections*

The Court did not distribute certain collections as prescribed by statutes and guidelines. State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. The Court uses its case management system to automatically calculate and distribute the collections it makes, and performs additional calculations for some distributions using a month-end spreadsheet to more accurately report its monthly revenue distributions.

Our review of the Court's distributions for the cases we selected to review identified various calculation and distribution errors. For example, the Court did not correctly assess the administrative fee for checking the department of motor vehicle records for prior convictions. Although statute allows courts to assess the administrative fee on subsequent violations of the Vehicle Code, the Court assesses this administrative fee even when the defendant did not have any prior violations. In addition, the Court assessed a certain DNA penalty assessment twice, did not correctly calculate the 30 percent allocation to the Red Light fund, and did not correctly calculate distributions on various cases with traffic school dispositions.

The Court generally agreed with most of the audit recommendations and indicates taking corrective action to address the noted issues. However, the Court disagrees that IAS should report some issues because the AOC Office of General Counsel did not clarify the DMV administrative fee statute until September 2010 and the State Controller's Office previously found the erroneous duplicate DNA penalty assessment that the Court immediately corrected in November 2009.

#### Trust Account Reconciliations

The Court does not maintain current reconciliations of its trust accounts and does not require supervisory review and approval of the monthly reconciliations. 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. Therefore, a complete reconciliation of the bank account, the fiscal system, and the detailed subsidiary record system for trust account activity, usually the case management system, is needed. Additionally, the person who prepares the monthly bank reconciliation cannot also approve it. The monthly bank reconciliation must be signed and dated by both the person who prepared it and the person who reviewed it. Furthermore, because the State is vitally concerned with maximizing the interest earned on funds deposited in bank accounts, courts should strive to obtain the highest net return on its funds.

Our review of the Court's banking and treasury practices identified that the Court has not kept up-to-date reconciliations for four of the six accounts it has on deposit with the County Treasury as of June 30, 2010. In addition, the Court has not required nor implemented a secondary review and approval process for its monthly reconciliations. Finally, the Court does not maximize interest earnings on the more than \$1.5 million it has on deposit with the County because the monies it has on deposit with the County Treasury are not part of a pooled cash account that earns interest.

The Court agreed with the audit recommendations and indicates taking corrective action to address the noted issues.

#### Travel Expense Reimbursement

The Court needs to improve its procedures for reviewing and approving travel expense claims. As stewards of public funds, courts are obligated to demonstrate responsible and economical use of public funds. Additionally, statute and policy requires trial court judges and employees to follow business-related travel reimbursement procedures recommended by the Administrative Director of the Courts and approved by the Judicial Council. As such, the FIN Manual provides trial courts with policy and procedures—including rules and limits—for arranging, engaging in, and claiming reimbursement for travel expenses that employees incur while on official court business. Similarly, the FIN Manual provides courts with rules and limits to follow for meals connected with official court business.

Although the FIN Manual provides uniform guidelines for courts to follow when processing travel expense claims (TEC) and business meals for payment, the Court did not always follow these guidelines. For instance, appropriate-level supervisors did not always review and approve the TECs. In addition, the Court did not always require employees to include in

their TECs information that is necessary for reviewers and approvers to determine whether the claimed expenses are appropriate. Finally, the Court did not ensure that it reimbursed only necessary business travel costs when it approved the reimbursement of lodging expenses that were questionable because the business purpose of the employee's overnight stay is questionable.

The Court agreed with the audit recommendations and indicates taking corrective action to address the noted issues.

## STATISTICS

The Court has nine judges and subordinate judicial officers who handled approximately 34,800 cases in FY 2008–2009 at four courthouses, two in Placerville, one in Cameron Park, and one in South Lake Tahoe. Further, the Court employed 88 full-time-equivalent staff to fulfill its administrative and operational activities, and incurred total trial court expenditures of nearly \$11.28 million for the fiscal year ended June 30, 2010.

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

For FY 2009–2010, the Court received various services from the County. For instance, the Court received County provided administrative services including, but not limited to printing, telecommunications, and mail services that are covered under a Memorandum of Understanding (MOU) with the County. It also received court security services from the County Sheriff under a separate MOU.

The charts that follow contain general Court statistical information.

<b>County Population</b> (Estimated as of January 1, 2010)	182,019
<small>Source: California Department of Finance</small>	
<b>Number of Case Filings in FY 2008–2009:</b>	
<b>Criminal Filings:</b>	
1. Felonies	1,019
2. Non-Traffic Misdemeanor	2,070
3. Non-Traffic Infractions	859
4. Traffic Misdemeanors	2,878
5. Traffic Infractions	19,666
<b>Civil Filings:</b>	
1. Civil Unlimited	1,131
2. Family Law (Marital)	809
3. Family Law Petitions	1,420
4. Probate	226
5. Limited Civil	2,605
6. Small Claims	972

<p><b>Juvenile Filings:</b></p> <ol style="list-style-type: none"> <li>1. Juvenile Delinquency – Original</li> <li>2. Juvenile Delinquency – Subsequent</li> <li>3. Juvenile Dependency – Original</li> <li>4. Juvenile Dependency – Subsequent</li> </ol> <p>Source: Judicial Council of California's 2010 Court Statistics Report</p>	<p>350</p> <p>524</p> <p>228</p> <p>46</p>
<p><b>Number of Court Locations</b></p> <p><b>Number of Courtrooms</b></p> <p>Source: Superior Court of California, County of El Dorado</p>	<p>4</p> <p>12</p>
<p><b>Judicial Officers as of June 30, 2010:</b></p> <p>Authorized Judgeships</p> <p>Authorized Subordinate Judicial Officers</p> <p>Source: Judicial Council of California's 2010 Court Statistics Report</p>	<p>7</p> <p>2</p>
<p><b>Court Staff as of June 30, 2010:</b></p> <p>Total Authorized FTE Positions</p> <p>Total Filled FTE Positions</p> <p>Total Fiscal Staff</p> <p>Source: Fourth Quarter FY 2009–2010 Quarterly Financial Statements and FY 2009-2010 Schedule 7A</p>	<p>99.5</p> <p>88.0</p> <p>4.0</p>
<p><b>Select FY 2009-2010 Financial Information:</b></p> <p>Trial Court Trust Fund Total Financing Sources</p> <p>Trial Court Trust Fund Expenditures</p> <p>Non-Trial Court Trust Fund Total Financing Sources</p> <p>Non-Trial Court Trust Fund Expenditures</p> <p>Total Personal Services Costs (TCTF)</p> <p>Total Temporary Help Costs (TCTF)</p> <p>Total Personal Services Costs (NTCTF)</p> <p>Total Temporary Costs (NTCTF)</p> <p>Source: Fourth Quarter FY 2009–2010 Quarterly Financial Statements</p>	<p>\$ 12,690,462</p> <p>\$ 10,991,987</p> <p>\$ 1,579,443</p> <p>\$ 284,738</p> <p>\$ 7,142,020</p> <p>\$ 47,593</p> <p>\$78,405</p> <p>\$182</p>
<p><b>FY 2009–2010 Average Daily Cash Collections</b></p> <p>Source: Superior Court of California, County of El Dorado</p>	<p>\$32,722</p>

## FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

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

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

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

The fiscal year 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 uses the following fund classifications and types:

- **Governmental**

- **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
- **Special Revenue** – Used to account for certain revenue sources "earmarked" for specific purposes (including grants received). Funds here include:
  - **Special Revenue**
    1. Small Claims Advisory – 120003
    2. Enhanced Collections – 120007
    3. Children's Waiting Room – 180005
  - **Grants**
    1. AB1058 Family Law Facilitator – 1910581
    2. AB1058 Child Support Commissioner – 1910591
    3. Substance Abuse Focus – 1910601
    4. DUI Court Expansion – 1910681

- **Fiduciary**

- **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used "to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs."<sup>1</sup> Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to "a trust agreement that affects the degree of management involvement and the length of time that the resources are held."

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

Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:

- Trust – 320001
  
- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the parties on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide financial statements.<sup>2</sup> **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
  - Civil Filing Fees Fund – 450000

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

**El Dorado Superior Court  
Trial Court Operations Fund  
Balance Sheet  
As of June 30  
(Unaudited)**

	2010					2009
	Governmental Funds			Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue				
		Non-Grant	Grant			
<b>ASSETS</b>						
Operations	\$ (227,295)	\$ 157,605	\$ 150	\$ -	\$ (69,540)	\$ 163,725
Revolving	50,000	-	(150)	-	49,850	24,682
Civil Filing Fees	-	-	-	251,501	251,501	208,495
Trust	-	-	-	426,677	426,677	198,048
Cash on Hand	2,280	-	-	-	2,280	2,280
Cash Held Outside of the AOC	-	-	-	1,561,145	1,561,145	514,286
<b>Total Cash</b>	<b>\$ (175,015)</b>	<b>\$ 157,605</b>	<b>\$ -</b>	<b>\$ 2,239,323</b>	<b>\$ 2,221,913</b>	<b>\$ 1,111,516</b>
Short Term Investment	\$ 4,104,623	\$ 634	\$ -	\$ -	\$ 4,105,257	\$ 3,950,000
<b>Total Investments</b>	<b>\$ 4,104,623</b>	<b>\$ 634</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,105,257</b>	<b>\$ 3,950,000</b>
Accrued Revenue	\$ 5,848	\$ 190	\$ -	\$ 2	\$ 6,040	\$ 2,564
Accounts Receivable - General	-	-	-	-	-	152,186
Due From Employee	546	-	-	-	546	-
Civil Jury Fees	-	-	-	-	-	1,067
Due From Other Funds	82,188	-	-	-	82,188	148,754
Due From Other Governments	102,527	10,549	30,941	-	144,017	1,755
Due From State	159,185	2,326	52,537	-	214,048	239,589
<b>Total Receivables</b>	<b>\$ 350,294</b>	<b>\$ 13,065</b>	<b>\$ 83,478</b>	<b>\$ 2</b>	<b>\$ 446,839</b>	<b>\$ 545,915</b>
Prepaid Expenses - General	\$ 848	\$ -	\$ -	\$ -	\$ 848	\$ -
<b>Total Prepaid Expenses</b>	<b>\$ 848</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 848</b>	<b>\$ -</b>
Deposits with Others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
<b>Total Other Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 500</b>
<b>Total Assets</b>	<b>\$ 4,280,750</b>	<b>\$ 171,304</b>	<b>\$ 83,478</b>	<b>\$ 2,239,325</b>	<b>\$ 6,774,857</b>	<b>\$ 5,607,931</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accrued Liabilities	\$ 1,064,336	\$ 1,000	\$ 11,402	\$ -	\$ 1,076,738	\$ 1,302,854
Accounts Payable - General	39,913	-	150	5,860	45,923	9,907
Due to Other Funds	-	10,096	71,926	166	82,188	148,754
TC145 Liability	-	-	-	251,501	251,501	208,495
Due to Other Governments	150,000	-	-	-	150,000	-
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 1,254,249</b>	<b>\$ 11,096</b>	<b>\$ 83,478</b>	<b>\$ 257,527</b>	<b>\$ 1,606,350</b>	<b>\$ 1,670,010</b>
Civil	\$ -	\$ -	\$ -	\$ 391,846	\$ 391,846	\$ 171,200
Trust Held Outside of the AOC	-	-	-	1,561,145	1,561,145	514,286
Trust Interest Payable	-	-	-	6,437	6,437	6,187
<b>Total Trust Deposits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,959,428</b>	<b>\$ 1,959,428</b>	<b>\$ 691,673</b>
Accrued Payroll	\$ 172,499	\$ -	\$ -	\$ -	\$ 172,499	\$ 161,407
Benefits Payable	13,976	-	-	-	13,976	82,623
Deferred Compensation Payable	-	-	-	-	-	7,085
Payroll Clearing	2,386	-	-	-	2,386	-
<b>Total Payroll Liabilities</b>	<b>\$ 188,861</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 188,861</b>	<b>\$ 251,115</b>
Reimbursements Collected	\$ 1,350	\$ -	\$ -	\$ -	\$ 1,350	\$ 938
Liabilities For Deposits	3,318	-	-	170	3,488	2,268
Jury Fees - Non-Interest	-	-	-	22,200	22,200	20,650
<b>Total Other Liabilities</b>	<b>\$ 4,668</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,370</b>	<b>\$ 27,038</b>	<b>\$ 23,856</b>
<b>Total Liabilities</b>	<b>\$ 1,447,778</b>	<b>\$ 11,096</b>	<b>\$ 83,478</b>	<b>\$ 2,239,325</b>	<b>\$ 3,781,677</b>	<b>\$ 2,636,654</b>
Fund Balance - Restricted						
Contractual	\$ 221,432	\$ -	\$ -	\$ -	\$ 221,432	\$ 222,255
Statutory	-	160,208	-	-	160,208	238,621
Fund Balance - Unrestricted						
Designated	2,611,539	-	-	-	2,611,539	2,510,401
Undesignated	1	-	-	-	1	-
<b>Total Fund Balance</b>	<b>\$ 2,832,972</b>	<b>\$ 160,208</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,993,180</b>	<b>\$ 2,971,277</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,280,750</b>	<b>\$ 171,304</b>	<b>\$ 83,478</b>	<b>\$ 2,239,325</b>	<b>\$ 6,774,857</b>	<b>\$ 5,607,931</b>

Source: Phoenix Financial System and Quarterly Financial Statements.

**El Dorado Superior Court  
Trial Court Operations Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Year Ended June 30,  
(Unaudited)**

	2010						2009		
	Governmental Funds				Fiduciary Funds	Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue		Grant					
		Non-Grant	Grant						
<b>REVENUES</b>									
<b>State Financing Sources</b>									
Trial Court Trust Fund	\$ 9,820,542	\$ 25,603	\$ -	\$ -	\$ 9,846,145	\$9,519,980	\$ 10,062,143	\$ 9,909,383	
Trial Court Improvement Fund	33,789	-	-	-	33,789	10,126	40,326	55,327	
Judicial Administration Efficiency & Mod Fund	-	-	-	-	-	-	62,436	62,440	
Court Interpreter (45.45)	215,402	-	-	-	215,402	192,877	176,566	200,000	
Civil Coordination Reimbursement (45.55)	-	-	-	-	-	-	-	-	
MOU Reimbursements (45.10 and General)	145,800	-	-	-	145,800	119,223	577,827	675,239	
Other Miscellaneous	-	-	-	-	-	-	59,305	59,305	
	\$ 10,215,533	\$ 25,603	\$ -	\$ -	\$ 10,241,136	\$ 9,842,206	\$ 10,978,603	\$10,961,694	
<b>Grants</b>									
AB 1058 Commissioner/Facilitator	-	-	417,644	-	417,644	511,632	414,188	401,989	
Other AOC Grants	-	-	41,914	-	41,914	84,907	212,607	302,422	
	\$ -	\$ -	\$ 459,558	\$ -	\$ 459,558	\$ 596,539	\$ 626,795	\$ 704,411	
<b>Other Financing Sources</b>									
Investment Income	\$ 23,101	\$ 826	\$ -	\$ -	\$ 23,927	\$ 46,468	\$ 47,661	\$ 45,689	
Donations	-	-	-	-	-	-	-	-	
Local Fees	344,861	-	-	-	344,861	\$209,156	209,156	245,570	
Non-Fee Revenues	49,128	-	-	-	49,128	45,979	45,979	35,000	
Enhanced Collections	-	82,324	-	-	82,324	64,187	64,188	49,975	
Escheatment	-	-	-	-	-	-	-	-	
Prior Year Revenue	-	-	-	-	-	-	(14,357)	-	
County Program - Restricted	-	5,787	-	-	5,787	8,692	8,692	5,500	
Reimbursement Other	75,925	-	-	-	75,925	13,000	2,775	663,083	
Other Miscellaneous	15,981	-	-	-	15,981	32,629	2,630	2,500	
	\$ 508,996	\$ 88,937	\$ -	\$ -	\$ 597,933	\$ 420,111	\$ 366,724	\$ 1,047,317	
<b>Total Revenues</b>	<b>\$ 10,724,529</b>	<b>\$ 114,540</b>	<b>\$ 459,558</b>	<b>\$ -</b>	<b>\$ 11,298,627</b>	<b>\$ 10,858,856</b>	<b>\$ 11,972,122</b>	<b>\$12,713,422</b>	
<b>EXPENDITURES</b>									
<b>Personal Services</b>									
Salaries - Permanent	\$ 4,502,901	\$ 53,825	\$ 261,961	\$ -	\$ 4,818,687	\$ 4,920,593	\$ 5,014,574	\$ 4,927,331	
Temp Help	47,593	183	-	-	47,776	65,572	51,203	120,871	
Overtime	676	-	-	-	676	-	947	-	
Staff Benefits	2,176,041	24,397	152,849	-	2,353,287	2,742,076	2,294,019	2,820,581	
	\$ 6,727,211	\$ 78,405	\$ 414,810	\$ -	\$ 7,220,426	\$ 7,728,241	\$ 7,360,743	\$ 7,868,783	
<b>Operating Expenses and Equipment</b>									
General Expense	\$ 452,643	\$ 905	\$ 1,451	\$ -	\$ 454,999	\$ 424,315	\$ 420,574	\$ 500,012	
Printing	33,687	-	23	-	33,710	37,210	37,145	48,710	
Telecommunications	157,390	-	1,250	-	158,640	156,910	152,506	171,072	
Postage	73,186	-	580	-	73,766	78,320	77,690	80,898	
Insurance	2,934	-	-	-	2,934	3,050	2,910	5,000	
In-State Travel	21,480	-	3,923	-	25,403	40,720	36,015	40,903	
Out-of-State Travel	386	-	-	-	386	-	-	-	
Training	3,817	-	985	-	4,802	4,525	6,786	12,011	
Security Services	1,765,799	-	60,019	-	1,825,818	2,001,969	2,097,888	2,284,610	
Facility Operations	144,107	-	474	-	144,581	391,365	165,132	820,841	
Contracted Services	931,359	12,000	87,169	-	1,030,528	1,081,620	1,740,868	1,905,583	
Consulting and Professional Services	7,438	-	-	-	7,438	11,580	11,580	17,000	
Information Technology	245,317	2,995	279	-	248,591	264,430	254,556	256,780	
Major Equipment	-	-	-	-	-	54,000	130,989	329,500	
	\$ 3,839,543	\$ 15,900	\$ 156,153	\$ -	\$ 4,011,596	\$ 4,550,014	\$ 5,134,639	\$ 6,472,920	
<b>Special Items of Expense</b>									
Jury Costs	\$ 44,702	\$ -	\$ -	\$ -	\$ 44,702	\$ 37,165	\$ 26,301	\$ 100,115	
<b>Internal Cost Recovery</b>	(79,829)	-	79,829	-	-	-	-	-	
<b>Prior Year Expense Adjustment</b>	-	-	-	-	-	-	(225)	-	
	\$ (35,127)	\$ -	\$ 79,829	\$ -	\$ 44,702	\$ 37,165	\$ 26,076	\$ 100,115	
<b>Total Expenditures</b>	<b>\$ 10,531,627</b>	<b>\$ 94,305</b>	<b>\$ 650,792</b>	<b>\$ -</b>	<b>\$ 11,276,724</b>	<b>\$ 12,315,420</b>	<b>\$ 12,521,458</b>	<b>\$14,441,818</b>	
<b>Excess (Deficit) of Revenues Over Expenditures</b>	\$ 192,902	\$ 20,235	\$(191,234)	\$ -	\$ 21,903	\$(1,456,564)	\$(549,336)	\$(1,728,396)	
<b>Operating Transfers In (Out)</b>	(191,234)	-	191,234	-	-	-	-	-	
<b>Fund Balance (Deficit)</b>									
Beginning Balance (Deficit)	2,831,304	139,973	-	-	2,971,277	2,971,277	3,520,613	3,520,613	
Ending Balance (Deficit)	\$ 2,832,972	\$ 160,208	\$ -	\$ -	\$ 2,993,180	\$ 1,514,713	\$ 2,971,277	\$ 1,792,217	

Source: Phoenix Financial System.

El Dorado Superior Court  
 Trial Court Operations Fund  
 Statement of Program Expenditures  
 For the Fiscal Year Ended June 30,  
 (Unaudited)

	2010						2009		
	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)
<b>PROGRAM EXPENDITURES:</b>									
Judges & Courtroom Support	\$ 2,537,870	\$ 451,245	\$ -	\$ -	\$ -	\$ 2,989,115	\$ 2,974,032	\$ 3,172,363	\$ 3,469,969
Traffic & Other Infractions	398,702	44,443	-	-	-	443,145	555,383	706,338	826,339
Other Criminal Cases	465,122	24,888	-	-	-	490,010	601,641	610,758	763,705
Civil	483,020	15,438	-	-	-	498,458	635,317	561,775	591,643
Family & Children Services	843,560	178,611	-	-	-	1,022,171	1,311,056	1,166,487	1,312,377
Probate, Guardianship & Mental Health Services	139,943	204,667	-	-	-	344,610	321,131	329,639	274,071
Juvenile Dependency Services	63,005	87,864	-	-	-	150,869	147,869	443,615	469,602
Juvenile Delinquency Services	74,128	1,836	-	-	-	75,964	74,907	39,501	31,212
Other Court Operations	384,012	546,411	-	-	-	930,423	929,449	826,754	821,712
Court Interpreters	102,342	102,518	-	-	-	204,860	212,017	196,439	270,178
Jury Services	78,986	75,532	44,702	-	-	199,220	214,775	195,131	291,111
Security	-	1,825,818	-	-	-	1,825,818	2,004,694	2,100,057	2,346,785
<b>Trial Court Operations Program</b>	<b>\$ 5,570,690</b>	<b>\$ 3,559,271</b>	<b>\$ 44,702</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,174,663</b>	<b>\$ 9,982,271</b>	<b>\$10,348,857</b>	<b>\$11,468,704</b>
Enhanced Collections	\$ 114,112	\$ 3,900	\$ -	\$ -	\$ -	\$ 118,012	\$ 72,516	\$ 71,573	\$ 49,975
Other Non-Court Operations	303,717	19,788	-	-	-	323,505	196,167	392,110	859,419
<b>Non-Court Operations Program</b>	<b>\$ 417,829</b>	<b>\$ 23,688</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 441,517</b>	<b>\$ 268,683</b>	<b>\$ 463,683</b>	<b>\$ 909,394</b>
Executive Office	\$ 346,353	\$ 5,355	\$ -	\$ -	\$ -	\$ 351,708	\$ 470,777	\$ 406,074	\$ 384,245
Fiscal Services	312,728	106,964	-	-	-	419,692	417,936	398,614	387,765
Human Resources	284,181	1,736	-	-	-	285,917	156,103	148,829	186,279
Business & Facilities Services	-	11,228	-	-	-	11,228	358,942	98,403	212,974
Information Technology	288,643	303,356	-	-	-	591,999	660,708	657,223	892,457
<b>Court Administration Program</b>	<b>\$ 1,231,905</b>	<b>\$ 428,639</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,660,544</b>	<b>\$ 2,064,466</b>	<b>\$ 1,709,143</b>	<b>\$ 2,063,720</b>
Prior Year Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (225)	\$ -
<b>Total</b>	<b>\$ 7,220,424</b>	<b>\$ 4,011,598</b>	<b>\$ 44,702</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$11,276,724</b>	<b>\$12,315,420</b>	<b>\$12,521,458</b>	<b>\$14,441,818</b>

Source: Phoenix Financial System.

## **PURPOSE AND SCOPE**

The purpose of this review was to determine the extent to which the Superior Court of California, County of El Dorado (Court) has:

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

The scope of audit work included reviews of the Court's major functional areas, including: cash collections, contracts and procurement, accounts payable, payroll, fixed assets, financial accounting and reporting, case management, information technology, domestic violence, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2009–2010.

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

## **TIMING AND REVIEWS WITH MANAGEMENT**

The entrance letter was issued to the Court on April 14, 2010.

The entrance meeting was held with the Court on April 27, 2010.

Audit fieldwork commenced on May 20, 2010 (However, the FY 2010-11 budget impasse until mid-October 2010 restricted travel to the Court from July until November 2010.)

Fieldwork was completed in February 2011

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary exit meeting to review the draft report and audit results was held on April 29, 2011, with the following Court management:

- Tania Ugrin-Capobianco, Court Executive Officer
- Jackie Davenport, Assistant Court Executive Officer
- Denise Chambless, Court Fiscal Officer/Human Resources Manager

- Cathy Carpenter, Court Senior Accountant/Auditor

IAS received the Court's final management responses to the IAS recommendations on April 27, 2011, and final management responses to the Appendix A log items, along with other revised responses, on July 28, 2011. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the completed audit report for its review and comment on July 29, 2011. On August 3, 2011, IAS received the Court's final comments and suggestions concerning its review of the audit report and indicated it did not consider another review of the report necessary before IAS presented the report to the Judicial Council.

## 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.

California Rules of Court (CRC) and the *Trial Court Financial Policy and Procedures Manual* (FIN Manual) established under Government Code section (GC) 77001 and adopted under CRC 10.804, respectively, specify guidelines and requirements concerning court governance.

The table below presents general ledger account balances from the Superior Court of California, County of El Dorado (Court), that are considered associated with court administrative decisions. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Expenditures</b>				
* 920500 - DUES AND MEMBERSHIPS	1,570	1,260	310	25
933101 TRAINING	1,796	2,158	(362)	(17)
933103 REGISTRATION FEES - TRAIN	3,006	4,175	(1,169)	(28)
933104 TUITION AND REGISTRATION		175	(175)	(100)
933105 TRAINING FACILITY RENTAL		268	(268)	(100)
933107 TRAINING MEDIA		10	(10)	(100)
** TRAINING TOTAL	4,802	6,786	(1,984)	(29)

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

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Assets</b>				
260010 DEPOSITS WITH OTHERS		500	(500)	(100)
<b>Liabilities</b>				
342001 REIMBURSEMENTS COLLECTED	1,350-	938-	412	44
351001 LIABILITIES FOR DEPOSITS-	3,318-	2,268-	1,049	46
353002 CIVIL TRUST-CONDEMNATION	336,033-	148,687-	187,346	126
353003 CIVIL TRUST-OTHER( RPRTR	34,907-	6,336-	28,571	451
353004 JURY FEES- NON-INTEREST B	22,200-	20,650-	1,550	8
353023 CIVIL TRUST - APPEAL TRAN	20,907-	16,177-	4,730	29
353080 LIABILITIES FOR DEPOSITS	170-		170	100
353090 FUNDS HELD OUTSIDE OF THE	1,561,145-	514,286-	1,046,858	204
353999 TRUST INTEREST PAYABLE	6,437-	6,187-	250	4
374001 PAYROLL CLEARING ACCOUNT	2,386-		2,386	100
374101 RETIREMENT CONTRIBUTIONS		38,455-	(38,455)	(100)
374603 UNION DUES		1,214-	(1,214)	(100)
374701 HEALTH BENEFITS PAYABLE E	209-	220-	(12)	(5)
374702 BENEFITS PAYABLE-MEDICAL		25,658-	(25,658)	(100)
374703 BENEFITS PAYABLE-DENTAL E	8,845-	8,306-	539	6
374704 BENEFITS PAYABLE-VISION E	1,483-	1,537-	(54)	(3)
374705 BENEFITS PAYABLE-LIFE EE	2,325-	4,449-	(2,124)	(48)
374706 BENEFITS PAYABLE-FLEX SPE		494-	(494)	(100)
374707 BENEFITS PAYABLE-LTD EE A	1,114-	2,289-	(1,175)	(51)
374801 DEFERRED COMPON PAY		7,085-	(7,085)	(100)
375001 ACCRUED PAYROLL	172,499-	161,407-	11,092	7
<b>*** Current Liabilities</b>	<b>2,175,328-</b>	<b>966,644-</b>	<b>1,208,684</b>	<b>125</b>
<b>Expenditures</b>				
900301 SALARIES - PERMANENT	3,628,873	3,460,168	168,705	5
900302 SALARIES - COURT REPORTER	360,435	458,774	(98,340)	(21)
900303 SALARIES - COURT ATTORNEY	278,802	213,239	65,563	31
900304 SALARIES - MEDIATORS/COUN	312,839	287,033	25,807	9
900305 SALARIES - COURT SMALL CL	13,075		13,075	100
900306 SALARIES - COURT INTERPRE	67,717	63,095	4,622	7

900320 LUMP SUM PAYOUTS	21,012	106,529	(85,517)	(80)
900325 BILINGUAL PAY	11,618	11,759	(142)	(1)
900327 MISCELLANEOUS DIFFERENTIA	61,333	63,502	(2,169)	(3)
900350 FURLOUGH & SALARY REDUCTI	209,643-		209,643	100
903301 TEMPORARY EMPLOYEES - ON	47,775	51,203	(3,427)	(7)
906303 SALARIES - COMMISSIONERS	285,332	350,474	(65,142)	(19)
906350 FURLOUGH SAVINGS - COMMIS	12,707-		12,707	100
908301 OVERTIME	676	947	(271)	(29)
<b>** SALARIES TOTAL</b>	<b>4,867,138</b>	<b>5,066,724</b>	<b>(199,586)</b>	<b>(4)</b>
910302 MEDICARE TAX	68,925	71,157	(2,232)	(3)
910401 DENTAL INSURANCE	74,965	58,427	16,538	28
910501 MEDICAL INSURANCE	1,046,691	1,006,051	40,640	4
910502 FLEXIBLE BENEFITS	42,361	33,779	8,583	25
910503 RETIREE BENEFIT	33,958	21,760	12,198	56
910504 COBRA MEDICAL	7,711		7,711	100
910601 RETIREMENT (NON-JUDICIAL	867,228	892,200	(24,973)	(3)
912301 RETIREMENT (SUBORDINATE A	56,927	70,741	(13,814)	(20)
912402 DEFERRED COMPENSATION - 4		15,240	(15,240)	(100)
912501 STATUTORY WORKERS COMP	93,708	81,062	12,646	16
913301 UNEMPLOYMENT INSURANCE	15,270	7,280	7,990	110
913501 LIFE INSURANCE	18,428	22,647	(4,219)	(19)
913502 LONG-TERM DISABILITY	13,635	3,338	10,297	308
913601 VISION CARE INSURANCE	10,969	7,820	3,150	40
913850 BENEFIT REDUCTION SAVINGS	47,580-		(47,580)	(100)
913851 BENEFIT REDUCTION	47,580		47,580	100
913899 OTHER BENEFITS	2,510	2,518	(7)	(0)
<b>** STAFF BENEFITS TOTAL</b>	<b>2,353,287</b>	<b>2,294,019</b>	<b>59,267</b>	<b>3</b>
<b>*** PERSONAL SERVICES TOTAL</b>	<b>7,220,425</b>	<b>7,360,743</b>	<b>(140,318)</b>	<b>(2)</b>

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

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

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

### 3. Fund Accounting

#### Background

Trial courts must account for their receipt and use of public funds using the fund accounting and reporting standards published by the Government Accounting Standards Board. To assist courts in meeting this objective, the FIN Manual provides guidelines for courts to follow. FIN 3.01, 3.0, requires trial courts to establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the courts' financial operations. FIN 3.01, 6.1.1 defines a "fund" as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. A set of governmental, fiduciary, and proprietary funds have been set up in the Phoenix Financial System to serve this purpose. Furthermore, the Judicial Council has approved a 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 account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Fund Balance</b>				
535001 RESERVE FOR ENCUMBRANCES		8,731-	(8,731)	(100)
552001 FUND BALANCE-RESTRICTED	460,876-	1,087,057-	(626,180)	(58)
553001 FUND BALANCE - UNRESTRICT	2,510,401-	2,432,998-	77,403	3
554001 FUND BALANCE - UNRESTRICT		559-	(559)	(100)
615001 ENCUMBRANCES		8,731	8,731	(100)
<b>*** Fund Balances</b>	<b>2,971,277-</b>	<b>3,520,614-</b>	<b>(549,336)</b>	<b>(16)</b>
<b>Revenue</b>				
812110 TCTF-PROGRAM 45.10-OPERAT	9,056,044-	9,717,908-	(661,864)	(7)
812140 TCTF-PROGRAM 45.10-SMALL	4,170-	5,890-	(1,720)	(29)
812141 TCTF-PROGRAM 45.10-ADMIN	223-	225-	(2)	(1)
812143 TCTF-PROGRAM 45.10-FEE WA	50-		50	100
812144 TCTF-PROGRAM 45.10-CLERKS	7,070-	8,298-	(1,228)	(15)
812146 TCTF-PROGRAM 45.10-COPY P	32,549-	27,805-	4,744	17
812147 TCTF-PROGRAM 45.10-COMPAR		1-	(1)	(100)
812148 TCTF-PROGRAM 45.10-MANUAL	398-	1,365-	(967)	(71)
812149 TCTF-PROGRAM 45.10-REIMBU	3,521-	4,636-	(1,115)	(24)
812150 TCTF-PROGRAM 45.10-ESTATE	2,670-	1,335-	1,335	100
812151 TCTF-10-CUSTODY/VISITATIO	1,776-	2,199-	(423)	(19)
812152 TCTF-PROGRAM 45.10-RETURN	4,559-	2,591-	1,968	76
812153 TCTF-PROGRAM 45.10-GUARDI	13,750-	12,150-	1,600	13
812154 TCTF-PROGRAM 45.10-INFO P	57-		57	100
812155 TCTF-PROGRAM 45.10-ASSESS	21,076-	21,225-	(149)	(1)
812157 TCTF-PROGRAM 45.10-CHILDR	25,603-	28,981-	(3,378)	(12)
812158 TCTF-10-CUSTODY/VISITATIO	1,183-	1,466-	(283)	(19)

812159	TCTF-10-CIVIL ASSESSMENT	639,053-	213,557-	425,496	199
812160	TCTF-10-MICROGRAPHICS	5,121-	5,382-	(261)	(5)
812163	TCTF-PROGRAM 45.10-COURT	22,022-	3,929-	18,093	461
812164	TCTF-PRG45.10-PETITION DE	2,250-		2,250	100
812165	TCTF-PROG 45.10-STEP PARE	3,000-	3,200-	(200)	(6)
**	<b>812100-TCTF - PGM 10 OPERATIONS</b>	<b>9,846,145-</b>	<b>10,062,143-</b>	<b>(215,998)</b>	<b>(2)</b>
**	<b>816000-OTHER STATE RECEIPTS</b>		<b>59,305-</b>	<b>(59,305)</b>	<b>(100)</b>
821120	OTHER COURT RETAINED LOCA	151,447-	86,216-	65,230	76
821122	LOCAL FEE 2		1,578-	(1,578)	(100)
821126	LOCAL FEE 6	3,197-	1,437-	1,760	122
821183	PC1463.22a INSURANCE CONV	11,405-	7,563-	3,842	51
821191	VC40508.6 DMV HISTORY/PRI	178,812-	112,362-	66,451	59
**	<b>821000-LOCAL FEES REVENUE</b>	<b>344,861-</b>	<b>209,156-</b>	<b>135,705</b>	<b>65</b>
**	<b>821200-ENHANCED COLLECTIONS - REV</b>	<b>82,324-</b>	<b>64,187-</b>	<b>18,136</b>	<b>28</b>
822120	CRC3.670f COURT CALL	24,250-	23,188-	1,062	5
822121	GC13963f RESTITUTION REBA	24,878-	22,791-	2,087	9
**	<b>822000-LOCAL NON-FEES REVENUE</b>	<b>49,128-</b>	<b>45,979-</b>	<b>3,149</b>	<b>7</b>
823001	MISCELLANEOUS REVENUE		2,629-	(2,629)	(100)
823011	JUDGES VOLUNTARY DONATION	15,981-		15,981	100
**	<b>823000-OTHER - REVENUE</b>	<b>15,981-</b>	<b>2,629-</b>	<b>13,352</b>	<b>508</b>
**	<b>831000-GENERAL FUND - MOU/REIMB</b>	<b>4,558-</b>	<b>5,310-</b>	<b>(752)</b>	<b>(14)</b>
832010	TCTF MOU REIMBURSEMENTS	94,241-	89,748-	4,493	5
832011	TCTF-PGM 45.10-JURY	37,993-	19,947-	18,046	90
832012	TCTF-PGM 45.10-CAC	8,698-	462,822-	(454,124)	(98)
832013	TCTF-PGM 45.10-ELDER ABUS	310-		310	100
**	<b>832000-PROGRAM 45.10 - MOU/REIMB</b>	<b>141,242-</b>	<b>572,517-</b>	<b>(431,275)</b>	<b>(75)</b>
**	<b>836000-MODERNIZATION FUND - REIMB</b>		<b>62,436-</b>	<b>(62,436)</b>	<b>(100)</b>
**	<b>837000-IMPROVEMENT FUND - REIMB</b>	<b>33,789-</b>	<b>40,326-</b>	<b>(6,537)</b>	<b>(16)</b>
**	<b>840000-COUNTY PRGRM - RESTRICTED</b>	<b>5,787-</b>	<b>8,692-</b>	<b>(2,905)</b>	<b>(33)</b>
861010	CIVIL JURY REIMBURSEMENT	8,951-	2,630-	6,322	240
861011	MISC REIMBURSEMENT	66,974-	145-	66,828	45,974
**	<b>860000-REIMBURSEMENTS - OTHER</b>	<b>75,925-</b>	<b>2,775-</b>	<b>73,150</b>	<b>2,636</b>
899910	PRIOR YEAR ADJUSTMENTS -		14,357	14,357	(100)
**	<b>890000-PRIOR YEAR REVENUE</b>		<b>14,357</b>	<b>14,357</b>	<b>(100)</b>

To determine whether the Court is properly accounting for its financial resources and expenditures in separate funds, we reviewed the trial balance of the Court's general fund and grant funds and certain detailed transactions, if necessary.

We also reviewed the Court's fiscal year-end fund balance reserves to determine whether they conform to the Judicial Council approved policy and are supported by the Court's financial statements.

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

#### 4. Accounting Principles and Practices

##### Background

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

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Assets</b>				
130001 A/R-ACCRUED REVENUE	6,040	2,564	3,476	136
131201 ACCOUNTS RECEIVABLE		152,186	(152,186)	(100)
131202 A/R-DUE FROM OTHER GOVERN	62,525		62,525	100
131204 A/R-DUE FROM AOC	30,941		30,941	100
131601 A/R - DUE FROM EMPLOYEE	546		546	100
134001 A/R - CIVIL JURY FEES		1,067	(1,067)	(100)
140001 A/R - DUE FROM OTHER FUND	82,188	148,754	(66,566)	(45)
150001 A/R - DUE FROM OTHER GOVE	50,552	1,755	48,797	2,781
152000 A/R-DUE FROM STATE	214,047	239,589	(25,542)	(11)
<b>** Receivables</b>	<b>446,840</b>	<b>545,915</b>	<b>(99,075)</b>	<b>(18)</b>
<b>** Prepaid Expenses</b>	<b>848</b>		<b>848</b>	<b>100</b>
<b>*** Accounts Receivable</b>	<b>447,688</b>	<b>545,915</b>	<b>(98,227)</b>	<b>(18)</b>

**Liabilities**

301001 A/P - GENERAL	45,923-	9,907-	36,016	364
311401 A/P - DUE TO OTHER FUNDS	82,188-	148,754-	(66,566)	(45)
321600 A/P - TC145 LIABILITY	251,501-	208,495-	43,006	21
322001 A/P - DUE TO OTHER GOVERN	150,000-		150,000	100
330001 A/P - ACCRUED LIABILITIES	1,076,739-	1,302,854-	(226,115)	(17)
<b>*** Accounts Payable</b>	<b>1,606,350-</b>	<b>1,670,010-</b>	<b>(63,660)</b>	<b>(4)</b>

**Revenue**

<b>** 825000-INTEREST INCOME</b>	<b>23,927-</b>	<b>47,661-</b>	<b>(23,734)</b>	<b>(50)</b>
<b>** 834000-PROGRAM 45.45 - REIMB</b>	<b>215,402-</b>	<b>176,566-</b>	<b>38,836</b>	<b>22</b>
838010 AB1058 GRANTS	417,644-	414,188-	3,456	1
838020 OTHER STATE GRANTS	41,914-	212,607-	(170,692)	(80)
<b>** 838000-AOC GRANTS - REIMB</b>	<b>459,558-</b>	<b>626,795-</b>	<b>(167,236)</b>	<b>(27)</b>

We compared year-end general ledger account balances between the prior two fiscal year trial balances and reviewed accounts with material balances that experienced significant variances from year-to-year. “Although we made inquiries to the Court about the variances, it did not provide explanations for the variances. We also assessed the Court’s procedures for processing and accounting trust deposits, disbursements, and refunds to determine whether it is adequate controls over trust funds. Additionally, we reviewed various FY 2009 – 2010 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant guidance. Due to time constraints, we did not review selected grants that the Court administered in the fiscal year audited. Therefore, we did not determine whether the Court properly accounted for grant activity, complied with specific grant requirements, and claimed reimbursement for allowable expenditures.

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

## 5. Cash Collections

### Background

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

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

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

We also reviewed selected monetary and non-monetary systems transactions, and validated these transactions to supporting receipts, case files, and other documentation. In addition, we assessed controls over manual receipts to determine whether adequate physical controls existed, numerical reconciliation was periodically performed, and other requisite controls were being followed.

Further, we reviewed the Court's comprehensive collections program for compliance with applicable statutory requirements to ensure that delinquent accounts are monitored and timely referred to its collections agency, and that collections are timely posted and reconciled.

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

### 5.1 The Court Needs to Strengthen Some of Its Cash Handling Procedures

#### Background

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

guidelines to assure the safe and secure collection and accurate accounting of all payments. For example, this procedure requires supervisory court staff to review and approve void transactions. Specifically, FIN 10.02, 6.3.8 of this procedure states the following:

Transactions that must be voided require the approval of a supervisor. When notified by a cashier, the supervisor is responsible for reviewing and approving the void transaction. All void receipts should be retained, not destroyed.

Additionally, FIN 10.02, 6.4 of this procedure provides courts with the following guidance for processing payments received through the mail:

- Two-person teams are used to open and process mail to maintain accountability for payments received in the mail.
- Checks and money orders received in the mail should be processed on the day they are received and listed on a cash receipts log. The log should record certain key information, such as case number, check amount, check number, and date received, and be signed by the person logging the payments.
- Checks and money orders received through the mail but not processed on the day received should be placed in a locked area and processed on the next business day after notifying the supervisor.

Furthermore, FIN 10.02, 6.3.2 states, in part, that cash receipts should be secured in a cash drawer, vault, safe, or locked cabinet to which only specifically authorized personnel have access prior to deposit.

The FIN 13.01, 6.3 (8), requires an employee other than the person who prepares the deposit (preferably a supervisor or higher level of management) to verify, sign, and date a voucher indicating that receipts have been deposited intact.

Finally, FIN 1.01, 6.4.2, requires courts to document and obtain AOC approval of their alternative procedures if court procedures differ from the procedures in the FIN Manual. The paragraph further states that alternative procedures not approved by the AOC will not be considered valid for audit purposes.

### **Issue**

Our review of the Court's cash handling practices and associated documents found that the Court needs to strengthen its procedures in the following areas:

1. Void Transactions – At all locations, we found instances where the lead clerks voided their own transactions without any indication that an appropriate level supervisor reviewed and approved the void transaction. In addition, the Court allows the Case Management Coordinator to void transactions even though the coordinator does not have supervisory or lead responsibilities over the clerks, and without any indication that an appropriate level supervisor reviewed and approved these void transactions. According to the Court, it currently does not have a process in place to review the coordinator's

voids and reposts of voided transactions. As a result, supervisory review and approval of void transactions is not always taking place.

2. Mail Payments - The Court does not require two-person teams to open the mail nor does it use a mail payment log to track the payments it received in the mail. In addition, at one location the clerk that opens the mail also performs the incompatible function of processing the mail payments, as well as processing counter payments, on the same day. Not requiring a two-person team to open mail and not completing a mail payment log may provide individuals who handle mail payments, and subsequently process mail and counter payments on the same day, with an opportunity to take money without being detected.
3. Bank Deposits – Three of the Court’s four locations could not demonstrate supervisory review of the prepared bank deposits, such as with the supervisor’s signature or initials on the deposit slips. Not being able to demonstrate close supervision of the bank deposit is problematic because the same Court personnel that prepare the bank deposits at these locations can also void transactions. Further, at two locations the same Court personnel that prepare the bank deposits can also perform the incompatible function of verifying the daily closeout and balancing of clerk collections as well. Without close supervisory review of the prepared bank deposit, the Court risks having daily collections lost or stolen.

### **Recommendations**

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

1. Configure the Court’s CMS so that only managers, supervisors, and lead clerks can void transactions, other than their own, in the CMS. In addition, it should develop and implement a supervisor review and approval process for subsequent voids and reposts by other court staff to ensure the voids are reasonable and necessary.
2. Ensure that each Court location uses two-person teams to open and process mail, and record mail payments on a mail payment log. Each location should also safeguard and secure unprocessed mail payments in a safe until it can enter them into the CMS.
3. Require supervisors to sign and date all bank deposit slips to demonstrate their review and approval of the deposit.
4. Prepare alternative procedure requests and submit them to the AOC for approval if the Court cannot implement the FIN Manual procedures and process payments as recommended. The requests should identify the FIN Manual procedures the Court cannot implement, the reasons why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

**Superior Court Response by: Denise Chambliss, CFO Date: April 25, 2011**

#1. Agree, and measures to improve control of voided transactions have been implemented. Copies of voids and approvals are sent to the fiscal department on a weekly basis. The Fiscal department reviews and reconciles all voided and reposted transactions effective February, 2011 as part of the monthly reconciliations. Some of the voided transactions may have been done by the Fiscal person, although these voids never involve any cash or check transactions. On rare occasions when a lead or manager is not available to perform the void, the fiscal person may void a cash/check transaction. On occasion, the Case Management Coordinator is asked to void a transaction in the absence of the supervisor or lead. Disagree we will change this practice. While not optimal, budget constraints do not currently allow the court to add additional staff for oversight.

#2. Agree. Due to the court's lack of staff, it is not feasible or prudent to implement having 2 people open the mail and log payments received. Nearly all payments received via mail are check or money orders, which do not allow opportunity for theft or misappropriation of funds. In addition, at least for the past 2 years, there have never been an incident of "missing money" received in the mail. The court will consider requesting permission from AOC for alternate procedures.

#3. Agree that our current procedure is accurately presented, however all deposits are reconciled by the Fiscal department for correctness and reconciliation to the CMS. Fiscal department does not prepare any deposits of CMS funds, and therefore are an independent verifier of the daily deposits.

#4. See above.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Expenditures</b>				
943201 IT MAINTENANCE	33,417	35,541	(2,123)	(6)
943203 IT MAINTENANCE - SOFTWARE	93,581	89,955	3,627	4
* <b>943200 - IT MAINTENANCE</b>	<b>126,999</b>	<b>125,495</b>	<b>1,503</b>	<b>1</b>
* <b>943300 - IT COMMERCIAL CONTRACT</b>	<b>65,640</b>	<b>63,000</b>	<b>2,640</b>	<b>4</b>
* <b>943400 - IT INTER-JURISDICTIONAL</b>	<b>17,736</b>	<b>22,938</b>	<b>(5,202)</b>	<b>(23)</b>
943501 IT REPAIRS & SUPPLIES	11,535	14,918	(3,382)	(23)
943502 IT SOFTWARE & LICENSING F	26,682	28,205	(1,523)	(5)
* <b>943500 - IT REPAIRS/SUPPLIES/LICE</b>	<b>38,217</b>	<b>43,122</b>	<b>(4,905)</b>	<b>(11)</b>
** <b>INFORMATION TECHNOLOGY (IT)</b>	<b>248,591</b>	<b>254,556</b>	<b>(5,964)</b>	<b>(2)</b>

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

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

**The following issues were considered significant enough to bring to management's attention in this report. Additional minor issues are 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 its case management system, the Integrated Case Management System (ICMS), which automatically calculates and distributes these collections using both base-up (for standard fines) and top-down (for non-standard judge-ordered fines) distribution methodologies. The Court also performs additional calculations for some distributions (e.g., 2 percent state automation and special base fine distributions) using a month-end spreadsheet to more accurately report its monthly revenue distributions.

To determine whether the Court distributed collections in accordance with applicable statutes and guidelines, we selected 18 cases to review with filing dates between January 1, 2009, and June 30, 2010. Our review focused on cases with more frequent violations, such as Speeding, and on cases with violations involving complex or special distributions, such as Driving Under the Influence (DUI) and Red Light. Our review of the Court’s distributions for the cases we selected to review identified the following:

1. The Court did not provide us with the requested copies of the County Board of Supervisors resolutions supporting its GC 76000(a) and GC 76000.5 penalty assessments. As a result, we could not determine whether the Court calculated the correct amounts for these penalty assessments.
2. The Court does not correctly assess the VC 40508.6(a) administrative fee for checking the department of motor vehicle records for prior convictions. According to VC 40508.6(a), courts may assess an administrative fee for recording and maintaining a record of prior convictions for violations of the Vehicle Code. This administrative fee, not to exceed \$10, is assessed on subsequent violations of the Vehicle Code, not the first. However, the Court assesses this administrative fee even when it finds that the defendant did not have any prior convictions for violations of the Vehicle Code. According to the Court, it assesses this administrative fee regardless of prior convictions, and its ICMS case management system has been programmed this way since 1981.
3. The Court assessed the GC 76104.6 DNA penalty assessment twice. Specifically, the Court assessed a DNA penalty of \$2 for every \$10, instead of \$1 for every \$10; thus, overstating its DNA penalty assessment distributions to the County. According to the

Court, the SCO also found this error in its most recent revenue distribution audit. The Court indicates that it erroneously set-up an extra "DNA" ledger code that duplicated the DNA penalty assessment from January 2007 through November 2009, or for approximately 34 months.

4. The Court did not correctly calculate the PC 1463.11 30 percent allocation to the Red Light fund. Specifically, for the red light bail forfeiture case we reviewed, the Court did not include the ICNA portion of the GC 70372(a) State Construction penalty assessment when calculating the PC 1463.11 30 percent allocation to the Red Light fund. As a result of this calculation error, the Court overstated the GC 70372(a) State Construction penalty assessment distribution to the State ICNA and understated the PC 1463.11 distribution to the city or county Red Light fund.
5. The Court also did not correctly calculate its distributions on the red light traffic school case we reviewed. Specifically, the Court did not correctly calculate the VC 42007.3 30 percent allocation to the Red Light fund. According to the Court, it excludes the DNA penalty assessments (GC 76104.6 & GC 76104.7) when calculating the 30 allocation to the Red Light fund, regardless of whether the red light case is a traffic school or non-traffic school disposition. However, unlike non-traffic school PC 1463.11 red light violation cases, the VC 42007.3 distribution applicable to red light traffic school cases includes the DNA penalty assessments in the calculation of the 30 percent allocation to the city or county Red Light fund.

In addition, the Court did not correctly calculate the PC 1465.7 20 percent State Surcharge on this case. Specifically, the Court calculated the 20 percent surcharge using the net base fine amount, the base fine less the 30 percent allocation to the Red Light fund. However, the 20 percent State surcharge is applicable to the entire base fine, not the net base fine amount. As a result of this calculation error, the Court understated the 20 percent State Surcharge distributions to the State.

6. The Court did not correctly distribute the collections on cases with VC 42007 traffic school dispositions. For regular traffic school cases, the Court includes the GC 76000.5 Additional EMS penalty assessments in the "TVC" ledger code, which the Court distributes as the VC 42007 Traffic Violator School (TVS) fee at month-end. However, VC 42007(b)(2) requires the Court to distribute the GC 76000.5 Additional EMS penalty assessment to the county EMS fund before distributing the remaining amounts as the TVS fee. As a result, the Court overstated the distributions to the county TVS fund and understated the distributions to the county EMS fund.

### **Recommendations**

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

1. Ensure that the GC 76000(a) and GC 76000.5 penalty assessments are supported by County Board of Supervisors resolutions.

2. Discontinue the practice of assessing the VC 40508.6(a) administrative fee on cases with no prior Vehicle Code violations. Instead, the Court should modify its ICMS to assess the administrative fee for recording subsequent violations of the Vehicle Code, not the first violation.
3. Establish a practice of periodically testing its GC 76104.6 DNA penalty assessments, and other penalty assessment calculations and distributions, especially prior to implementing amendments to applicable statutes.
4. For red light bail forfeiture cases, correct its calculation of the PC1493.11 30 percent allocation to the Red Light fund by including all GC 70372(a) moneys, including the ICNA portion, in the calculation of the 30 percent allocation to the Red Light fund.
5. For red light traffic school cases, correct the calculation of the VC 42007.3 30 percent allocation to the Red Light fund by including the DNA penalty assessments in the calculation. In addition, modify the red light traffic school distribution calculations to calculate the PC 1465.7 20 Percent State Surcharge from the entire base fine amount, not from the net base fine after the 30 percent allocation to the Red Light fund.
6. For regular traffic school cases, adjust its month-end spreadsheet to distribute the GC 76000.5 Additional EMS penalty assessment (“EMS” ledger code) to the county EMS fund before distributing the remaining VC 42007 Traffic Violator School fee (“TVC” ledger code) to the county.

**Superior Court Response by: Denise Chambless, CFO Date: April 26, 2011**

Issue #1: We will request a copy of these resolutions from the county.

Issue #2: Disagree. The AOC received an opinion from the Office of General Counsel in September 2010 that clarified assessment of the VC 40508.6(a) Priors Admin Fee. Prior to receiving the opinion from OGC, the court interpreted this code section to allow for the assessment of the VC 40508.6(a) Priors Admin Fee in each case in which the court checked for prior convictions. As the interpretation of this statute by OGC was not provided to courts until September of 2010, this item should not be listed as in issue in our audit findings. After receiving the OGC opinion the Court notified our case management vendor of the need for a modification. Modification of the system will be at a cost to the court, the court will review the cost estimate to be provided by our case management vendor to determine if the court has funds available to proceed with the modification. If it is cost prohibitive to obtain the modification, the Court will look for other alternatives in assessing the Priors Admin Fee.

Issue #3: DNA being charged twice. The court requests this finding be removed. The item was corrected prior to the AOC audit. The error was discovered during the SCO audit which covered the period to June 2009, however the error was not disclosed to the court until November, 2009. It was corrected by the court on November 4, 2009.

Regarding establishing a practice of periodically testing DNA penalty assessments, especially prior to implementing amendments to applicable statutes, IT does testing when new

fine calculations are updated. We have not had the staff to do periodic testing of calculations. We will consider the feasibility of implementing testing of all calculations, and periodic testing thereafter.

Issue #4&5: RLV and 30% allocation has been corrected.

Issue #6: We have reviewed the manual TS calculations to verify they are correct.

## **6.2 The Court Does Not Adequately Safeguard and Monitor Access to Sensitive Information**

### **Background**

The California Department of Motor Vehicles (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 DMV allows courts to access and update sensitive and confidential DMV data, DMV requires each court to agree to certain conditions spelled out in an 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.
- Not allow employees or non-employees to make inquiries or update transactions on their own records or those of friends or relatives, or attempt to locate their residence address for any reason, including during training or production.
- 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**

Our review determined that Court staff may access sensitive and confidential DMV data records in two ways. Court staff may use the case management system (CMS) to view DMV information that is stored in the CMS, and to send updates to DMV. Additionally, some Court employees have a computer program application installed in their desktop computers that allows them to retrieve information from and send updates to DMV directly. Our review of the Court procedures to control and monitor access to this sensitive DMV data identified the following control weaknesses:

1. The Court did not ensure that electronic access to DMV data is restricted, to reduce the risk of inappropriate access, to only those individuals requiring access to perform their job duties. Although the Court's IT Department has a process to assign and update electronic access capabilities, we identified 12 of 62 CMS users with electronic access to DMV data that do not require this access to perform their current job duties. The Court agreed with our assessment and directed its IT Department to remove DMV data access for these 12 users.
2. The Court did not ensure that Court employees and individuals working on behalf of the Court with electronic access to DMV data completed or recertified the required Information Security Statement form. The IT Manager acknowledged that the Court has not asked Court employees to re-certify their Information Security Statement forms since 2007, but agreed to resume this annual recertification process.
3. The Court does not monitor electronic access to DMV data for inappropriate inquiry or update activity, such as through periodic review of systems-generated exception reports. Although the Court's IT Department maintains daily electronic logs of DMV record access, these logs are not reviewed nor are they structured in a report format suitable for meaningful review and analysis. Furthermore, logged information is not used to produce exception reports, such as reports that flag questionable access activity that someone could use to monitor for inappropriate data access.

### **Recommendations**

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

1. If the Court has not already done so, remove electronic access capabilities to DMV data for those individuals who no longer require such access to perform their job duties. Additionally, re-evaluate its current process for updating CMS user security

profiles to ensure that electronic DMV data access is commensurate with each individual's current job responsibilities.

2. Maintain a current list of all Court employees and individuals working on behalf of the Court with electronic access to DMV data. Additionally, establish a process for these individuals to re-certify their Information Security Statement forms annually, and maintain a complete file of these signed forms.
3. Establish a process to monitor electronic access to DMV data. Systems-generated exception reports would assist the Court in efficiently performing this monitoring activity. Thus, it should determine the feasibility of creating exception reports to flag electronic DMV data access activity for questionable or inappropriate access to DMV data, such as a user accessing his or a co-worker's information.

**Superior Court Response by: Denise Chambless, CFO Date: April 27, 2011**

Issue #1 and #2 have already been answered as noted in the Issue Memorandum.

Issue #3-The current program used for "direct" access to DMV doesn't produce the type of reports that are easily reviewed. It does however log every single transaction. It takes time to read and decipher those transactions. When there has been a question of inappropriate access, our IT Manager has gone back and reviewed the logs and found no wrong doing. However, it was a time consuming process. We don't have enough IT staff to review the logs on a daily basis.

The only way to change this time consuming process would be to purchase a new program for "direct" access. The court can look into the cost of purchasing this program for next fiscal year, and determine if the cost justifies the benefit. It has not been budgeted for this fiscal year.

## 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. The FIN Manual, FIN 13.01, establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury. The Court deposits in AOC-established accounts allocations to the trial court for court operations; trust deposits for civil cases; and filing fees, most other civil fees, civil assessments, and court-ordered sanctions under AB 145. The Court opened a locally-managed bank account that is used as its revolving account. The Court still deposits with the County criminal and traffic fines, fees, and bail trust.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Assets</b>				
111000 CASH-OPERATIONS ACCOUNT	197,073	316,503	119,430-	(38)
111002 CASH OPERATIONS IN-TRANSI	20		20	100
111100 CASH-OPERATIONS CLEARING	266,783-	152,778-	419,561	(275)
114000 CASH-REVOLVING	50,000	24,682	25,318	103
117500 CASH CIVIL FILING FEES	251,501	208,495	43,006	21
118000 CASH-TRUST ACCOUNT	455,208	225,873	229,335	102
118002 CASH TRUST IN-TRANSIT		150	150-	(100)
118100 CASH-TRUST CLEARING	28,530-	27,975-	56,505	(202)
119001 CASH ON HAND - CHANGE FUN	1,500	2,280	780-	(34)
119002 CASH ON HAND - PETTY CASH	780		780	100
120002 CASH OUTSIDE OF AOC	1,561,145	514,286	1,046,858	204
120050 SHORT TERM INVESTMENTS-LA	4,105,257	3,950,000	155,257	4
<b>*** Cash and Cash Equivalents</b>	<b>6,327,170</b>	<b>5,061,516</b>	<b>1,265,654</b>	<b>25</b>
<b>Liabilities – Trust</b>				
342001 REIMBURSEMENTS COLLECTED	1,350-	938-	412	44
351001 LIABILITIES FOR DEPOSITS-	3,318-	2,268-	1,049	46
353002 CIVIL TRUST-CONDEMNATION	336,033-	148,687-	187,346	126
353003 CIVIL TRUST-OTHER( RPRTR	34,907-	6,336-	28,571	451
353004 JURY FEES- NON-INTEREST B	22,200-	20,650-	1,550	8
353023 CIVIL TRUST - APPEAL TRAN	20,907-	16,177-	4,730	29
353080 LIABILITIES FOR DEPOSITS	170-		170	100
353090 FUNDS HELD OUTSIDE OF THE	1,561,145-	514,286-	1,046,858	204
353999 TRUST INTEREST PAYABLE	6,437-	6,187-	250	4
<b>Revenue</b>				
<b>** 825000-INTEREST INCOME</b>	<b>23,927-</b>	<b>47,661-</b>	<b>(23,734)</b>	<b>(50)</b>
<b>Expenditures</b>				
920302 BANK FEES	12,393	10,982	1,411	13

920303 LATE FEES	150,000		150,000	100
920304 REGISTRATION FEES-PERMITS		1,462	(1,462)	(100)
920306 PARKING FEES	1,080	3,630	(2,550)	(70)
* <b>920300 - FEES/PERMITS</b>	<b>163,473</b>	<b>16,074</b>	<b>147,399</b>	<b>917</b>

As with other Phoenix courts, the Court relies on 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 reviewed the following procedures associated with funds not deposited in bank accounts established by the AOC, including funds on deposit with the County and in a locally managed bank account:

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

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

## **7.1 Trust Account Reconciliations are Not Current and Not Reviewed and Approved**

### **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, FIN 13.01, requires courts to implement procedures and controls to manage and safeguard these funds. For example, FIN 13.01, 6.6, 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, of this procedure 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.

Additionally, section 6.6 states that the person who prepares the court's monthly bank reconciliation cannot also approve it. The monthly bank reconciliation must be signed and dated by both the person who prepared it and the person who reviewed it.

Furthermore, paragraph 6.8 explains that the State is vitally concerned with maximizing the interest earned on funds deposited in bank accounts. Therefore, trial courts should strive to obtain the highest net return on its funds.

### Issues

Our review of the Court's banking and treasury practices identified the following deficiencies:

1. The Court acknowledged that it has not kept up-to-date reconciliations for four of the following six accounts it has on deposit with the County Treasury as of June 30, 2010:

Transition Fund	\$1,441,000
South Lake Tahoe Case	\$ 87,500
Witness Fees Trust	\$ 13,000
Cash Bail Trust	\$ 3,000
Automation Trust	\$ 14,250
Insurance Trust	\$ 2,250

Specifically, at the time of our review in February 2011, the Court acknowledged that it had reconciled only the Automation and Insurance trust accounts as of June 30, 2010. According to the Court, the South Lake Tahoe Case, Witness Fees, and Cash Bail trust accounts need further research of the outstanding balances. In regards to the Transition Fund, the Court acknowledged that it could not determine the last time the Court successfully reconciled its records to the County and stated that Court records indicate the reconciliation was out of balance as far back as January 2006. The Court informed us that the last time a formal reconciliation of this account was attempted was in February 2009, but the account did not balance to the County records.

According to the Court, it has been working to locate the errors that are causing the Court and County records to be out of balance. In the meantime, because the Court has not been able to reconcile its records to the County, the Court used the County Treasury reported balance of \$1,561,000 as the amount of cash held on deposit with the County at June 30, 2010.

2. The Court has not required nor implemented a secondary review and approval process for its monthly reconciliations. Specifically, on a monthly basis, Court fiscal staff reconcile four civil trusts accounts. The completed reconciliations are posted to a network shared drive where they may be viewed by members of the fiscal department. However, none of the four reconciliations we reviewed demonstrated supervisory review and approval of the reconciliations. The Court acknowledged that it does not route the completed monthly reconciliations of civil trust accounts to a supervisor for review and approval.
3. The Court does not maximize interest earnings on the more than \$1.5 million it has on deposit with the County. Specifically, according to the Court, the monies it has on

deposit with the County Treasury are not part of a pooled cash account that earns interest.

### **Recommendations**

To ensure it adequately manages, safeguards, and accounts for court funds, the Court should consider the following:

1. Continue to work towards bringing its reconciliations up-to-date for all the monies it has on deposit with the County Treasury. To assist it in this effort, it should develop a plan and associated target dates on when it expects these reconciliations to be current.
2. Add “prepared by” and “reviewed by” signature blocks, along with corresponding date blocks, to the monthly reconciliations and require a responsible supervisor to perform the secondary review and approval of the monthly reconciliations.
3. Maximize interest earnings on monies held on deposit with the County Treasury by moving the monies to interest bearing accounts. If the Court cannot move the monies to interest bearing accounts within the County Treasury, the Court should consider establishing and depositing these monies in an AOC approved interest bearing bank account.

### **Superior Court Response by: Denise Chambless, CFO Date: April 27, 2011**

Issue #1- We have set target dates; however higher priorities have made it necessary to move the dates further out.

Issue #2- We will do this going forward.

Issue#3- We do not pay fees for the “banking” service the county provides. We can research whether or not our agreement with the county allows us to move the money and, if so, interest earned would be of more benefit than the waiver of fees.

## 8. Court Security

### Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff services and perimeter security services. The sheriff specifies the level of security services it agrees to provide and the associated costs, and these services and costs are included in the MOU that also specifies the terms of payment. The Court entered into an MOU with the County Sheriff for court security services, including stationing bailiffs in courtrooms, staffing deputies at the weapons screening checkpoint located at the entrance to the courthouse, monitoring the perimeter of the security using a closed circuit television and door monitoring system, 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 account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Expenditures</b>				
934510 COURTROOM SECURITY-SHERIFF	1,800,000	2,080,000	(280,000)	(13)
934512 ALARM SERVICE	25,818	17,888	7,930	44
* <b>934500 - SECURITY</b>	<b>1,825,818</b>	<b>2,097,888</b>	<b>(272,070)</b>	<b>(13)</b>
* <b>941100 - SHERIFF</b>	<b>4,618</b>	<b>5,310</b>	<b>(692)</b>	<b>(13)</b>

We reviewed the Court's security controls through interviews with Court management and county sheriff service providers, observation of security conditions, and review of documents. We also reviewed the Court's security agreements with the county sheriff, compared budgeted and actual security expenditures, and reviewed selected county sheriff invoices to determine whether costs billed are allowable by statute and comply with MOU requirements.

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

## 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. The requestor identifies the correct account codes(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the superior court employee responsible for approving the purchase, verifying that the correct account codes(s) are specified, and assuring that funding is available. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases.

We reviewed the Court's procurement practices to determine whether purchasing, approval, receipt, and payment roles are segregated. We also performed substantive testing on selected purchases to determine whether the Court obtained approvals from authorized individuals, followed open and competitive procurement practices, and complied with other FIN Manual procurement requirements.

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

### 9.1 The Court's Procurement Practices Need Improvement

#### Background

As stewards of public funds, trial courts have an obligation to use sound procurement practices to demonstrate that goods and services are purchased in a fair and reasonable manner, and that public funds are used economically. To obtain the best value for a purchase, courts should solicit competing offers from multiple, well-qualified vendors. At the same time, they should consider the amount of time and resources dedicated to such activities. The procurement methods and corresponding dollar thresholds suggested by the *Trial Court Financial Policies and Procurements Manual* (FIN Manual) provide a good framework for courts to follow when procuring goods and services.

The FIN Manual provides uniform guidelines for trial courts to use in procuring necessary goods and services, and to document their procurement practices. For example, FIN 6.01, 6.1 states:

The procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee with approval authority for the requested goods or services. It is the responsibility of the person who completes the requisition to assure that funds are available in the court's budget and that appropriate account codes are provided for the proposed purchase.

Upon approval of the purchase requisition, appropriate steps are taken to obtain bids, quotes, or proposals (offers) from qualified vendors, suppliers, bidders, proposers, or contractors. When offers are received and analyzed to select the one that offers the best value to the trial court, a purchase order or contract is used to authorize the purchase transaction, if an award is made. Receipt of the goods or services is documented prior to partial or final payment.

FIN 6.01, 6.3 provides the following guidelines for approval thresholds for procurements:

<b>Position</b>	<b>Suggested Approval Threshold</b>
Presiding Judge or Executive Committee (if applicable)	\$25,000 and above
Executive Officer	\$10,000 to \$24,999
Managers	\$2,500 to \$9,999
Supervisors	Up to \$2,500

The paragraph also states that any alternate procedures (other than changes in threshold dollar amounts) must be approved by the AOC prior to its implementation.

After approval of the purchase requisition, FIN 6.01, 6.5, applicable to the period we reviewed, provided the following guidelines for purchasing thresholds and methods for procurements:

<b>Suggested Purchase Value</b>	<b>Procurement Type</b>	<b>Procurement Method</b>
Less than \$500	Mini Purchase	Purchases will be made according to good purchasing practice.
\$500 to \$2,500	Micro Purchase	At least three offers must be obtained by telephone or internet and documented in writing.
\$2,501 to \$10,000	Small Purchase	At least three written offers must be obtained.
Greater than \$10,000	Competitive Procurement	Formal offers must be obtained.

To demonstrate that trial courts and vendors complied with trial court procurement procedures and the terms of the purchase order or contract, courts should maintain

procurement files. Maintaining well-documented procurement files ensures transparency of the court's procurement process. FIN 6.01, 6.10 (2) states:

A properly documented procurement file for purchase orders and/or contracts provides an audit trail from the initiation of the requirement to the delivery of goods. The file provides a complete basis for informed decisions at each step of the acquisition process. A well documented file also supports the actions taken, provides information for later review and facts in the event of litigation or an investigation.

The section goes on to list documents that must be included in the procurement file. Examples include the rationale for the method of procurement (quotes, sealed bid, proposal, etc.), list of each offer received, internal approvals, notice of award, required insurance documents, and notice to proceed.

### **Issues**

To determine whether the Court follows the procurement policies and procedures in the FIN Manual, we interviewed Court management and staff regarding its procurement practices. We also reviewed the associated procurement files and documents (i.e. requisitions, vendor quotes, purchase orders, and contracts) for selected fiscal year 2009-2010 expenditure transactions. Our review indicates that the Court's procurement practices are deficient as follows:

1. The Court could not demonstrate it obtained an approved purchase requisition prior to procuring goods and services for 5 of the 11 procurement transactions we reviewed. Specifically, for two procurements, the Court could not provide documentation of an approved purchase requisition prior to procuring telecommunications maintenance services and printing services. For two other procurements, the Court could not provide documentation of the requisition and its procurement process because the original procurements predated our review by several years. For one other procurement, the Court uses court orders to requisition and procure the services of one individual who has provided services to the Court for more than 20 years.
2. The Court also did not use sound competitive procurement practices when procuring goods and services. Specifically, for 10 of the 11 procurement transactions we reviewed, the Court did not have documentation to demonstrate it used the appropriate competitive procurement method. The Court did not obtain or retain the required formal offers for four procurements valued at more than \$10,000 each, nor did it obtain or retain the required written offers for two procurements valued at more than \$2,500 each and document in writing the offers for a procurement valued at more than \$500. It also did not properly document its sole-source justification for three procurements. The following examples demonstrate the Court's lack of competitive procurements for the small number of procurement transactions we selected to review:
  - a. For three contracts, the Court did not have documentation to support a sole-source justification in its purchase order or contract files prior to the actual purchase, as required by the FIN Manual. Specifically, the Court entered into three contracts

for telecommunications maintenance services; installation and upgrade of a security monitoring system; and annual license, maintenance, and support services for its case management system. Two of these three contracts exceeded the \$10,000 threshold for competitive procurements. Thus, the Court was required to obtain at least three formal offers for each of these procurements; otherwise, it was required to document and retain in its procurement file its sole-source justification for these procurements prior to the purchase. However, the Court could not provide such documentation to demonstrate that it attempted to comply with either the competitive or sole-source procurement requirements. The contract for installation and upgrade of a security monitoring system was nearly \$9,000, but the Court also could not demonstrate it obtained at least three written offers or prepared its sole-source justification for this procurement prior to the purchase.

- b. In addition, the Court renewed and extended four contracts, each valued at more than \$10,000, rather than competitively re-bid the contracts. Specifically, the Court renewed and extended contracts without competitive offers or sole-source justifications with vendors that have provided the Court with investigative services and record storage services since 1997 and 1999, respectively. Similarly, for two consulting contracts, the Court could not provide documentation indicating when the contracts were originally entered; therefore, we could not determine for how long these contracts were renewed and extended without competitive offers or sole-source justifications. The Court also procures services from a Mental Health Hearing Officer, but has never entered into a written agreement with this individual. According to the Court, it has procured services from this individual for more than twenty years.
- c. The Court also could not demonstrate competitive quotes for a purchase it made from a vendor for printing services. Specifically, the Court could not provide documentation that it obtained at least three written quotes or offers of competing prices prior to a purchase from one vendor for services totaling more than \$5,500 for the printing of jury summons.

The Court acknowledged that at the time of our review, its practice was to order goods and services from vendors that it dealt with in the past. Specifically, if the Court was in need of goods and services that prior vendors could provide to the Court at the usual price, the Court usually would order from that vendor without investigating other vendor prices. However, according to the Court, it has undertaken competitive procurements for goods and services in the last fiscal year. In addition, in an effort to exert better control over procurements, the Court has drafted procurement procedures requiring the issuance of a purchase order for non-blanket purchase order items of \$500 or more. Furthermore, these procedures assign to the requisitioner the responsibility of providing support to a proposed purchase with appropriate bids and price quotes before a purchase order can be approved. In addition, the Court plans to implement procurement procedures and create a tickler system for their contract files which will age the Court's contracts, thereby providing management with data necessary for making strategic plans regarding contract re-bidding.

### **Recommendations**

To ensure that it can demonstrate its prudent use of public funds when procuring goods and services, the Court should consider improving its procurement practices as follows:

1. Require an approved purchase requisition prior to procuring goods and services, and retain these approved purchase requisitions in their respective procurement files. In addition, to protect the best interests of the Court, establish a practice of competitively procuring and entering into agreements with service providers.
2. Continue with its efforts to competitively procure goods and services. These efforts should include requiring procurement staff to use the competitive procurement method appropriate to the transaction as outlined in the FIN Manual. If the Court determines that a competitive procurement is not feasible for the goods or services it desires, it should document a sole-source justification that explains why it could not follow the applicable competitive procurement method and how it determined that the sole-source price was fair and reasonable.

### **Superior Court Response by: Denise Chambless, CFO Date: April 26, 2011**

The court recognizes that a more formalized procurement process needs to be put in place. This will require fiscal staff time to develop court specific procedures and train staff. This project is on our list of tasks to accomplish in the near future. The court does not believe these requirements were in place when the Mental Health Officer began performing these services 20 years ago. The court will look into this and issue a new contract if appropriate.

## 10. Contracts

### Background

The FIN Manual, FIN 7.01, establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. Trial court must issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Expenditures – Contracted Services</b>				
938301 ACCOUNTING SERVICES	25,420	22,572	2,847	13
938401 GENERAL CONSULTANTS & PRO	189,756	523,554	(333,799)	(64)
938404 ADMINISTRATIVE SERVICE	56,695	110,190	(53,495)	(49)
* <b>938300 - GENERAL CONSULTANT AND P</b>	<b>271,870</b>	<b>656,317</b>	<b>(384,447)</b>	<b>(59)</b>
* <b>938600 - COURT REPORTER SERVICES</b>	<b>221,809</b>	<b>162,562</b>	<b>59,248</b>	<b>36</b>
* <b>938700 - COURT TRANSCRIPTS</b>	<b>123,601</b>	<b>128,894</b>	<b>(5,293)</b>	<b>(4)</b>
938801 DEPENDENCY COUNSEL CHRGS	2,473	135,718	(133,246)	(98)
938802 DEPENDENCY COUNSEL CHRGS	1,543	198,566	(197,024)	(99)
938803 COURT-APPOINTED COUNSEL C	95,967	153,701	(57,734)	(38)
* <b>938800 - COURT APPOINTED COUNSEL</b>	<b>99,982</b>	<b>487,986</b>	<b>(388,004)</b>	<b>(80)</b>
938901 INVESTIGATIVE SERVICES	187,458	170,181	17,277	10
938905 FINGERPRINT PROCESSING	204	730	(526)	(72)
* <b>938900 - INVESTIGATIVE SERVICES</b>	<b>187,662</b>	<b>170,911</b>	<b>16,751</b>	<b>10</b>
939002 PSYCHIATRIC EVALUATIONS	1,275	500	775	155
939003 COURT-ORDERED PROFESS	709	1,000	(291)	(29)
939009 EXPERT WITNESS	1,350	175	1,175	671
939018 MENTAL HEALTH HEARING OFF		4,200	(4,200)	(100)
* <b>939000 - COURT ORDERED PROFESS</b>	<b>3,334</b>	<b>5,875</b>	<b>(2,541)</b>	<b>(43)</b>
* <b>939100 - MEDIATORS/ARBITRATORS</b>	<b>7,875</b>	<b>11,370</b>	<b>(3,495)</b>	<b>(31)</b>
* <b>939400 - LEGAL</b>	<b>12,000</b>	<b>12,000</b>	<b>0</b>	<b>0</b>
<b>Expenditures – County Provided Services</b>				
* <b>942100 - COUNTY-PROVIDED SERVICES</b>	<b>2,820</b>	<b>6,270</b>	<b>(3,450)</b>	<b>(55)</b>

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

Further, we reviewed MOUs entered into with the County to determine whether they are current, comprehensive of all services currently received or provided, and contain all required terms and conditions. We also reviewed selected County invoices to determine whether the services billed were allowable and sufficiently documented and supported, and

whether the Court appropriately accounted for the costs and had a process to determine if cost were reasonable.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Revenue – Contract Court Interpreters</b>				
** 834000-PROGRAM 45.45 - REIMB	215,402-	176,566-	38,836	22
<b>Expenditures – Contract Court Interpreters</b>				
938502 COURT INTERPRETER TRAVEL	15,451	21,008	(5,557)	(26)
938503 COURT INTERPRETERS - REGI	2,414	747	1,668	223
938504 COURT INTERPRETERS - CERT	76,162	78,562	(2,400)	(3)
938506 COURT INTERPRETERS - NONC	4,025	2,756	1,269	46
938507 COURT INTERPRETERS - AMER	4,342	1,881	2,461	131
* 938500 - COURT INTERPRETER SERV	102,394	104,953	(2,560)	(2)
<b>Expenditures – Travel</b>				
929202 IN-STATE AIR TRANSPORTATION	2,014	668	1,346	201
929203 IN-STATE RENTAL VEHICLES		183	(183)	(100)
929205 PER-DIEM - JUDICIAL - IN		90	(90)	(100)
929206 LODGING-IN STATE	2,544	3,926	(1,382)	(35)
929207 RAIL, BUS TAXI, FERRY-IN	206	73	133	182
929208 PRIVATE CAR MILEAGE-JUDIC	1,257	330	927	281
929209 PRIVATE CAR MILEAGE-EMPLOY		943	(943)	(100)
929210 PRIVATE CAR MILEAGE-OTHER	15,582	23,697	(8,114)	(34)
929211 PARKING-IN STATE	1,636	1,710	(75)	(4)
929299 TRAVEL IN STATE	2,165	4,396	(2,231)	(51)
* 929200 - TRAVEL- IN STATE	25,403	36,016	(10,612)	(29)
931103 OUT-OF STATE RENTAL VEHIC	94		94	100
931105 LODGING-OUT OF STATE	292		292	100

* 931100 - TRAVEL OUT OF STATE		386		386	100
<b>Expenditures</b>					
* 920200 - LABORATORY EXPENSE			73	(73)	(100)
920601 MISCELLANEOUS OFFICE SUPP	55,785		66,492	(10,708)	(16)
920608 TONER	21,863		22,119	(255)	(1)
920615 BOTTLED WATER	1,878		4,495	(2,617)	(58)
920628 BADGES/ID CARDS SPLY			101	(101)	(100)
920631 PROMOTIONAL MATERIALS			85	(85)	(100)
920632 AWARDS (SERVICE RECOGNITI	250		188	63	33
* 920600 - OFFICE EXPENSE	79,777		93,480	(13,703)	(15)
921501 PERSONNEL ADS	50		513	(463)	(90)
921503 LEGAL NOTICES			105	(105)	(100)
* 921500 - ADVERTISING	50		617	(567)	(92)
921702 MEETING AND CONFERENCE -	12			12	100
921799 MEETINGS, CONFERENCES, EX	564		644	(79)	(12)
* 921700 - MEETINGS, CONFERENCES, E	577		644	(67)	(10)
* 922300 - LIBRARY PURCHASES AND SU	63,977		71,574	(7,598)	(11)
922702 COPIERS-RENTAL-LEASE	30,578		35,435	(4,857)	(14)
922705 POSTAGE MACHINE-RENTAL-LE	5,813		5,532	281	5
* 922700 - EQUIPMENT RENTAL/LEASE	36,391		40,967	(4,576)	(11)
922801 COPIERS-MAINTENANCE	17		119-	136	(114)
922803 SHERIFF SECURITY EQUIPMENT			47,648	(47,648)	(100)
922899 OFFICE EQUIPMENT MAINT	1,648		1,706	(58)	(3)
* 922800 - EQUIPMENT MAINTENANCE	1,665		49,235	(47,570)	(97)
922909 SECURITY EQUIPMENT REPAIR			368	(368)	(100)
922911 ALARM SYSTEM REPAIR			272	(272)	(100)
922999 EQUIPMENT REPAIRS	166		87	80	92
* 922900 - EQUIPMENT REPAIRS	166		726	(560)	(77)
923903 FORM DELIVER MESSENGER SE			26	(26)	(100)
923905 COURIER SERVICE	21,196		27,122	(5,926)	(22)
923908 SHREDDING SERVICE	3,825		3,877	(52)	(1)
923909 DOC RETRIEVAL SERVICE	46,736		44,018	2,718	6
923914 MOVING/TRANSPORT SERVICE	925		19,731	(18,806)	(95)
923999 GENERAL EXPENSE-SERVICE			1,272	(1,272)	(100)
* 923900 - GENERAL EXPENSE - SERVC	72,683		96,046	(23,364)	(24)
* 924500 - PRINTING	33,710		37,145	(3,435)	(9)
925101 TELECOMMUNICATIONS	92,135		86,766	5,369	6
925103 CELL PHONES/PAGERS	4,981		5,456	(475)	(9)
925106 LEASED LINES	4,209		3,883	326	8
925107 LAN/WAN	57,315		56,402	914	2
* 925100 - TELECOMMUNICATIONS	158,640		152,506	6,134	4
* 926200 - STAMPS, STAMPED ENVELOPE	53,566		48,190	5,376	11
* 926300 - POSTAGE METER	20,200		29,500	(9,300)	(32)
* 928800 - INSURANCE	2,934		2,910	24	1
* 935300 - JANITORIAL	144,564		161,228	(16,664)	(10)
* 935400 - MAINTENANCE AND SUPPLIES	17		760	(743)	(98)
* 935600 - ALTERATION			3,144	(3,144)	(100)
** FACILITY OPERATION TOTAL	144,581		165,132	(20,551)	(12)
965101 JURORS - FEES	34,886		20,133	14,752	73
965102 JURORS - MILEAGE	9,817		6,167	3,650	59
* 965100 - JUROR COSTS	44,703		26,301	18,402	70

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with fiscal staff involved in accounts

payable. We also reviewed selected invoices and claims processed in FY 2009–2010 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

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

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

### **11.1 The Court Needs to Improve Its Travel Expense Reimbursement Procedures**

#### **Background**

Government Code section 69505(a) requires trial court judges and employees to follow the procedures recommended by the Administrative Director of the Courts and approved by the Judicial Council for reimbursement of business-related travel. The Administrative Office of the Courts (AOC) Travel Rate Guidelines are approved annually by the Judicial Council and provide specific information regarding the current limitations that apply to allowable travel expenses.

The rules and limits for arranging, engaging in, and claiming reimbursement for travel on official court business are specified in the FIN Manual. Specifically, FIN 8.03, 3 states:

It is the intent of the AOC that the trial court reimburse its judges and employees for their reasonable and necessary travel expenses incurred while traveling on court business within the limits of the trial court’s maximum reimbursement guidelines. Under Government Code section 69505, the AOC’s Travel Rate Guidelines must be used. All exceptions to the published AOC Travel Rate Guidelines, including any terms of an executed memorandum of understanding agreement by and between a recognized employee organization and a trial court, must be submitted in writing and have prior approval in accordance with alternative procedures guidelines established in AOC FIN 1.01, 6.4(2).

Further, FIN 8.03, 6.1.8 of this procedure requires trial courts to apply the policy and limits listed in the AOC Travel Rate Guidelines to trial court agreements for services involving business related travel by a contractor, whenever possible.

FIN 8.03, 6.3, provides specific travel procedures for trial courts to follow. These procedures state that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation and other miscellaneous items. When the use of a personal vehicle is approved for trial court business and the travel commences from

home, reimbursed personal vehicle mileage will be calculated from the traveler's designated headquarters or home, whichever results in the lesser distance, to the business destination. In addition, paragraph 6.1.1 states that travel costs incurred without written travel request approval may be subject to rejection when reimbursement is requested. Out-of-state or international travel requires the approval of the Presiding Judge (PJ) or written designee.

Paragraph 6.4 of this procedure provides that reimbursable travel expenses are limited to the authorized, actual, and necessary costs of conducting the official business of the trial court and the limits established in the published AOC Travel Rate Guidelines. Judges and employees who incur reimbursable business travel costs must submit a completed travel expense claim (TEC) form that notes the business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level.

For example, travelers may be reimbursed for actual costs of overnight lodging and meals consumed during business travel up to the maximum rates published in the AOC Travel Rate Guidelines. According to these travel rate guidelines, actual expenses for breakfast, lunch, dinner, and incidentals are limited to the following maximum rates for continuous travel of more than 24 hours:

<b>MEALS</b>	<b>MAXIMUM REIMBURSEMENT</b>
Breakfast	Not to Exceed \$ 6
Lunch	Not to Exceed \$10
Dinner	Not to Exceed \$18
Incidentals	Not to exceed \$ 6

For travel of less than 24 hours, lunch and incidentals may not be claimed. However, breakfast may be claimed if travel begins one hour before normal work hours, and dinner may be claimed if travel ends one hour after normal work hours.

When lodging above the maximum rate is the only lodging available, or when it is cost-effective, FIN 8.03, 6.1.6 provides procedures for requesting a lodging exception. This paragraph states that 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 (PJ or designee).

### **Issues**

To determine whether the Court followed the travel expense guidelines required in the FIN Manual, we interviewed appropriate Court staff regarding current travel reimbursement practices. We also reviewed selected travel expense transactions in FY 2009-2010. Our review determined that the Court needs to improve its procedures over travel expenditures. Specifically, we noted the following:

1. Appropriate-level supervisors did not always approve Travel Expense Claims (TECs). Specifically, the Assistant Court Executive Officer (ACEO) approved a TEC for a judge when the Presiding Judge (PJ) and Assistant Presiding Judge (APJ) are the

- appropriate approval-level supervisors for the TECs submitted by judicial officers, and for each other.
2. The Court does not always require employees to include in their TECs information that is necessary for reviewers and approvers to determine whether the claimed expenses are appropriate. Specifically, for five of the nine TECs we reviewed, the Court did not require the employees to include the travel start and end times on their TEC forms. Therefore, we could not determine the appropriateness of the claimed meals and other travel expenses. In addition, the Court did not require one employee to submit sufficient information to substantiate their request for personal vehicle mileage reimbursement. Specifically, the Court reimbursed this employee the claimed personal vehicle mileage for visiting various court locations from September through November 2009. However, we could not determine the appropriateness of the mileage reimbursement because the Court did not require the employee to document on the TEC form the residence address, the start and end times of the trips, or the purpose of the trips.

Certain information, such as the headquarters address, residence address, times of travel, and purpose of the travel, is necessary for reviewers to determine the accuracy, necessity, and reasonableness of the request for business travel reimbursement. With this information, reviewers can assess the appropriateness of the claimed travel expense, such as determining whether the claimed personal mileage expense reflects the lesser of mileage from home or headquarters to the business destination and whether the claimed meals are appropriate. When the Court does not require employees to submit necessary information, the supervisors and accounts payable staff cannot adequately evaluate whether the claimed meals and mileage are appropriate before approving and processing the TECs for payment.

3. The Court also does not ensure that it reimburses only necessary business travel costs. For example, the Court paid one TEC for a one-day out-of-town training conference that included reimbursement for a questionable lodging expense. Specifically, the Court reimbursed one employee for overnight lodging on a Friday night after a one-day conference even though the conference started at 9 a.m. and ended by 4 p.m. on that same Friday. Although prior to the conference the ACEO approved the employee's request to stay overnight on the Thursday night before the start of the conference, the employee did not stay Thursday night. Instead a closer review of the lodging receipt included with the TEC revealed that two adults and three children checked into the hotel on Friday morning before the start of the one-day conference and did not checkout until Sunday. Nevertheless, the ACEO approved the TEC with the Friday night lodging even though, based on documentation in the TEC, the conference site was approximately only 121 miles or a two-hour drive from the employee's home. Therefore, because the business purpose of the employee's Friday night lodging to start the employee's out-of-town weekend with guests is questionable, the Court's use of court funds to reimburse this lodging expense is a questionable use of public funds.

**Recommendations**

To ensure it complies with the required AOC travel expense reimbursement policy and procedures, the Court should consider the following:

1. Require appropriate level review and approval signatures on TEC forms from the judge's immediate supervisor or above before processing these claims for payment. The PJ or APJ would be the appropriate approval levels for judges and for each other. Further, instruct accounts payable staff to not process TECs for payment without the required appropriate-level review and approval signatures.
2. Require travelers to complete and submit a TEC when requesting travel reimbursement that includes all the information needed—such as addresses, purpose of trip, dates, and times—to determine the accuracy, necessity, and reasonableness of their request for travel reimbursement.
3. Develop and implement a constructive travel policy that clearly defines the procedures employees must follow should an employee wish to extend business travel for personal reasons. This policy should ensure that the Court uses public court funds only for the business travel portion, not the personal travel portion.

**Superior Court Response by: Denise Chambless, CFO Date: April 25, 2011**

#1 Agree. It appears that one item was processed without the PJ/APJ approval. The recommendation to remind AP staff to not process TECs for payment without the required appropriate-level review and approval signature has been done.

#2 Agree. On March 23, 2011 notice was given to managers to require staff to provide all information, addresses, purpose of trip, dates and times.

#3 Agree. It appears that an error was made on one TEC which allowed for payment of lodging after a conference. It is clear in our policy that Court personnel can use public/court funds for business travel only.

**11.2 The Court Needs To Strengthen Its Invoice Review and Payment Process****Background**

To ensure the responsible and economical use of public funds, courts have an obligation to promptly pay for the goods and services they request and receive from the individuals and businesses that provide these goods and services to the court. As such, the FIN Manual provides trial courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements.

Specifically, FIN 8.01, 6.2.1 requires that the CEO or an authorized representative approve all invoices for payment. As described under FIN 8.01, 6.2.3, the court shall list employees permitted to commit court resources and approve invoices for payment, as well as their dollar limits and scope of authority, on an authorization matrix. To ensure the court maintains

appropriate segregation of duties, FIN 6.01, 6.9, requires that, unless the AOC has previously approved other procedures for the court, different employees must be responsible for procurement activities and payment approval. FIN 1.03, 6.3.3, expands on appropriate segregation of duties by requiring courts to assign work to court employees in a manner such that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. For example, duties that must be appropriately segregated and not assigned to only one individual include approving a purchase requisition and performing the purchasing function. Incompatible duties also include performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order) and performing accounts payable functions or authorizing vendor payment, or processing accounts payable and maintaining the vendor master file (establishing new vendors and updating vendor information.)

Further, FIN 8.01, 6.3.2 requires the court to perform a “three-point-match” when processing vendor invoices. This consists of matching a vendor invoice to a purchase agreement, such as a purchase order or contract, and to proof of receipt and acceptance of the goods or services, such as a packing slip signed received by the requestor or an acceptance form signed by the project manager acknowledging receipt of acceptable deliverables. Accounts payable employees must not process vendor invoices for payment without completing the “three-point-match” procedure. If one element is missing (for example, no documented evidence of the receipt of acceptable goods and services), the accounts payable employee should contact the responsible court employee to obtain the appropriate goods received documents or secure appropriate approval signatures acknowledging the receipt and acceptance of goods or services.

### **Issues**

To determine whether the Court adheres to the invoice processing policies and procedures in the FIN Manual, we interviewed appropriate Court staff regarding its invoice processing and payment practices. We also reviewed selected invoices and claims paid in fiscal year 2009-2010. Specifically, we reviewed 18 vendor invoices, one court interpreter claim, two court reporter transcript claims, and two court reporter payments to determine whether the Court made payments in accordance with applicable requirements. Our review of this small number of invoices and claims identified the following internal control weaknesses and areas of noncompliance:

1. For two invoices, the purchasing and invoice approval duties were not sufficiently segregated yet the accounts payable staff processed the invoices for payment without obtaining additional approvals. Specifically, for both invoices the same individual that approved the payment of the invoice also ordered the goods or services. For one invoice, the same manager who signed an agreement to procure annual maintenance services also performed the incompatible activity of approving the payment of the associated invoice. Similarly, according to information documented on the second invoice, the same manager who initiated the purchase also had the goods shipped to the attention of the manager and performed the incompatible activity of approving the invoice for payment. However, accounts payable staff processed the invoices for

- payments without questioning and bringing these incompatible activities to the attention of appropriate Court managers for additional approvals.
2. In addition, even though the manager who signed the agreement for annual maintenance services exceeded his purchase approval authority, accounts payable staff processed the associated invoice for payment. Specifically, the manager approved both the agreement for annual maintenance services and the associated invoice totaling nearly \$12,500. However, even though the Court's approval matrix limits this manager's authority to approve purchases of up to \$10,000, accounts payable staff paid the invoice without seeking and obtaining additional approvals from appropriately authorized managers.
  3. Also, for the second invoice above, the accounts payable staff processed the vendor invoice for payment even though the accounts payable file did not contain a copy of the approved procurement documents—such as an approved purchase order or contract—indicating prior approval of the purchase and payment rates. As a result, accounts payable staff did not have the necessary procurement documents to verify prior approval of the purchase and the rates.

### **Recommendations**

To ensure the Court can demonstrate responsible and economical use of public funds when processing invoices for payment, it should consider the following:

1. Instruct accounts payable staff to notify appropriate Court managers when they identify the same individual performing the procurement and invoice approval process for goods or services. The Court should also ensure that staff is aware that procurement and accounts payable duties must be sufficiently segregated. For example, the Court could require employees to submit purchase requisitions or supply order forms for approval from an appropriately authorized individual such as the CEO, a manager, or a supervisor. After obtaining appropriate approvals, another employee could complete the procurement process by obtaining vendor quotes or bids, preparing a purchase order or contract, securing appropriate approval signatures on the procurement documents, issuing the approved procurement documents to the vendor, and providing a copy to accounts payable for its tickler file. The employee receiving the goods or services could document and report the receipt of acceptable goods or services to accounts payable. Accounts payable staff could then complete the “three-point match” of the procurement documents, the vendor invoices, and the accepted goods and services reports prior to processing the invoices for payment.
2. Instruct accounts payable staff to verify that individuals approving procurement documents are acting within the approval limits listed on the Court's purchase approval matrix. If individuals exceed their delegated approval authority, accounts payable staff should seek and obtain additional appropriate level approvals of the procurement documents before processing the associated invoices for payment.

3. Require accounts payable staff to complete the “three-point match” of the procurement documents, the vendor invoices, and the accepted goods and services reports to ensure purchases, rates, and goods and services are appropriately approved prior to processing the invoices for payment. If vendor invoices are missing the associated procurement documents or receiving reports, accounts payable staff should obtain and verify these missing documents before processing the invoices for payment.

**Superior Court Response by: Denise Chambless, CFO Date: April 26, 2011**

Issues #1, #2 and #3: Please see our response to IM-7 Procurement, since the two areas are closely tied together. Yes, we plan to provide more training to AP staff and managers. Additionally, we will be evaluating what can reasonably be done by a court our size, with limited staff, and determining if approval of alternative procedures should be requested. The court follows the approval matrix; however this was one minor oversight of that policy. The court needs to develop a formalized purchasing program.

### **11.3 The Court’s Petty Cash Procedures Need Strengthening**

#### **Background**

Trial courts may use a petty cash fund to facilitate the purchase of certain supplies and services, but must follow certain control procedures to ensure it is used appropriately and not misused. Specifically, FIN 8.04, 3.0, states that a petty cash fund may be established when the trial court needs to keep a small amount of cash on hand to purchase low-value supplies and services—such as stamps, postage, parking, and cab fare needed for official court business—that cannot be practically purchased by other means. The maximum petty cash purchase is \$100 unless advance approval from the Court Executive Officer (CEO) is obtained.

Paragraph 6.2 requires the CEO to appoint a custodian who is personally responsible for the safekeeping, disbursement, and accounting for petty cash. The petty cash custodian must have no other cash handling responsibilities and must keep the petty cash funds separate from all other monies. Guidelines for establishing the petty cash fund are addressed in paragraph 6.3, which indicates that checks be made payable to the custodian of the petty cash fund when establishing and replenishing the fund. In addition, paragraph 6.6 prohibits trial court executives, managers, and other employees from authorizing petty cash reimbursements payable to cash or themselves. Further, it states that reimbursement should be requested as needed, but no less frequently than monthly, and that the fund shall be reimbursed prior to the close of the fiscal year.

Further, paragraph 6.4 addresses petty cash disbursements and states that each disbursement must be documented by a petty cash receipt, which should contain the following information:

- Date of purchase or payment
- Name of vendor or other payee
- Amount paid

- Description of the goods purchased (entered by the vendor if a handwritten receipt is obtained, or by the purchaser if a cash register tape is issued) or of the services provided.
- The trial court account the disbursement should be charged to
- Signature indicating receipt of purchases or services

In addition, the original vendor invoice, cash register receipt, or other evidence of the transaction for which petty cash is disbursed must be attached to the petty cash receipt.

Paragraph 6.7 requires a representative of the trial court accounting department to count the petty cash fund according to the following schedule and report the count to the Court Financial Officer:

<u>Size of Fund</u>	<u>Frequency</u>
\$200 or less	Annually
\$200 to \$500	Quarterly
Over \$500	Monthly

### **Issues**

To determine whether the Court uses and maintains its petty cash fund consistent with the guidelines in the FIN Manual, we interviewed appropriate Court staff regarding current practices for petty cash fund reimbursements. We also reviewed selected reimbursements from the petty cash fund for FY 2009-2010. Our review revealed that the Court procedures over the petty cash fund need improvement. Specifically, we found the following:

1. The Court does not make the checks to replenish the petty cash fund payable to the petty cash custodian as required by the FIN Manual. Instead, the Court makes the check payable to the supervisor who cashes the check and then gives the cash to the petty cash custodian. This Court procedure has the effect of diminishing the custodian's personal responsibility and accountability over the petty cash fund.
2. The Court's petty cash custodians did not always request reimbursement of the petty cash funds at least monthly, nor prior to the close of the fiscal year. For example, when the \$150 petty cash fund at one location was replenished in July 2010, just under \$20 remained in the fund and most of the receipts were older than a year and beginning to fade as they dated back to 2008 and 2009. In addition, the petty cash funds at two locations were \$300 each yet the associated petty cash reimbursements averaged less than \$100 per month. This low level of reimbursement activity suggests that a \$200 petty cash fund would be sufficient while not requiring reimbursement more than once a month.
3. The Court used the petty cash fund to reimburse purchases for items that are not allowed per Rule of Court, Rule 10.810. Specifically, we noted that the Court used the petty cash funds to purchase meal-related items, such as donuts, snacks, and drinks for non-sequestered jurors. According to a July 2010 e-mail from the Fiscal/HR manager, the Assistant Court Executive Officer (ACEO) indicated that the

petty cash fund is to be used only for juror food unless it is an emergency purchase. The Court later confirmed in a January 2011 email, however, that during the time period covering the petty cash reimbursements we reviewed, the Court did not have any sequestered jurors. The Court also used the petty cash fund to pay a vendor's \$30 parking ticket. According to supporting court documents, the operations manager approved the use of the petty cash fund to reimburse payment of the parking ticket because Court personnel misinformed the vendor about where to park. Moreover, the ACEO reviewed the receipts, including the reimbursement for the paid parking ticket, supporting the replenishment of the petty cash fund and approved the replenishment instead of questioning the appropriateness of using public court funds to pay individual parking violations and denying this reimbursement.

4. The Court's accounting department did not count the petty cash funds according to the schedule prescribed in the FIN Manual. As a result, when the Fiscal/HR manager counted and verified the petty cash fund at one location in June or July 2010, she determined that the petty cash fund was in need of replenishment and that the custodian needed additional training. However, had the court performed and reported the results of a similar count in prior years, it would have discovered earlier that the petty cash custodian needed additional training and instruction because she was not adequately managing or reconciling the petty cash funds entrusted to her. The Court explained that new fiscal management will ensure the petty cash counts are performed as required going forward.

### **Recommendations**

To ensure it uses and maintains its petty cash fund consistent with the petty cash policy and procedures outlined in the FIN Manual, the Court should consider strengthening its control procedures as follows:

1. Require that the check to replenish the petty cash fund be made payable to the petty cash custodian.
2. Require petty cash custodians to replenish their respective petty cash funds once a month and prior to the close of the fiscal year. In addition, the Court should reduce the amount of the petty cash funds to an amount that is sufficient to meet the needs of the Court location while not requiring reimbursement more than once a month.
3. Restrict the use of the petty cash fund to the purchase of low-value supplies and services that cannot be practically purchased by other means and that are allowed by Rule of Court for court operations. Restrict purchases for meal items, such as donuts, snacks, and drinks, to only sequestered jurors.
4. Develop and implement a schedule for the Court's accounting department to conduct and report to the Court Financial Officer the results of periodic counts of the petty cash funds at each location as prescribed in the FIN Manual.

**Superior Court Response by: Cathy Carpenter, CSA    Date: March 10, 2011**

The court is aware of several of the issues raised by the auditors during the recent audit, and have already begun to implement new procedures. We have attached a copy of the revised Petty Cash and Cash Handling Procedures.

1. Require the check to replenish petty cash to be in the name of the custodian: Agree, this has been implemented in the new procedures and has been discussed with the Accounts Payable clerk. The ACEO believes that in the past she was informed by AOC that the petty cash reimbursement should be made payable to her to have a segregation of duties.
2. Require petty cash custodians to replenish funds once a month and prior to close of fiscal year: Agree. The amount of petty cash funds have been reduced to no more than \$200 at any one location. All funds were replenished at the end of the fiscal year 2010-2011 to properly account for expenses in the proper year.
3. Restrict the use of petty cash fund to purchase of low-value supplies and services: Agree that the court makes minor food purchases for jurors as noted. Disagree this practice should be changed. The court has a long standing practice of providing snacks to jurors as part of our commitment to community outreach and appreciation. Additionally, our South Lake Tahoe branch does not have a vending machine for jurors to access. This is a minor expense to the court. The approval for reimbursement of the vendor parking ticket was a minor oversight. The court is aware that the petty cash fund is not to be used for this type of expense.
4. Periodic counts of petty cash funds at each location: Agree, this has been implemented with the new procedures, and will be performed 1-2 times/year.

## 12. Fixed Assets Management

### Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
<b>Expenditures</b>				
922601 MINOR OFFICE EQUIPMENT/MA	43		43	100
922603 OFFICE FURNITURE - MINOR	481	313	168	54
922610 COMPUTER ACCESSORIES	19,751	13,255	6,496	49
922611 COMPUTER	14,396	27,012	(12,616)	(47)
922612 PRINTERS		8,506	(8,506)	(100)
922699 MINOR EQUIPMENT - UNDER \$		791	(791)	(100)
* <b>922600 - MINOR EQUIPMENT - UNDER</b>	<b>34,671</b>	<b>49,877</b>	<b>(15,206)</b>	<b>(30)</b>
945203 MAJOR EQUIPMENT-FURNITURE		119,250	(119,250)	(100)
946601 MAJOR EQUIPMENT - IT		11,739	(11,739)	(100)
* <b>945200 - MAJOR EQUIPMENT</b>		<b>130,989</b>	<b>(130,989)</b>	<b>(100)</b>

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

Specific tests include:

- Determining the accuracy of the Court's reported fixed assets by comparing the information reported in the Comprehensive Annual Financial Report (CAFR) worksheet statements 18 and 19 to the supporting accounting records.
- Verification of supporting invoices for selected expenditures to ensure that expenditures were appropriately classified in the general ledger accounts.
- Review the completeness and accuracy of the asset inventory and software license listings and the most recent physical inventory of assets. Traced selected items on the listings to the physical item and vice-versa, including validation of the existence of selected major asset purchases through physical observation.
- Evaluated controls and procedures over disposal of fixed assets and inventory items.

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

## **12.1 The Court Needs to Improve Its Procedures for Tracking and Reporting Court Assets**

### **Background**

The Trial Court Financial Policies and Procedures Manual (FIN Manual), FIN 9.01, 3.0 requires each trial court to establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report all court assets. The trial court's primary objectives are to ensure that all court assets are properly identified and recorded, used effectively, and safeguarded against loss or misuse.

Specifically, FIN 9.01, 6.2.2, requires courts to maintain a detailed and up-to-date listing of inventory items. Inventory items are defined as items with an individual value of more than \$1,000 and less than \$5,000 and an anticipated useful life of more than one year. In addition, items that are particularly subject to loss or theft, such as small office equipment, cellular phones, and small phones valued at less than \$1,000, are also included as inventory items. Further, FIN 9.01, 6.2.3 requires courts to maintain a current list of court-owned computer software and FIN 9.01, 6.2.4 requires courts to maintain certain information in the FAMS, such as a description of the fixed asset, date of acquisition, value, and estimated useful life. Fixed assets are defined as individual items with a value of \$5,000 or more and with an anticipated useful life of more than one year, such as vehicles, security equipment, and copiers.

To identify and control these assets, FIN 9.01, 6.3 requires the court to assign a unique identification (ID) number and affix to each inventory item, fixed asset, and software license agreement, a tag or decal showing the assigned ID number. The tags or decals should be serially numbered, and unused tags or decals should be kept in a secure place.

Although FIN 9.01, 6.6 recommends an annual inventory, it requires courts to conduct a physical inventory of all court assets and equipment no less than every three years. The court must reconcile the inventory count recorded at each location against the asset records and investigate variances. Any unexplained losses or missing items must be reported to the court Fiscal Officer or designated employee.

To protect the integrity of the FAMS, FIN 9.01, 6.7 requires that the Court maintain a record of asset transfer or disposal. Specifically, FIN 9.01, 6.7.2 outlines guidelines, consistent with Rule of Court 10.830, for the disposal of inventory and fixed assets items. For example, courts must provide the Administrative Director of the Courts a written description of technology equipment acquired on or after July 1, 2000, that the court wishes to dispose of as surplus equipment. If the Administrative Director of the Court determines, or makes no determination within 60 days, that no court needs the technology equipment, the court may dispose of the surplus equipment following the rules required for disposing of non-technology personal property.

**Issues**

Our review of the Court's system for recording, controlling, and reporting on Court assets identified the following issues:

1. The Court does not use a system to track and account for its tangible assets, such as in a Fixed Assets Management System (FAMS). Although the Court maintains various inventory listings of court information technology (IT) assets, and lists the assets used to report its fixed assets balance at year-end, each listing did not consistently contain all the data elements required in a FAMS, such as the location of the asset, the date the asset was acquired, and the assigned cost or value of the asset. In addition, the listings did not always include certain important information, such as the property ID tag number and the estimated useful life of the asset. According to the Court, since separating from the county, it has not updated the asset management system that was once managed by the county.
2. The Court does not have a documented process for classifying and tracking inventory and fixed asset items. As a result, according to the Court, it was not aware it was not tracking inventory items under \$5,000. The Court indicates it will implement this tracking by June 30, 2011.
3. Further, the Court does not conduct a periodic physical inventory of its assets at least once every three years as required. Completing such a physical inventory of its asset items would assist the Court in reconciling and updating its asset listing so that it can use this listing to track and account for its inventory and fixed asset items.
4. The fixed asset listing the Court uses to support its June 30, 2010, year-end fixed asset balance is not accurate. Specifically, the Court included intangible asset items, such as software and system interfaces, as fixed asset items. Moreover, because the Court has not completed a physical inventory of its assets, the fixed assets listing may not be complete and may not accurately reflect the complete value of the Court's fixed assets.
5. The Court did not ensure it disposed of surplus property in accordance with Rules of Court regarding the disposal of court personal property. Consequently, the Court did not report surplus IT items to the AOC before transferring or disposing of these IT items in August and October 2009. According to the Court, it was not aware of the Rules of Court requirements at the time it disposed of these IT assets, but has revised its practice to follow the Rules of Court when disposing of surplus or obsolete items.

**Recommendations**

To ensure it properly records, controls, and reports its assets, the Court should consider the following:

1. Update its asset management system to include all inventory and fixed asset items, including the data elements required in a FAMS. The updated asset management system should enable the Court to enhance and consolidate its current court asset

- listings in one FAMS and to prepare a comprehensive listing of inventory and fixed asset items. The Court can use this comprehensive listing to track, monitor, and account for its assets, as well as support the fixed assets balance it reports for year-end financial reporting purposes.
2. Establish a process for classifying and tracking inventory and fixed asset items in its FAMS. This process may begin at the acquisition phase through the identification and classification of an asset to be acquired as either an inventory or fixed asset item. Once the Court obtains possession of the asset, the next sequential ID tag is affixed to the asset and pertinent acquisition, classification, and location information is recorded in the FAMS. This should include information such as the ID tag number, date acquired, description of asset, model number, serial number, cost or value of asset, estimated useful life, inventory or fixed asset classification, and location of the asset.
  3. Complete a physical inventory of court assets and perform the associated reconciliation to asset records, including appropriate updates of its FAMS asset records to facilitate complete and accurate asset listings. The Court should perform this physical inventory and reconciliation of court assets annually, but no less than once every three years.
  4. Classify court-owned intangible assets, such as software, as intangible assets in the FAMS so that the Court does not inadvertently list and report these assets as fixed assets at year-end.
  5. Document and follow its newly established process for ensuring compliance with Rules of Court regarding the disposal of court inventory or fixed assets. This documented process should include notifying the AOC of the IT equipment the Court wishes to dispose of as surplus IT equipment before disposing of these items.

**Superior Court Response by: Denise Chambless, CFO    Date: April 25, 2011**

We are working on improving our procedures for tracking and reporting court assets. We have obtained a copy of the Fixed Asset Management Database (FAM) from AOC, and plan to implement it in the near future.

### **13. Audits**

#### **Background**

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

We reviewed prior audits conducted on the Court to obtain an overview of the issues identified and to determine during the course of our audit whether these issues have been corrected or resolved. Specifically, IAS initiated an audit of the Court in 2002 that included a review of various fiscal and operational processes. Issues from the 2002 audit that have not been corrected or resolved, and repeat issues may be identified in various sections of this report.

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

## **14. Records Retention**

### **Background**

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

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

**There were no significant 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 also reviewed a selected sample of criminal domestic violence convictions, and reviewed corresponding CMS and case file information to determine whether the Court assessed the mandated fines and fees.

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

### **15.1 The Court Could More Consistently Assess the Domestic Violence Fines, Fees, and Assessments Required By Statute**

#### **Background**

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

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

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

- Penal Code (PC) 1202.4 (b) State Restitution Fine  
Courts must impose a separate and additional State Restitution Fine of not less than \$200 for a felony conviction and not less than \$100 for a misdemeanor conviction in every case where a person is convicted of a crime. Courts must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason not to impose this restitution fine, but may be considered only in assessing the amount of fine in excess of the minimum.
- PC 1202.44 (or PC 1202.45) Probation (or Parole) Revocation Restitution Fine  
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed.
- PC 1203.097 (a)(5) Domestic Violence Fee  
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee if a person is granted probation for committing domestic violence crimes. The legislation that amended the Domestic Violence Fee from \$200 to \$400 sunset on January 1, 2010, but a bill enacted on August 13, 2010, amended the fee back to \$400. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1465.8 (a)(1) Court Security Fee  
Effective August 17, 2003, courts must impose a \$20 (\$30 effective July 28, 2009, and \$40 effective October 19, 2010) Court Security Fee on each criminal offense conviction.
- Government Code (GC) 70373 Criminal Conviction Assessment  
Effective January 1, 2009, courts must impose a \$30 Criminal Conviction Assessment for each misdemeanor or felony and an amount of \$35 for each infraction.

## **Issues**

Our review of the Court's criminal DV convictions for calendar year 2009 found cases where the Court did not always assess the statutorily required fines, fees, and assessments.

Specifically, our review of 16 of the 40 DV case files with criminal convictions noted the Court did not consistently assess the statutorily required DV fines, fees, and assessments as follows:

- a. In two cases, the Court did not assess the required State Restitution, Court Security, and Criminal Conviction fines, fees, and assessments. For both cases, according to the Court, the defendant was sentenced to jail time in lieu of fines. However, our review of the case files did not find an indication on

the record that the Court found a compelling and extraordinary reason for not assessing the State Restitution fine. In addition, there was no indication that the Court assessed the Court Security fee and Criminal Conviction assessment.

- b. In three cases, the Court did not assess the correct Court Security fee. Specifically, the conviction date for all three cases occurred less than 30 days after the fee increased from \$20 to \$30 on July 28, 2009. However, the Court assessed the old \$20 Court Security fee instead of the new \$30 Court Security fee on these three cases. The Court subsequently began assessing the correct Court Security fee as the later cases we reviewed with November and December 2010 conviction dates were assessed the correct fee.
- c. In one case, the Court did not assess the required \$400 Domestic Violence fee even though it did not indicate in the court minute orders that the Court found that the defendant did not have the ability to pay.

### **Recommendation**

To ensure that the statutorily required minimum criminal domestic violence fines and fees are assessed, the Court should consider the following:

Create a bench schedule of required DV fines and fees as a tool for use by judicial officers and staff, and insert current minimum fine and fee amounts on the official order of probation forms. Also, document in minute orders and/or its CMS any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why the Court did not assess the required minimum fines and fees.

### **Superior Court Response by: Jackie Davenport, ACEO Date: March 1, 2011**

The Court is in agreement with issues stated above. Judicial officers have bench schedules but will be advised, at the judges' meeting on March 8, 2011, of the DV fines, fees and assessments required by statute and the requirement to state on the record the compelling/extraordinary reason a fine is not imposed. Judges' will also be provided with an updated bench schedule. By April 1, 2011, court managers will review with staff the DV fines, fees and assessments required by statute and documenting minute orders with the reason the court did not assess the required fines/fees. Copies of bench schedules will also be provided to staff.

Programming updates to our case management system often take several months to complete. The Court Security fee increase that was effective July 28, 2009 did not get updated in our case management system until February 12, 2010. Court staff is advised of the Court Security increase and the process to apply the increased amount in the CMS. However, because this is a manual process until the programming is completed errors occurred. A process for reviewing processing when changes in fees/fines are implemented will be developed by court managers.

Responsible person(s) and date of corrective action:

Jackie Davenport, Assistant CEO and Presiding Judge Kingsbury will advise judges of the requirements on March 8, 2011.

Court Operation Managers, Selina Kostelnik, Susan Cottingham, Rosalie Tucker & Doralyn McPeake will advise staff of the requirements by April 1, 2011.

## 16. Exhibits

### **Background**

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

A 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. While some exhibits have little value or do not present a safety hazard, such as documents and photographs, other exhibits are valuable or hazardous and may include: contracts or deeds, weapons, drugs or drug paraphernalia, toxic substances such as PCP, ether, and phosphorus, as well as cash, jewelry, or goods such as stereo equipment. To minimize the risk of exhibits being lost, stolen, damaged, spilled, and/or disbursed into the environment, a manual should be prepared to guide and direct exhibit custodians in the proper handling of exhibits. Depending on the type and volume of exhibits, the manual at superior courts can be minimal in length or very extensive. Manuals would provide practices and procedures that direct exhibit custodians in the consistent and proper handling, storing, and safeguarding of 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 handling policy and procedures, and observing the physical conditions of exhibit storage areas. Because the Court asserted, and we confirmed through observation, that it did not maintain sensitive exhibits, we limited the procedures performed in our review of exhibits. Therefore, we did not validate selected exhibit record listings to actual exhibit items and vice-versa to determine whether all exhibit items have been accurately accounted for and to evaluate the efficacy of the Court’s exhibit tracking system.

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

## 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. California Rules of Court (CRC) 3.1130(a) outlines certain conditions for insurance companies to meet prior to being accepted or approved as a surety on a bond:

A corporation must not be accepted or approved as a surety on a bond or undertaking unless the following conditions are met:

- The Insurance Commissioner has certified the corporation as being admitted to do business in the state as a surety insurer;
- There is filed in the office of the clerk a copy, duly certified by the proper authority, of the transcript or record of appointment entitling or authorizing the person or persons purporting to execute the bond or undertaking for and in behalf of the corporation to act in the premises, and
- The bond or undertaking has been executed under penalty of perjury as provided in Code of Civil Procedures section 995.630, or the fact of execution of the bond or undertaking by the officer or agent of the corporation purporting to become surety has been duly acknowledged before an officer of the state authorized to take and certify acknowledgements.

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 significant issues to report to management.**

**APPENDIX A**

**Superior Court of California,  
County of El Dorado**

**Issue Control Log**

**Note:**

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

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

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

**April 2011**

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1 Court Administration</b>								
		<b>Log</b>	The Court could not clearly demonstrate compliance with Rules of Court rule 10.603(c)(3) related to submitted cases. Specifically, the Court does not compile a list of all causes under submission before judges of the court, designated as the submitted list, which includes all the required information such as, the name of each judge, a list of causes under submission before that judge, and the length of time each cause has been under submission. In addition, it does not circulate monthly a complete copy of the submitted list to each judge of the court.	<b>I</b>		Agree. The Court will develop a process to compile a list of all causes under submission and circulate monthly to each judge.	Assistant Court Executive Officer (ACEO)	January 2012
<b>2 Fiscal Management and Budgets</b>			<b>No issues to report.</b>					
<b>3 Fund Accounting</b>			<b>No issues to report.</b>					
<b>4 Accounting Principles and Practices</b>								
		<b>Log</b>	The Court posted unallowed petty cash meal expenses for unsequestered jurors to the office supplies-miscellaneous general ledger account. The Court should have more appropriately recorded these expenses in the meals non sequestered jurors general ledger account under the juror cost category.	<b>I</b>		Agree. The court will review the coding with fiscal staff and revise going forward if we determine it should be changed.	Fiscal/Human Resources (HR) Manager	August 2011
		<b>Log</b>	The Court posted an unallowed petty cash parking ticket expense to the parking fees general ledger account. Although an unallowable expense, the Court should have more appropriately recorded this expense in the penalties general ledger account under the other special items of expense category.	<b>I</b>		Agree. This was one minor oversight out of numerous petty cash postings. The court does not anticipate approving any further postings for parking tickets to petty cash.	Fiscal/HR Manager	June 2011
		<b>Log</b>	We identified local revenues whose use is restricted by statute but that the Court did not account for separately to ensure proper usage of the restricted monies. Specifically, in fiscal year 2009-2010, the Court received nearly \$25,000 in local revenues that were restricted by statute for furthering collection efforts related to the collection of restitution monies. Although the Court accounts for the restricted local revenue source using a separate revenue GL account, it did not establish a WBS account to separately track their respective expenditures. As a result, it cannot demonstrate that it used the revenues only for their restricted purposes.	<b>I</b>		The Court will request a WBS account be set up for this purpose.	Fiscal/HR Manager	September 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
5	Cash Collections							
		5.1	<b>The Court Needs to Strengthen Some of Its Cash Handling Procedures</b>					
			<b>1</b> At four locations, clerks voided their own transactions.		<b>C</b>	Agree. Measures to improve control of voided transactions have been implemented. Copies of voids and approvals are sent to the fiscal department on a weekly basis. The fiscal department reviews and reconciles all voided and reposted transactions effective February, 2011 as part of the monthly reconciliations. Some of the voided transactions may have been done by a fiscal employee, although these voids never involve any cash or check transactions. On rare occasions when a lead or manager is not available to perform the void, a fiscal employee may void a cash/check transaction.	Senior Accountant (Sr. Acct)/Auditor	February 2011
			<b>1</b> The Court allows the Case Management Coordinator to void transactions even though the coordinator is not a clerk supervisor or lead. As a result, supervisory review and approval of voids is not always taking place.	<b>I</b>		Agree. On occasion, the Case Management Coordinator is asked to void a transaction in the absence of the supervisor or lead. Disagree we will change this practice. While not optimal, budget constraints do not currently allow the court to add additional staff for oversight.	Sr. Acct/Auditor	NA
			<b>1</b> At all locations, the Court does not use a two-person team to open mail and does not maintain a mail payment log.	<b>I</b>		Agree. Due to the court's small staff, it is not feasible or prudent to implement having 2 people open the mail and log payments received. Nearly all payments received via mail are check or money orders. The court will request permission from AOC for an alternate procedure.	Fiscal/HR Manager	December 2011
			<b>1</b> At one location, according to the cash handling segregation of duties matrix completed by the court, clerks can perform the incompatible duties of opening mail payments and processing mail payments.	<b>I</b>		Agree. The court will request permission from AOC for an alternate procedure.	Fiscal/HR Manager	December 2011
			<b>1</b> At three locations, there is no supervisory review and approval of the deposit.	<b>I</b>		Agree that our current procedure is accurately presented, however all deposits are reconciled by the fiscal department for correctness and reconciliation to the CMS. The fiscal department does not prepare any deposits of CMS funds, and therefore are an independent verifier of the daily deposits. The court will request permission from the AOC for an alternate procedure.	Sr. Acct/Auditor	December 2011
			<b>1</b> At three locations, according to the cash handling segregation of duties matrix completed by the Court, clerks that can approve void transactions also can prepare the bank deposit.	<b>I</b>		Agree. The court will request permission from AOC for an alternate procedure.	Sr. Acct/Auditor	December 2011
			<b>Log</b> A fiscal employee who is responsible for reviewing any adjustment transactions listed on the daily reports can also post adjustment transaction to the CMS, after the clerk's daily balancing and close-out process, without any additional supervisory review and approval of the changes.	<b>I</b>		Agree. On occasion one fiscal employee is asked to void a transaction in the absence of the supervisor or lead. While not optimal, budget constraints do not currently allow the court to add additional staff for oversight. No adjustments to cash or checks are made. The court will request permission from AOC for an alternate procedure.	Sr. Acct/Auditor	December 2011
			<b>Log</b> For six of the 10 installment payments we reviewed, the Court should have referred the cases to the Court's collection agency but did not. In one case, the installment payments were past due for 210 days, not counting the 84-days grace period the Court allows the defendant to become current. In the other five cases, the defendants' payments were as late as 135 days to 59 days. Similarly, two of the 10 cases we reviewed with installment payments that are considered "current", had late payments. One had payments more than 365 days late and the other had several late payments. One was late 25 days, one late 55 days, and another was 70 days late even after considering the Court's 84-day grace period.	<b>I</b>		Agree. The court will review current procedures.	Sr. Acct/Auditor	October 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	At four locations, the court does not designated a specific person to be the custodian of the change fund.	I		Agree. Corrected.	Sr. Acct/Auditor	July 2011
		Log	At one location, the closeout of the cash drawer was not verified in the presence of the clerk.	I		The fiscal department is working with the branch managers on a procedure for this.	Fiscal/HR Manager	October 2011
		Log	At four locations, the supervisor does not maintain physical custody of the manual receipt book until needed by clerks.	I		Agree. The fiscal department is working with the branch managers on a procedure for this.	Fiscal/HR Manager	October 2011
<b>6 Information Systems</b>								
	6.1		<b>The Court Did Not Distribute Certain Collections in Accordance with Statutes and Guidelines</b>					
		9	The Court did not provide copies of the County Board of Supervisors resolutions supporting its GC 76000(a) and GC 76000.5 penalty assessments. As a result, we could not determine whether the Court calculated the correct amounts for these penalty assessments.	I		Agree. The Court requested a copy of these resolutions from the county on June 8, 2011.	ACEO	January 2013
		9	The Court does not correctly assess the VC 40508.6(a) Priors Admin Fee (up to \$10). The Court assesses this fee even when it finds the defendant had no prior convictions. According to the Court, it assess the fee regardless of prior convictions, and its ICMS case management system has been programmed this way since 1981. However, VC 40508.6(a) allows courts to assess this administrative fee for subsequent violations, not the first.	I		Disagree. The AOC received an opinion from the Office of General Counsel in September 2010 that clarified assessment of the VC 40508.6(a) Priors Admin Fee. Prior to receiving the opinion from OGC, the court interpreted this code section to allow for the assessment of the VC 40508.6(a) Priors Admin Fee in each case in which the court checked for prior convictions. As the interpretation of this statute by OGC was not provided to courts until September of 2010, this item should not be listed as in issue in our audit findings. After receiving the OGC opinion the Court notified our case management vendor of the need for a modification. Modification of the system will be at a cost to the court, the court will review the cost estimate to be provided by our case management vendor to determine if the court has funds available to proceed with the modification. If it is cost prohibitive to obtain the modification, the Court will look for other alternatives in assessing the Priors Admin Fee.	ACEO	July 2012
		9	The Court incorrectly assessed the GC 76104.6 DNA penalty assessment twice. Specifically, the Court assesses \$2 for every 10, instead of \$1 for every 10; thus, overstating distributions to the County. According to the Court, the most recent SCO audit (final report not issued) also found this Court error as the Court set-up an extra "DNA" ledger code in error from 1/1/07 to 11/4/09.		C	Disagree. The court requests this finding be removed. The item was corrected prior to the AOC audit. The error was discovered during the SCO audit which covered the period to June 2009, however the error was not disclosed to the court until November, 2009. It was corrected by the court on November 4, 2009.  Regarding establishing a practice of periodically testing DNA penalty assessments, especially prior to implementing amendments to applicable statutes, IT does testing when new fine calculations are updated. We have not had the staff to do periodic testing of calculations. We will consider the feasibility of implementing testing of all calculations, and periodic testing thereafter.	Sr. Acct/Auditor	November 2009
		9	The Court did not apply the 30% PC 1463.11 - Red Light Allocation to the ICNA portion of GC 70372(A). As a result of this calculation error, the Court overstates the GC 70372(A) distribution to the State and understates the PC 1463.11 - Red Light fund distribution to the County.		C	Agree. RLV and 30% allocation has been corrected.	Sr. Acct/Auditor	March 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		9	In Red Light traffic school cases, the Court does not correctly calculate the VC 42007.3 30% Red Light Allocation. Specifically, the Court calculates the 30% allocation similar to non-traffic school PC 1463.11 Red Light violations, which excludes DNA penalty assessments (GC 76104.6 & GC 76104.7). According to the Court, it calculates the 30% Red Light allocation the same regardless of whether the case is a traffic school or non-traffic school disposition. However, unlike non-traffic school PC 1463.11 Red Light violation cases, VC 42007.3 includes the DNA penalty assessments in the 30% Red Light allocation for Red Light traffic school cases.		C	Agree. RLV and 30% allocation has been corrected.	Sr. Acct/Auditor	March 2011
		9	For Red Light traffic school cases, the Court incorrectly calculates the 20% PC 1465.7 State Surcharge from the base fine net of the 30% allocation instead of calculating the State Surcharge using the whole base fine amount. Thus, the Court understates the 20% State Surcharge distributions to the State.		C	Agree. RLV and 30% allocation has been corrected.	Sr. Acct/Auditor	March 2011
		9	For regular traffic school cases, the Court includes the "DNA" (GC 76104.6), "SDN" (GC 76104.7), and "EMS" (GC 76000.5) penalty assessments in the "TVC" ledger at month-end. The Court considers the TVC to be the current VC 42007 Traffic Violation School (TVS) fee. However, VC 42007(b)(2) requires the Court to first distribute the EMS (GC 76000.5) penalty assessment to the county EMS fund before distributing the remaining amounts as the TVS fee.		C	Agree. We have reviewed the manual TS calculations to verify they are correct.	Sr. Acct/Auditor	May 2011
		Log	The Court did not use the applicable base fine from the Uniform Bail and Penalty Schedule. This occurred in 2 of the 10 traffic infraction cases we reviewed (1 Speeding and 1 Child Seat).	I		Agree. The requirements of the Uniform Bail Schedule and use of the applicable base fine for infractions will be reviewed with judicial officers.	ACEO	January 2012
		Log	The Court did not reduce the base fine for Reckless Driving violations by the special base fine reductions, PC 1463.14(a) of \$50 and PC 1463.16 of \$50. The Court should make these reductions at the case-level, not at month-end like the DUI cases we reviewed, because although this oversight does not impact distributions for county arrests cases because all these base fine components are distributed to the County, distributions to cities for city arrest cases will be overstated because the Court did not properly reduce the base fine at the case-level. Subsequent to our review, the Court indicated it took action to correct this calculation oversight in January 2011.		C	Agree. Corrected.	Sr. Acct/Auditor	January 2011
		Log	The Court did not assess the \$15 FG 12021 Secret Witness fee. This fee should be assessed for every FG violation related to the display of a fishing license, including FG 7145 violations, and should be distributed to the State. The Court recently corrected this oversight in January 2011. According to the Court, it determined that it did not assess the penalty on a total of 98 cases since 1970, resulting in a \$1,470 shortfall to the State that the Court characterized as immaterial.		C	Agree. Corrected.	Sr. Acct/Auditor	January 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	6.2		<b>The Court Does Not Adequately Safeguard and Monitor Access to Sensitive Information</b>					
		5	The Court does not maintain a current list of individuals who are authorized to access DMV files. Specifically, we identified 12 of 62 ICMS users on the list that no longer required access to perform their jobs.		C	Agree. Corrected, and it will now be reviewed once a year.	Information Technology (IT) Manager	February 2011
		5	The Court does not have a process to adequately ensure that the Information Security Statements (Form 1128) are signed and dated annually by court and non-court employees that have user IDs allowing them access to DMV data. Specifically, according to the Manager of IT the forms are outdated and have not been updated since the responsibility was given to him in 2007.		C	Agree. Corrected.	IT Manager	February 2011
		5	The Court does not have a process to monitor unusual staff activity in the DMV system to ensure access was for a legitimate business purpose. Specifically, according to the Manager of IT, it does not have the resources to generate and review periodic exception reports.	I		Agree. The current program used for "direct" access to DMV doesn't produce the type of reports that are easily reviewed. It does however log every single transaction. It takes time to read and decipher those transactions. When there has been a question of inappropriate access, our IT Manager has gone back and reviewed the logs and found no wrong doing. However, it was a time consuming process. We don't have enough IT staff to review the logs on a daily basis.  The only way to change this time consuming process would be to purchase a new program for "direct" access. Budget constraints do not allow for this expenditure at this time. We will re-evaluate this on an annual basis.	IT Manager	NA
		Log	Court services required from the county during the execution of the Court's Business Continuity Plan have not been agreed to in the MOU with the county.	I		Agree. The Court is actively developing its Continuity of Operations Plan and appropriate agreements/MOU's to support the plan.	ACEO	July 2012
		Log	The Court does not have written agreements with all vendors whose services are required during the execution of the Business Continuity Plan.	I		See above.	ACEO	July 2012
		Log	The Business Continuity Plan does not include media liaison strategies.	I		See above.	ACEO	July 2012
		Log	The Disaster Recovery Plan does not include the use of a backup recovery site.	I		See above.	IT Manager	July 2012
		Log	The backup media for critical systems are not rotated to an off-site storage facility daily.	I		Agree. Data is backed up daily to a disk, weekly to a tape, and once per month the tape is transferred to a fireproof safe. Since it is not feasible for our IT staff to visit each court location daily to retrieve data backup, we will request an alternate procedure.	IT Manager	July 2012
		Log	User accounts are not disabled after a specified period of inactivity.	I		This report does not indicate which system each log item refers to for the remainder of this section. We have indicated the area (Network or CMS) we believe the audit is referring to. In addition, it is the court's understanding that many of these controls are recommended, not mandatory. Due to staffing constraints, it is not feasible at this time, to implement all recommended controls. Network: Disagree. HR sends a form to IT upon employee termination. IT manually then disables user account.	IT Manager	July 2012
		Log	Written supervisory approval is not required for the creation or modification of user accounts.	I		Network: HR sends a form to IT to create a new user account. Help desk tickets have been implemented to document management requested modifications.	IT Manager	March 2011
		Log	Management approval is not required for the creation of system level accounts.	I		Network: Agree. The court will research whether or not this is a requirement or a suggestion.	IT Manager	March 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Privileged user rights are not reviewed on a regular basis.	I		Network: Agree. Staffing constraints preclude us from reviewing this on a regular basis. It is reviewed when there is a change in the status of an employee.	IT Manager	July 2012
		Log	There are no written standards in place that cover the assignment and use of special user accounts. In addition, the use of generic, shared, or temporary accounts is not discouraged by management.	I		Network: Agree. There are multiple users logging in to obtain network access at the front counters. Users have minimal access privileges. Written standards will be developed.	IT Manager	July 2012
		Log	The MOU with the county does not require the county to notify the Court within 48 hours of any county employee who separates from the county and has remote access to the Court systems; and does not require the county to validate, on at least an annual basis, that the county employee still needs remote access.	I		CMS and Network: Agree. The court will develop a new policy.	IT Manager	January 2013
		Log	The security administrator and management does not review log files related to events and/or security violations.	I		Network: Agree. Currently we do not have sufficient staffing to review log files. Lack of resources prevents corrective action.	IT Manager	NA
		Log	The system does not enforce restriction on password syntax.	I		Network: The court can restrict. CMS: The court has no control over outside vendor programming capability. The court will develop a policy to address the Network issue.	IT Manager	July 2012
		Log	The system does not limit the ability to re-use passwords.	I		Network: The court can limit this. CMS: Court cannot limit this. The court will develop a policy to address the Network issue.	IT Manager	July 2012
		Log	The password files are not encrypted.	I		Network: The court can address this. CMS: Does not have the capability to do this; however there are limited user rights. The court will develop a policy to address the Network issue.	IT Manager	July 2012
		Log	The system does not require an appropriate minimum password length.	I		CMS: Agree. This is a limitation of the vendor's system. Because of this, no further action is planned by the court.	IT Manager	NA
		Log	Passwords are not required to be changed periodically.	I		CMS: Agree. This is a limitation of the vendor's system. Because of this, no further action is planned by the court.	IT Manager	NA
<b>7</b>								
	7.1		<b>Trust Account Reconciliations are Not Current and Not Reviewed and Approved</b>					
		10	The Court has not yet reconciled to the associated CMS records some of the monies it has on deposit with the County Treasury, such as for the criminal trust fund monies and the transition fund monies.	I		Agree. Target completion date has been set.	Sr. Acct/Auditor	August 2011
		10	The Court could not demonstrate supervisory review and approval of its civil trust reconciliations, such as with a signature block on the completed reconciliation that is signed by the supervisor to indicate their review and approval of the reconciliation.	I		Agree. The court will implement this review procedure.	Fiscal/HR Manager	August 2011
		10	The Court does not maximize interest earnings on the monies it keeps on deposit with the County Treasury as these monies are not deposited in an interest bearing pooled cash account.	I		We do not pay fees for the "banking" service the county provides. We will research whether or not our agreement with the county allows us to move the money and, if so, interest earned would be of more benefit than the waiver of fees.	Fiscal/HR Manager	December 2011
		Log	Between January 2009 and December 2010, the Court disbursed two revolving fund checks that exceeded \$15,000 each and that lacked the two authorizing signatures required by the FIN Manual. (FIN 1301, 6.4).		C	Agree. Fiscal staff personnel have been instructed to obtain two signatures on the check when if the amount exceeds \$15,000.	Fiscal/HR Manager	March 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court did not report on its June 30, 2010, Schedule C, court funds it has on deposit with the County Treasury in the amount of \$1,561,145.	I		Agree. The court reported quarterly to the AOC the funds it has on deposit with the County Treasurer, and these amounts were reflected correctly on the court's financial statements. The court was not aware this information should be included on the Schedule C-Annual Report of Trial Court Bank Accounts. Going forward, in addition to reporting balances in actual bank accounts, the court will include funds on deposit with the County.	Fiscal/HR Manager	August 2011
		Log	The Court could not provide a list of individuals authorized to sign checks, the types of check payments they are authorized to sign, their respective dollar limits, and an example of their signatures. The Court subsequently prepared its written authorization in July 2011 and provided us with this authorization and signature examples from 2006 through 2008.		C	Disagree. The court did provide the auditor with this information when he was on site, with the exception of the letter from the CEO. In addition to the bank account signature authorization forms provided as stated, the court has now provided an authorization letter from the CEO as requested.	Fiscal/HR Manager	July 2011
<b>8</b>	<b>Court Security</b>							
		Log	At two locations, smoke/fire detectors are not installed in the courthouse.	I		Agree that smoke/fire detectors are not installed. However, we disagree that this should be listed as issue in our audit findings. Facility maintenance, including installation of smoke/fire detectors, was previously provided by the County and is now provided by the AOC. The Court will put in a facility modification request to the AOC for installation of smoke/fire detectors for these facilities.	ACEO	January 2012
		Log	The Court MOU with the Sheriff does not provide sufficient details regarding the Sheriff costs. Specifically, although the Court's MOU with the Sheriff provides a total not to exceed amount for court security services and provides the number of full time equivalent (FTE) security positions for each listed court location, it does not provide the billable hourly rates, total hours, and total cost associated with each FTE position proposed for each court location. In addition, the MOU does not include the State policy to minimize the use of overtime, nor define what is considered allowable overtime and unallowable overtime nor a process for the Court to pre-approve allowable Sheriff overtime.	I		Agree. This will be addressed in the next fiscal year MOU.	ACEO	January 2012
		Log	The Sheriff billing does not provide the actual security personnel costs by specific court location. As a result, the Court cannot reconcile the billed security personnel charges to the FTE positions the MOU outlines for each specific court location. Specifically, the Sheriff invoice includes billed security personnel charges by general court location. However, the detailed report the Sheriff provides the Court to support its billed personnel charges does not report by specific court location the actual sheriff employee charges and number of hours each employee worked. Instead, the Sheriff uses pre-established percentages to allocate the amounts it billed to each specific court location.		C	Agree. The Court is now receiving the appropriate documentation by court location.	Fiscal/HR Manager	March 2011
<b>9</b>	<b>Procurement</b>							
		9.1	<b>The Court's Procurement Practices Need Improvement</b>					
		7	The Court did not always initiate purchases with a purchase requisition. Specifically, the Court did not have approved purchase requisitions for three procurements.	I		Agree. The court recognizes that a more formalized procurement process needs to be put in place. This will require fiscal staff time to develop court specific procedures and train staff. This project is on our list of projects to accomplish in the near future.	Fiscal/HR Manager	March 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		7	The Court did not have documentation of three phone/internet prices for one micro-purchase transaction.	I		See Court response above.	Fiscal/HR Manager	March 2012
		7	Three transactions were sole-source procurements that were not properly documented. Specifically, the Court did not document a reasonable justification for the sole-source procurement.	I		See Court response above.	Fiscal/HR Manager	March 2012
		7	The Court automatically renewed/extended contracts that are several years old rather than competitively re-bid the contracts. As a result, the Court could not provide documentation to demonstrate how it ensured competitive procurements when renewing these contracts.	I		See Court response above.	Fiscal/HR Manager	March 2012
		7	The Court's Mental Health Hearing Officer, who is not a court employee, is paid for services he provides to the Court by court order. According to the Court, he has been performing these services for more than 20 years. However, the Court does not have any procurement records to demonstrate the competitive nature of the procurement. Moreover, the Court has not entered into a formal written contract to document the services to be provided and the agreed compensation.	I		Disagree. The court does not believe these requirements were in place when the Mental Health Officer began performing these services 20 years ago. The court will look into this and issue a new contract if appropriate.	ACEO	March 2012
		7	The Court did not have documentation of three written prices/offers for one small purchase transaction.	I		Agree. The court recognizes that a more formalized procurement process needs to be put in place. This will require fiscal staff time to develop court specific procedures and train staff. This project is on our list of projects to accomplish in the near future.	Fiscal/HR Manager	March 2012
<b>10 Contracts</b>								
		Log	The Court's MOU with the Sheriff does not include a provision for audit rights.	I		Agree. This will be addressed in the next fiscal year MOU.	ACEO	September 2011
		Log	The Court's contract with ATI for maintenance services does not include a provision requiring the contractor to carry insurance and furnish the Court with evidence of this insurance coverage.	I		Agree. We will address this in an amendment or new agreement.	ACEO	October 2011
		Log	The Court's contract with Quest Intelligence requires compensation at an hourly rate, but does not include a provision requiring the contractor to submit timesheets or other comparable documents to support the hours billed.	I		Agree. We will address this in an amendment or new agreement.	ACEO	January 2012
		Log	The Court's contract with Access records storage is for delivery and pick-up services, but does not include a provision requiring the contractor to carry insurance and furnish the Court with evidence of such insurance coverage.	I		Agree. We will address this in an amendment or new agreement.	ACEO	June 2012
		Log	The Court's agreement with CASA requires the Court to pay CASA for the salaries and benefits of CASA staff, but does not include a provision requiring CASA to furnish the Court with timesheets or other comparable documents to support the amount of time worked by CASA staff on the Court's program.	I		Agree. We will address this in an amendment or new agreement.	ACEO	January 2012
		Log	The Court's MOU with the County does not provide a concise and complete description of the method the County is to use when charging for services.	I		Agree. We will address this in an amendment or new agreement.	ACEO	July 2012
		Log	Two of the five contract files we reviewed did not contain a current insurance certificate on file.		C	Agree. One of the two in question is now current and in the file. The other contract is no longer active.	Fiscal/HR Manager	July 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>11</b>	<b>Accounts Payable</b>							
		<b>11.1</b>	<b>The Court Needs to Improve Its Travel Expense Reimbursement Procedures</b>					
		<b>4</b>	The Court reimbursed a travel expense claim that was not approved by the claimant's appropriate level supervisor.		<b>C</b>	Agree. It appears that one claim was processed without the proper approval. The recommendation to remind AP staff to not process TECs for payment without the required appropriate-level review and approval signature is complete.	Fiscal/HR Manager	March 2011
		<b>4</b>	Five of nine TECs, we reviewed, did not always include the travel start and end times, which is need to determine where meals and mileage is claimed appropriately.		<b>C</b>	Agree. On March 23, 2011 notice was given to managers to require staff to provide all information, addresses, purpose of trip, dates and times. Fiscal staff will review for proper documentation.	Fiscal/HR Manager	March 2011
		<b>4</b>	The Court does not have a documented process in place whereby they periodically test requests for mileage reimbursement.		<b>I</b>	Agree. The fiscal department will establish a procedure.	Fiscal/HR Manager	October 2011
		<b>4</b>	The Court reimbursed TECs that did not contain the necessary information to determine if the claim for mileage reimbursement was for business purposes, reasonable, and the lesser of home or HQ to business destination.		<b>I</b>	Agree. The fiscal department will establish a procedure.	Fiscal/HR Manager	October 2011
		<b>4</b>	The supervisory review and approval of one lodging claim is questionable as the lodging was for a Friday night even though the out-of-town conference ended by 4 p.m. Friday. Specifically, the lodging receipt indicated two adults and 3 children stayed overnight on Friday with checkout on Sunday even though the related conference ended by 4 p.m., that Friday. The conference site was approximately 2 hrs from the traveler's home, so the business purpose of the overnight stay is questionable.		<b>I</b>	Agree. It appears that an error was made on a TEC which allowed for payment of lodging after a conference. It is clear in our policy that Court personnel can use public/court funds for business travel only.	Fiscal/HR Manager	March 2011
		<b>4</b>	The Court does not have a documented process in place to ensure that expenses of a spouse or guest who accompanies a trial court judge or employee is not reimbursed.		<b>I</b>	Agree. It appears an error was made on a TEC. The court is aware expense for a spouse is not reimbursed.	Fiscal/HR Manager	March 2011
		<b>11.2</b>	<b>The Court Needs To Strengthen Its Invoice Review and Payment Process</b>					
		<b>8</b>	For two transactions we reviewed, the same employee who executed the purchase also performed the incompatible activity of approving the vendor invoices for payment.		<b>I</b>	Please see our response to IM-7 Procurement, since the two areas are closely tied together. Yes, we plan to provide more training to AP staff and managers. Additionally, we will be evaluating what can reasonably be done by a court our size, with limited staff, and determining if approval of alternative procedures should be requested.	Fiscal/HR Manager	December 2011
		<b>8</b>	The Court's IT manager approved for payment an invoice totaling \$12,468.75. However, per the Court's approval matrix, the IT manager is only authorized to approve purchases up to \$10,000.		<b>I</b>	Agree. The court follows the approval matrix; however this was one minor oversight of that policy.	Fiscal/HR Manager	June 2011
		<b>8</b>	For one transaction we reviewed, the accounts payable file did not contain a procurement document, such as a contract, purchase order, or purchase requisition, that documented prior approval of the purchase before payment of the vendor invoice.		<b>I</b>	Agree. The court needs to develop a formalized purchasing program.	Fiscal/HR Manager	March 2012
		<b>11.3</b>	<b>The Court's Petty Cash Procedures Need Strengthening</b>					
		<b>2</b>	The check to replenish the petty cash fund is not made payable to the petty cash custodian.		<b>C</b>	Agree, this has been implemented in the new procedures and has been discussed with the fiscal staff.	Sr. Acct/Auditor	May 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		2	Reimbursement activity averages less than \$100 per month and suggests that a fund totaling \$200 would be sufficient and not have to be reimbursed more than once a month, as required by FIN Procedure No. 8.04, section 6.3.2. In addition, the Court did not always reimburse the petty cash funds prior to the close of the fiscal year.		C	Agree. The amount of petty cash funds have been reduced to no more than \$200 at any one location. All funds were replenished at the end of the fiscal year 2010-2011 to properly account for expenses in the proper year.	Sr. Acct/Auditor	June 2011
		2	The Court uses the petty cash fund to purchase items that are not allowed per Rule of Court 10.810. Specifically, we reviewed twelve food purchases for jurors and found that these meal purchases were for non-sequestered jurors.	I		Agree that the court makes minor food purchases for jurors as noted. Disagree this practice should be changed. The court has a long standing practice of providing snacks to jurors as part of our commitment to community outreach and appreciation. Additionally, our South Lake Tahoe branch does not have a vending machine for jurors to access. This is a minor expense to the court.	Fiscal/HR Manager	NA
		2	The Court used the petty cash fund to pay for a vendor's parking ticket, which is not allowed per Rule of Court 10.810.		C	Agree. The approval for reimbursement of the vendor parking ticket was a minor oversight. The court is aware that the petty cash fund is not to be used for this type of expense.	Fiscal/HR Manager	June 2011
		2	The Court's accounting department did not perform and report the results of counts of the petty cash fund on at least an annual basis.		C	Agree, this has been implemented with the new procedures, and will be performed 1-2 times/year	Fiscal/HR Manager	June 2011
		Log	The Court does not require each judicial officer and employee authorized to drive any vehicle on official court business to complete an Annual Certification for Driving on Official Court Business form.	I		Agree. This will be corrected.	Fiscal/HR Manager	December 2011
		Log	The court did not use a business-related meal form to support the business meal it reimbursed. In addition, there was no evidence that the business meal, which the CEO and ACEO participated in, had the prior approval from the PJ. Further, it could not be determined whether the business meal met the appropriate timeframes required in the FIN Manual since this information was not documented, such as on a business-related meal form.		C	Agree. The meal in question totaled \$12.31. The use of a business-related meal form has been now been implemented.	Fiscal/HR Manager	June 2011
		Log	Contrary to the Judicial Council Policy that requires an interpreter travel at least 60 miles round-trip to be eligible for mileage reimbursement, the Court approved the reimbursement of 17 interpreter claims for mileage that were each less than 60 miles round-trip. Per a 2/6/2008 handwritten note on an e-mail to the CEO, the ACEO states that per discussion with the CEO, the Court will continue to pay all contract interpreter mileage if less than 60 miles.	I		Disagree. The CEO pre-approves exceptions to JC policy on a case by case basis. Often, despite a diligent search, interpreters will not agree to come to our courts (particularly Tahoe in winter) without full mileage reimbursement. The alternative is no interpreter, which impacts access to justice.	Fiscal/HR Manager	NA
12	Fixed Assets Management							
		12.1	<b>The Court Needs to Improve Its Procedures for Tracking and Reporting Court Assets</b>					
		6	The Court does not maintain a fixed asset management system to log, track, and account for its tangible assets. Only IT maintains a list of IT-inventory.	I		Agree. This is under development and a formal program will be established.	Sr. Acct/Auditor	March 2012
		6	The Court does not have a documented process in place to classify its assets as disposable, inventoriable, and fixed assets.	I		See Court response above.	Sr. Acct/Auditor	March 2012
		6	The Court does not conduct an annual physical inventory of its inventory and fixed asset items.	I		See Court response above.	Sr. Acct/Auditor	March 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		6	The Court does not maintain an up-to-date inventory listing of asset items that is validated against a physical inventory conducted annually.	I		See Court response above.	Sr. Acct/Auditor	March 2012
		6	The fixed asset listing the Court uses to support its June 30, 2010, year-end fixed asset balance is not accurate. Specifically, the Court included intangible asset items, such as software and system interfaces, as fixed asset items.	I		See Court response above.	Sr. Acct/Auditor	March 2012
		6	The Court does not have a documented process in place to ensure compliance with FIN 9.01, 6.7.2 and Rule of Court 10.830 when disposing of its non-IT inventory items and fixed assets. However, it plans to have one implemented by 6/2011.	I		See Court response above.	Sr. Acct/Auditor	March 2012
<b>13</b>	<b>Audits</b>		<b>No issues to report.</b>					
<b>14</b>	<b>Records Retention</b>		<b>No issues to report.</b>					
<b>15</b>	<b>Domestic Violence</b>							
		15.1	<b>The Court Could More Consistently Assess the Domestic Violence Fines, Fees, and Assessments Required By Statute</b>					
		3	The Court did not assess the statutorily required Court Security fee [PC 1465.8], State Restitution Fine [PC 1202.4(b)], and Court Facilities Funding assessment [GC 70373]. Specifically, for the two cases we identified where the fees/fines were not assessed, according to the Court, jail time was given in lieu of the fees/fines. In another case, the Domestic Violence Fund Fee [PC 1203.097(a)(5)] was not assessed.		C	The Court agreed and states judicial officers have bench schedules but will be advised at the judge's meeting on March 8, 2011, of the fines/fees, and assessments required by statute and the requirement to state on the record the compelling/extraordinary reason a fines is not imposed. Judges' and staff will be provided with an updated bench schedule. By April 1, 2011, court managers will review with staff the requirements and documenting reasons required fines/fees were not assessed. In addition, court managers will develop a review process when changes in fees/fines are implemented and manual processing is needed until the CCMS is updated with those changes.	ACEO, Presiding Judge, Court Operations Managers	April 2011
<b>16</b>	<b>Exhibits</b>		<b>No issues to report.</b>					
<b>17</b>	<b>Bail</b>		<b>No issues to report.</b>					