



## Judicial Council of California . Administrative Office of the Courts

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# REPORT TO THE JUDICIAL COUNCIL

For business meeting on April 24, 2012

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Title	Agenda Item Type
Judicial Branch Administration: Audit Report for Judicial Council Acceptance	Action Required
Rules, Forms, Standards, or Statutes Affected	Effective Date
None	April 24, 2012
Recommended by	Date of Report
Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch	March 16, 2012
Hon. Richard D. Huffman, Chair	Contact
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### Executive Summary

The Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch (A&E) and the Administrative Office of the Courts (AOC) recommend that the Judicial Council accept the audit report that pertains to Mono Superior Court. This acceptance complies with the policy approved by the Judicial Council on August 27, 2010, which specifies Judicial Council acceptance of audit reports as the last step to finalization of the reports before their placement on the California Courts public website to facilitate public access. Acceptance and publication of these reports will enhance accountability and provide the courts with information to minimize financial, compliance, and operational risk.

## **Recommendation**

The Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch and the Administrative Office of the Courts recommend that the Judicial Council, effective February 28, 2012, accept the pending audit report dated March 2012 entitled *Audit of the Superior Court of California, County of Mono*. This acceptance will result in the removal of the “pending” watermark, and the audit report will then be placed on the California Courts public website.

## **Previous Council Action**

The Judicial Council at its August 27, 2010, business meeting approved the following two recommendations, which established a new process for review and acceptance of audit reports:

1. Audit reports will be submitted through the Executive and Planning Committee to the Judicial Council. Audit reports will not be considered “final audit reports” until formally accepted by the council.
2. All final audit reports will be placed on the California Courts public website to facilitate public access. This procedure will apply to all audit reports accepted by the Judicial Council after approval of this recommendation.

## **Rationale for Recommendation**

Council acceptance of audit reports submitted by A&E through the Executive and Planning Committee is consistent with the council’s policy for such matters (described under “Previous Council Action”) and with its responsibility under Government Code section 77009(h), which states that “[t]he Judicial Council or its representatives may perform audits, reviews, and investigations of superior court operations and records wherever they may be located.”

## **Comments, Alternatives Considered, and Policy Implications**

### **Comments and policy implications**

The process established for finalizing an audit report, a process that has been thoroughly discussed with judicial branch leadership, involves extensive reviews and discussions with the entity being audited. It also allows, at any point in the process, for the entity (trial courts generally) to request an additional review of the draft audit report by the Chief Deputy Director before the audit report is placed in a pending status and presented to A&E for review and discussion. At that point, additional comments from A&E could result in further discussions with the entity being audited before the committee recommends submission of the report to the council for acceptance.

A&E in its review of audit reports generally has comments and questions that, in some cases, require additional analysis or discussion with the trial courts whose audit reports are presented to it. Internal Audit Services will ensure that any analysis, comments and questions are addressed with the results provided to A&E.

Additionally, the Judicial Council, in December 2009, adopted rule 10.500 of the California Rules of Court, effective January 1, 2010, which provides for public access to nondeliberative or nonadjudicative court records. Final audit reports are among the judicial administrative records that are subject to public access unless an exemption from disclosure is applicable. The exemptions under rule 10.500(f) include records whose disclosure would compromise the security of a judicial branch entity or the safety of judicial branch personnel. As a result, confidential or sensitive information that would compromise the security of the court or the safety of judicial branch personnel is omitted from audit reports. In accordance with auditing standards, disclosure of the omissions is included in the applicable reports.

### **Alternatives**

No alternatives were considered because the recommendation is consistent with approved council policy and with the provisions of Government Code section 77009(h).

### **Implementation Requirements, Costs, and Operational Impacts**

The proposed recommendation imposes no specific implementation requirements or costs, other than the requirement to disclose the attached audit reports through online publication.

### **Relevant Strategic Plan Goals and Operational Plan Objectives**

The recommendation contained in this report pertains to the activities of IAS and the role it plays in the judicial branch as an independent appraisal entity. IAS's role as an evaluator is important for both the strategic plan and the operational plan of the judicial branch. Specifically, IAS plays an important role as evaluator under Goal II, Independence and Accountability—in particular Goal II.B.4—by helping to “[e]stablish fiscal and operational accountability standards for the judicial branch to ensure the achievement of and adherence to these standards.” Additionally, IAS has an important role in fulfilling several of the objectives of the operational plan related to Goal II because its work pertains to the requirement that the branch “maintain the highest standards of accountability for its use of public resources and adherence to its statutory and constitutional mandates.” Part of the role and responsibility of IAS also relates to Objective II.B.4 because the audit reports it produces help to “[m]easure and regularly report branch performance.”

### **Attachments**

There are no attachments to this report. The audit report dated March 2012 entitled *Audit of the Superior Court of California, County of Mono* is available for review by council members and will be placed on the California Courts public website (<http://www.courts.ca.gov/12050.htm>) after the Judicial Council has accepted it.



# AUDIT OF THE SUPERIOR COURT OF CALIFORNIA, COUNTY OF MONO

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MARCH 2012

Prepared by:



On Behalf Of:



ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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## MANAGEMENT SUMMARY

On behalf of the Judicial Council of California, Administrative Office of the Courts (AOC)'s Internal Audit Services (IAS), Sjoberg Evashenk Consulting, Inc. (SEC) initiated an audit of the Superior Court of California, County of Mono (Court) that encompassed administrative and operational areas, as well as other selected programs. The audit process involves reviewing the Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies.

With 2 judges and the Court Executive Officer (CEO) overseeing Fiscal Year 2009-2010 expenditures of \$2.22 million, the Mono County Superior Court is considered a small-sized court. Throughout the audit, we found several instances in which the Court implemented effective internal controls, as well as instances in which internal controls did not sufficiently mitigate risks to the Court. Several of the effective controls identified during this audit include:

- The Court CEO responded positively to recommendations for improving court operations, promoted a positive tone-at-the-top, and was proactive in working toward continual operational improvements;
- Cash handling practices demonstrated many good controls such as endorsing checks immediately upon receipt and investigating daily collection discrepancies before final close-out;
- Management exhibited the ability to control court expenditures in a manner that protected sufficient fund balances, even though we noted some instances where the Court could improve controls surrounding actual expenditure processing;
- Management has taken positive steps to upgrade its case management system by transitioning all civil and family law cases away from its legacy, DOS-based, case management system;
- The CEO has been planning numerous improvements in conjunction with the Court's upcoming move to a newly-constructed courthouse in Mammoth Lakes, including enhanced controls over the storage of exhibits, revamped document retention protocols and storage, and stricter assignments over cashiering responsibilities at the public counter, among others;
- The Court consistently assessed Domestic Violence fees and fines, as required by statute;
- The Court recently hired a Network Administrator to oversee enhancements to system security controls and protocols; and,
- Written job descriptions were in place for all key positions.

We also found operational areas and control weaknesses that require improvement. Appendix C of this report contains all of the issues we identified as reportable along with court management's responses and plans for corrective action—some of which the Court will need to prioritize and address accordingly. It should be noted that some of the issues noted in this report—e.g., controls over handling and storing exhibits—may have been rectified after completion of audit

fieldwork as the Court moved into its new courthouse in September 2011. Changes occurring after the end of audit fieldwork were not verified by the audit team; yet, throughout the report we recognize these areas where risks have likely been mitigated as a result of the Court's move to its new court location. In other cases, however, we recommend the Court take specific steps to mitigate potential risks to the Court. Below we raise some of the more significant issues identified during the audit, and which require corrective action.

✓ **Court Process for Identifying, Recording and Monitoring Trust Monies Needs Significant Improvement**

The Court has not appropriately reconciled criminal trust monies. The Court deposits all criminal trust monies collected into a local bank account, comingled with daily fee, fine, and forfeiture collections and civil filing fees collections. However, the Court does not record and track criminal trust deposits and withdrawals separately from fees, fines, and forfeitures, and the case management system used to process criminal trust collections reflects conflicting trust balances. As a result, the Court is unable to truly reconcile either the criminal trust; civil filing fees; or fees, fines, and forfeitures deposited into this bank account. In fact, the Court does not know how much money it actually holds in trust on behalf of other parties. To address the findings presented above, we recommend that the Court cease comingling trust and agency monies, begin reconciling monies held in trust, and implement a process to identify and escheat stale trust monies. The Court stated that it will identify methods to improve fiscal management of trust held in its Holding Account, as well as implement a process to identify and escheat stale trust monies.

✓ **Court Bank Account Management Practices Could Be Improved**

The Court conducts monthly reconciliations of four court bank accounts and conducts quarterly reconciliations of payroll and automation funds maintained in the County Treasury. However, the Court does not clearly indicate on its reconciliations who prepared the bank reconciliation and who or whether the reconciliation was reviewed by an independent court employee, making it impossible to demonstrate whether the Court exercised proper segregation of duties in carrying out this process. This is of particular concern because the employees performing the reconciliations are the same employees responsible for controlling check stock, preparing checks, making the daily bank deposit, and recording transactions in Excel or QuickBooks ledgers. This presents a significant risk that unauthorized or inappropriate transactions could go undetected. To address the finding presented above, we recommend that management and staff demonstrate proper segregation of duties by ensuring bank account reconciliations are completed and reviewed by different individuals.

✓ **Court Does Not Take Full Advantage of Available Automated Fiscal and Accounting Tools**

During audit fieldwork, we found that the tone at the top established by the Presiding Judge and the CEO emphasized accountability and utilizing detailed fiscal and accounting practices. However, many of the Court's fiscal activities continue to be recorded and controlled through non-automated accounting processes, despite the Court's implementation of Phoenix-FI in October 2006. We found that the tools the Court relies on to document

financial activity and maintain accounting records lack the type of internal controls integrated into automated financial systems such as Phoenix-FI. For instance, the Court has never used Phoenix-FI's requisition and purchase order capabilities when procuring goods or services, despite its enhanced controls requiring documented segregation of duties—an issue the Court struggled with during the period we reviewed. The Court also continued to maintain three local bank accounts through which it would manually issue civil and criminal trust checks, as well as cash transfers and other payments, and recording these transactions in Excel account ledgers—a process that is automated in Phoenix-FI. Overall, we believe that the court should broaden its use of Phoenix-FI in the long run, and reduce its reliance on manual financial and accounting practices, if it is going to significantly reduce the risk of loss of Court resources, including fraud, waste, and abuse. To address the finding presented above, we recommend that the Court identify manual fiscal and accounting activities, including reducing or eliminating external bank accounts and funds, and transition them to Phoenix-FI.

✓ **Court Balances Currently Held in the County Treasury Were Incorrectly Categorized in the Court's Fiscal Records**

The Mono County Treasury maintains three funds used to hold court payroll monies and old Court Automation Fund monies. However, the Court inappropriately reflected nearly \$200,000 in Court Automation monies as Non-Trial Court Trust Fund general operating money, instead of recording it in a special revenue fund. At the same time, this money has remained in a County fund when the Court could have used this money to offset general fund expenses. We recommend that the Court work with the County to transfer all court-owned money to a court-owned account, with the exception of minimal reserves necessary to fund payroll obligations, establish a special revenue fund in Phoenix-FI for the Court's restricted automation monies and identify any allowable operating expenditures planned by the Court which could be offset with Court Automation funds.

✓ **Procurement, Contracting, and Expenditure Practices Did Not Always Comply with Informal Court Policy or FIN Manual Guidelines**

The Court does not consistently follow FIN Manual policies or the Court's own informal protocols regarding procurement and expenditure processing. Specifically, our testing revealed a number of inconsistencies, including:

- Court internal policy dictates that the CEO review and give signature authorization to all invoices/claims prior to payment; however, several invoices contained no approval or were approved for payment by other court staff.
- Invoices lacked evidence indicating the Court obtained multiple quotes or bids for purchases over \$500, as required by FIN Manual Section 6.01.
- Invoices lacked sufficient supporting documentation for expense(s) claimed, including documentation demonstrating appropriate protocols were followed during the procurement, receiving, and invoice processing activities.
- Invoices were not always appropriately reviewed and approved.
- Invoices did not always adhere to the terms of applicable contracts or agreements.

- Although the Court and County provide services to each other, the Court lacks a comprehensive MOU detailing the services each provides, and at what cost.

To address the findings presented above, we recommend that the Court enhance controls over procurement, contracting, and accounts payable by ensuring personnel consistently conduct and document “3-point match” reviews, invoices are approved by appropriate court personnel, all Court-County services are memorialized in memorandums of understanding, and all agreements with contractors and vendors memorialized in fully-developed contracts.

✓ **Court Should Improve Cash Controls to Safeguard Court and Public Assets**

While our observations of cashing processes revealed several practices in place to help assure that fees and fines collected were adequately safeguarded, we found instances of cash handling weaknesses—including shared cash drawers, lack of oversight with mail opening process, and Court Management responsible for making daily bank deposit having unrestricted access to add, modify, or delete case file information in the case management system. In addition, we noted that the Court does not periodically change its safe combinations; DMV system access is not sufficiently monitored; management continues to have access to void its own transactions in the case management system; and manual receipts are not adequately secured and reviewed. While each of these may seem minor on their own, when combined they impede the Court’s ability to adequately secure cash assets, and increase the risk that inappropriate or unauthorized activity could go undetected.

To address the findings presented above, we recommend the Court implement stronger controls over cash handling practices by restricting access to cash drawers, periodically changing safe combinations, assigning two employees or an adequate alternative procedure to open and process mail payments, and ensuring court management void their own transactions. Additionally, the Court should implement supervisory review of fine reductions and fee waivers to ensure they are supported by appropriate judicial orders and/or fee waiver applications.

✓ **Court Does Not Always Ensure Appropriate Calculation, Collection, and Distribution of Fees and Fines**

Our review of revenue distribution calculations revealed numerous inaccuracies that ultimately impact state and local funding streams. These inaccuracies occurred as a result of several factors, including incorrect system programming, system limitations, incorrect entries made by court staff, and/or incorrect programming changes made by court staff. Ultimately, it is the Court’s responsibility to ensure programming is correct and monies are distributed to appropriate state and local funds. However, the Court does not have the expertise required to review existing distribution calculations to assess accuracy. Because of this, the Court relied on its contract with ISD, Inc. (which provides the Court’s case management system) to ensure proper program coding. Both this audit and a recent audit conducted by the State Controller’s Office found that the Court’s approach has not worked, and identified multiple instances where distributions were incorrect.

To address the findings presented above, we recommend that the Court ensure the distribution formulas in the case management system are correct and accurate, and that all fee/fine revenue distributions comply with relevant laws, regulations, and guidance; if

necessary, seek clarification and guidance from the AOC on configuring accurate distributions in the case management system.

✓ **Court Administration and Governance Practices Need Strengthening, Including Formalizing and Documenting Policies and Procedures and Increased Oversight**

In practice, the Court delegates administrative functions for the Court from the Presiding Judge to the CEO. However, this delegation of authority has yet to be put in writing and made official. Further, the Court has not formalized policies regarding PJ and CEO duties and CEO scope of authority, filing and monitoring statements of economic interests, performing CEO performance evaluations and approving compensation, tracking judicial leave/absences, and overseeing causes under submission. To address the findings presented above, we recommend that the Court establish formal policies and procedures for CEO compensation and performance evaluations; submissions of statements of economic interests; tracking judicial leave and absences; and monitoring causes under submission to ensure compliance with California Rules of Court.

✓ **Information System Controls Do Not Adequately Secure Data and Prevent Inappropriate System Access**

At the time of audit fieldwork information system practices, policies, and procedures did not fully secure sensitive court data or sufficiently protect the Court from inappropriate system access. For instance, the Court did not restrict server room access to information system personnel, require periodic changes to network or system passwords, or disable network and system access of former employees. We also found instances in which the CEO and Court Fiscal Officer (CFO) were granted a level of access in the Court's Integrated Case Management System (ICMS) that allowed them to perform conflicting functions—such as the ability to void one's own transactions, though they have no functional responsibility to perform cashiering activities. While it is reasonable for the CFO to have access to case management system accounting functions (trust, general ledger, etc), this position should not have the ability to add or modify case records, which creates an unnecessary risk that an individual could modify case information to conceal errors or inappropriate activity.

To address the findings presented above, we recommend that the Court enhance system controls by eliminating all former employee user profiles from all systems, limiting employee access to only those system functions that are necessary to perform their primary responsibilities, and implementing a policy which requires all court employees to change their system passwords on a regular basis. This includes restricting case management system access to ensure court employees who maintain or manage the Court's fiscal and accounting records do not have system access to cashiering functions. While the Court partially agrees with this, the Court plans to continue to allow retired annuitants who work for the Court access to the Court's information system. As a general principle, the Court should limit access to systems to those individuals that need system access to carry out their responsibilities, when they need such access. As such, we recommend limiting access to an as-needed basis.

✓ **Significant Improvements Are Needed to Better Safeguard Exhibits**

The Court's procedures over the security, storage and tracking of exhibits are not sufficient. The Court did not log exhibits into its case management system, track changes in custody, maintain an inventory of exhibits in storage, conduct periodic inventory checks of exhibits, regularly purge old exhibits, or secure exhibit transfers from the courtroom to the permanent exhibit storage. It should be noted that this may be resolved with the Court's move to a new courthouse facility, which will have improved exhibit storage capabilities, including a locked storage closet with restricted employee access. To address the findings presented above, we recommend that the Court enhance exhibit inventory controls as described in the FIN Manual by developing formal procedures to record, monitor, and track exhibits in the Court's custody and to dispose of stale exhibits; this should include developing and maintaining a comprehensive inventory of exhibits, and conducting physical inventory audits of exhibits on a periodic basis.

✓ **Fixed Asset Recording, Tracking, and Reporting Should Be Improved**

The Mono County Superior Court's informal policy is to track fixed asset expenditures of \$5,000 or more for purposes of CAFR reporting. However, the Court's method of tracking fixed assets does not follow fixed asset recording and management guidelines set forth in FIN Manual 9.01 6.2.4, which lists the following as information that should be maintained in a Court's fixed asset management system: description of the fixed asset, date of acquisition, value of the fixed asset, estimated useful life, and if applicable the salvage value and the remaining balance. To address the findings presented above, we recommend that the Court conduct an inventory and develop a list of fixed assets; this should include a description of the asset, purchase date, purchase price, useful life, asset identification number, and location of the fixed asset.

✓ **The Court Does Not Have a Records Retention Policy**

While the Court stated that it destroys case management system-generated records used to conduct the daily closeout and old copies of checks written from regular trust approximately every three years, it does not have a formal process for identifying and systematically purging older Court records (case files, fiscal and administrative records, etc). According to the Court, the last time court case file records were purged was in 2009, and that was limited to only infraction cases. The Court also cited an earlier Court practice of transferring older case file information to microfiche, last done approximately three to four years ago, according to court personnel, and then destroying the hard copy. However, this practice is not memorialized in Court policy nor does the Court maintain a record or schedule of when records were or should be purged. Court personnel further noted that the last time administrative records were purged was in 1998. According to Court management, the Court planned to purge and destroy old records before the Court moved into its new courthouse location. To address the findings presented above, we recommend that the Court establish a record retention policy, following the FIN Manual, that includes minimum length of time fiscal and administrative documents must be retained, appropriate record storage, notice of destruction process requirements, as well as the process for purging and destroying old records.

We believe the Court has embraced the audit process and is actively engaged in improving its operations and refining its practices. While we present many recommendations throughout this report, we highlighted the more significant recommendations above. In some cases, implementation will only require limited corrections to key information systems or minor alterations of court practices to ensure adequate controls. In other cases, a more concerted approach by court management will be critical to enhancing internal controls and court operations as the Court moves forward.

In general, the Court agreed with the findings and recommendations described in this report. In all cases, we provide the Court's pertinent response following each finding and recommendations and its full response in Appendix C of this report.

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## STATISTICS

The Court operates two court locations with two judicial positions, and handled nearly 8,400 case filings in Fiscal Year 2009-2010. Further, the Court employed 14 staff members to fulfill its administrative and operational activities through the expenditure of approximately \$2.22 million for the fiscal year ended June 30, 2010. The table below provides general court information.

*Table A. General Court Statistics for Fiscal Year 2009-2010*

	<b>Total</b>
Number of Courtrooms (including each courthouse)	4
Number of Authorized Judgeships as of July 1, 2010	2
Number of Authorized Subordinate Judicial Officers as of July 1, 2010	0
Number of Full Time Equivalent Employees as of Pay Period Ending June 30, 2010	13.50
Total Authorized Positions (FTE) as of June 30, 2010 (Schedule 7A Fiscal Year 2009-2010)	17.58
Number of Temporary Employees as of June 30, 2010 (Figures are for Part-Time Extra Help Staff)	1.50
Total Salaries for Temporary Employees (Fiscal Year 2009-2010, Figures are for Part-Time Extra Help Staff)	\$83,678
Monthly Average Revenues Collected (Fiscal Year 2009-2010)	\$269,391
County Population (1/1/10 Estimate per California Department of Finance)	12,927
Number of Case Filings in Fiscal Year 2009-2010	
Criminal Filings:	
• Felonies	163
• Non-Traffic Misdemeanors	332
• Non-Traffic Infractions	487
• Traffic Misdemeanors	449
• Traffic Infractions	6517
Civil Filings:	
• Civil Unlimited	80
• Civil Limited	93
• Family Law – Marital	39
• Family Law – Petitions	51
• Probate	11
• Small Claims	82
Juvenile Filings:	
• Juvenile Delinquency – Original	31
• Juvenile Delinquency – Subsequent	2
• Juvenile Dependency – Original	2
• Juvenile Dependency – Subsequent	0

*Source: Statistics reported by the Court.*

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## PURPOSE, SCOPE, AND METHODOLOGY

IAS requested that our firm, SEC, conduct an audit at the Court in accordance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. This audit is part of a regularly scheduled audit cycle initiated by IAS and represents the second audit performed by IAS since the Trial Court Funding Act of 1997 eliminated the requirement of county audits of the courts.

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

- Complied with applicable statutes, California Rules of Court (CRC), the Trial Court Financial Policies and Procedures Manual (FIN Manual) and the Court's own policies and procedures; and,
- 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.

Additionally, compliance with the Financial Integrity and State Manager's Accountability Act (FISMA) is also an integral part of the audit. The primary thrust of a FISMA review is an assessment of an entity's internal control structure and processes. While IAS does not believe that FISMA applies to the judicial branch, IAS believes it does represent good public policy. Thus, IAS incorporates FISMA internal control concepts and guidance in its audits including the following:

- A plan of organization that provides segregation of duties appropriate for the proper safeguarding of assets;
- A plan that limits access to assets to authorized personnel;
- A system of authorization and record keeping adequate to provide effective accounting 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.

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

The scope of audit work at the Mono County Superior Court included reviews of the Court's major functional areas including: court administration, fiscal management, accounting practices, cash collections, information systems, banking and treasury, court security, procurement, contracts, accounts payable, fixed asset management, audits, records retention, domestic violence and exhibits. Coverage of each area is based on initial scope coverage decisions. The period of our audit primarily focused on the period between Fiscal Years 2008-2009 and 2009-2010. Audit fieldwork was performed between October 2010 and April 2011.

To evaluate the Court's fiscal and operational compliance with the FIN Manual, as well as to assess the Court's internal control structure and fiscal management, we performed procedures that generally encompassed the following activities:

- Met with court executive management to discuss the Court's organizational structure, local rules, human resource management, and judicial practice.
- Interviewed appropriate court personnel regarding court account and fund balances; fiscal policies, practices, level of oversight; and general knowledge of fiscal management protocols and FIN Manual policies.
- Reviewed reports, data, and systems used to assess court fiscal standing and to manage fiscal operations, and assessed grant management practices and the accuracy of transactions, funds, and reports of financial activity.
- Observed key cash receiving, handling, and disbursement processes, including fees/fines/forfeiture collection, receipt of payments by mail, cash balancing to the Court's case management system, deposit preparation, and claims preparation.
- Obtained, reviewed, analyzed, and tested key documents, including:
  - Court fiscal records, reports, reconciliations, and bank statements;
  - Case management system records, case files, and distribution schedules;
  - Court policies and procedures manuals, as well as informal practices; and,
  - Examples of claims, deposit permits, end-of-day case management system reports, and other cash transaction documentation.
- Inquired about, reviewed, and evaluated any backlogs in the Court's collection, processing, or disbursement transaction processes, including reconciliations of accounts and funds.
- Reviewed revenue/collection and expenditure reports for unusual or inappropriate activity.
- Tested a sample of cash-related revenue and expenditure transactions to determine if court procedural controls were administered and if the transactions were properly recorded, reconciled and, where appropriate, reviewed and approved.
- Ascertained whether the Court has essential controls in place over information systems in areas such as passwords, remote access, and security reports. Where feasible, we obtained a security level printout from each system that identified users, roles, and access

to determine if levels were appropriate for each position and whether the proper segregation of duties existed.

- Evaluated methods employed by the Court through its case management systems (Integrated Case Management System and Court created DOS-based civil case management system) to calculate and distribute fees, fines, and forfeitures.
- Assessed whether the physical plant holding essential court computer equipment had appropriate security over access and whether appropriate emergency measures were in place to deal with disasters.
- Observed current physical security in place during a security walk-through of the courthouse, and reviewed operational and logical security over the Court's exhibit rooms and computer rooms.
- Inquired about, reviewed, and evaluated the Court's procurement and contracting practices to determine compliance with FIN Manual's requirements as well as sound business practices.
- Tested a sample of expenditure transactions related to services and supplies purchases, county-provided service payments, court interpreters, court reporters, expert witnesses, and judges and employee travel to determine if court procedural controls were administered and if the transactions were properly recorded, reconciled, and, where appropriate, reviewed and approved.
- Obtained, reviewed, analyzed, and tested key documents, if available, including:
  - Purchase requisitions, purchase orders, vendor invoices, payable documents, and credit card statements; and,
  - Memorandums of understanding and personal service agreements.
- Reviewed a sample of contracts maintained to determine whether major contract elements such as cost, schedule, scope of work, and terms and conditions were present and that contracts were appropriately executed by either the CEO or the Presiding Judge.
- Evaluated policies and procedures in place to safeguard and account for exhibits including whether regular inspections and/or annual inventories were conducted timely, stale or unneeded exhibits were disposed or destroyed once a case is closed, and case exhibits were securely stored and maintained.
- Reviewed a small sample of domestic violence cases to determine if Domestic Violence Fees and Restitution Fines were assessed as required by statute.
- Additionally, we performed procedures such as identifying corrective action on prior audit findings and recommendations, assessing payroll processes and internal controls, evaluating fixed assets listings and management practices, and understanding compliance with record retention policies from the FIN Manual.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## TIMING AND REVIEWS WITH MANAGEMENT

An entrance meeting was held with the Court on October 27, 2010, with audit fieldwork commencing on the same day. Although fieldwork was formally completed in April 2011, preliminary results were discussed with court management during the course of the review at several intervals between November 2010 and April 2011. Feedback and perspectives from responsible court officials were obtained throughout the course of this audit and were incorporated into this report.

An informal results conference was held on April 14, 2011, followed by a formal exit conference to discuss the final audit results on October 12, 2011, and on October 21, 2011, which included the following court personnel:

- Hector Gonzalez, Court Executive Officer
- George Savage, Court Fiscal Officer
- Karen Goforth, Court Operations Manager
- Mark Booth, Accounting Technician

Management's final responses to our recommended actions were received on March 9, 2012, and can be found in Appendix C of this report.

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PENDING

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

Considered a small-sized court, the Mono County Superior Court maintains two court locations in a County with approximately 12,927 residents. With over 8,300 case filings annually, court expenditures in Fiscal Year 2009-2010 were nearly \$2.22 million. Court budget documents show an authorized 17.58 full-time equivalent positions as of Fiscal Year 2010, though the Court only filled 13.5 of those positions. The Court lacked permanent staff to operate its North County branch in Bridgeport during our review; however, the Court is in the process of training personnel to staff this facility. Court administration is overseen by a Presiding Judge (PJ), an Assistant Presiding Judge (APJ), and a Court Executive Officer (CEO).

Various guidelines and requirements related to trial court governance and management are specified in California Rule of Court (CRC), *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and Operating Guidelines and Directives for Budget Management in the Judicial Branch covering administrative areas such as:

- Duties of the PJ and CEO;
- Delegation of Authority over Court Administration;
- Organizational/Reporting Structure and Strategic Planning;
- Conflict of Interest Disclosures (Statement of Economic Interest Form 700);
- Executive Compensation and Employee Bargaining Agreements; and,
- Submitted Cases Tracking and Monitoring.

During audit fieldwork, we found management and non-management alike readily made themselves available to audit team inquires, clearly understood their own job functions, and were forthcoming with information pertaining to all aspects of Court operations.

Overall, the Mono County Superior Court has established informal processes and procedures that comply with the FIN Manual. Given its small size, the Court has not established any formal judicial committees. Instead the CEO and judges communicate informally on an as needed basis to discuss Court administrative matters, keeping the PJ abreast of any new developments pertaining to Court administrative practices. This process appears to work well for the Court; specifically, we found that the Court:

- ✓ Established an organizational chart with clear reporting structures;
- ✓ Developed detailed job descriptions that cover court employees; and
- ✓ Created a manual that describes Court specific policies and procedures related to personnel matters.

At the same time, audit work revealed a few areas related to general court administration that require attention by the Court to better adhere to California Rules of Court, FIN Manual guidelines, and sound business practices. These are discussed through the remainder of this section.

### **1.1 Certain Administrative Practices Related CEO Compensation Should be Improved**

The Court did not have formally documented processes regarding modifying CEO's compensation, or for conducting periodic performance evaluations. Outside of the initial probationary period performance evaluation conducted shortly after the CEO's hiring in 2009, the Court did not have a formal process in place to determine CEO salary. The Court's unwritten process is to track CEO salary increases to that of the Superior Court Judge; non-salary benefits reflect those at management-level employees with Mono County, as established by County Board Resolution. It is Court practice for the PJ to memorialize changes in CEO salary through formal General Orders issued by the PJ, a copy of which is attached to Personnel Action Forms sent to the County for entry into the payroll system. However, we identified two areas in this process that we believe require improvement.

First, while CEO pay is authorized by General Order of the PJ, we found that the Personnel Action Form submitted to the County is signed only by the CEO. It is unclear if County payroll processing requires General Orders from the PJ when processing the Personnel Action Form, but the potential exists that the Personnel Action Form could reflect compensation that differs from the General Order, without the knowledge of the PJ. Requiring the PJ's signature on the Personnel Action Form would mitigate this risk and would better ensure CEO compensation is appropriately authorized by the PJ.

Second, given recent changes to California Rules of Court, additional steps should be taken to formally document CEO compensation practices on a go-forward basis. According to California Rules of Court 10.603(c)6(C), it is the PJ's responsibility to "Establish a documented process for setting and approving any changes to the court executive officer's total compensation package in a fiscally responsible manner consistent with the court's established budget." Because the Court did not have formally documented processes regarding modifying CEO's compensation or for conducting periodic performance evaluations, we recommend that the Court consider memorializing its process for setting and changing CEO compensation through formal court policies and procedures, judicial order, or local rule of court.

### **Recommendations**

To tighten general court administrative practices, the Court should:

1. Ensure Personnel Action Forms prescribing changes to CEO compensation are approved and signed by the PJ before transmittal to the County.
2. Develop a formal written process for setting and approving changes in compensation, including performance evaluations, to ensure changes made to the compensation package are appropriate and authorized, and made in a fiscally responsible manner.

### **Superior Court Response**

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

1. **Court Response**—Court agrees, however, it is important to note that this is already the practice of the Court and the Mono County payroll office. The Mono County payroll office handles all payroll for the Court, and County current practice requires a signed judge's order before implementing any CEO compensation changes made in a Personnel Action Form.
2. **Court Response**—Court agrees and will include the requirement and timing of CEO performance evaluation and changes in CEO compensation as part of comprehensive court policies and procedures.

## 1.2 Improved Monitoring and Administration of Conflict of Interest Code is Required

California law prohibits public officials at any level of state or local government from making or influencing governmental decisions in which he or she may have a financial interest (GC 87100 *et seq.*). If the potential for a financial interest arises, the public official must publicly identify the financial interest, recuse him or herself, and withdraw from any participation in the matter (GC 87105). Statute also requires that public agencies “adopt and promulgate a Conflict of Interest Code” (GC 87300), and that such a code be “formulated at the most decentralized level possible” (GC 87301). This code must identify the positions or position classifications within the agency that may involve decision making that could “have a material effect on any financial interest” for the individual; it must require that such individuals file Statements of Economic Interests (Form 700); and it must include provisions describing circumstances in which employees must disqualify themselves from making or influencing decisions that could have a material impact on their financial interest (GC 87302 and GC 87500). Judges and court commissioners are required to submit the original Form 700 with the clerk of the court, who shall make and retain a copy and forward the original to the Fair Political Practices Commission, which shall be the filing officer (GC 87500(i)), while other designated employees are required to file Form 700 with the Court (GC 87500(o)). The purpose of this is to promote transparency and to ensure an employee does not receive a personal economic benefit from the use of public funds.

Despite statutory requirements, the Court has not formally identified the specific officials and court positions that must file a Statement of Economic Interests (Form 700), or those that are in a position “...to make, or participate in the making of, decisions which may have a material effect on a financial interest of that individual...”. Instead, the Court’s practice has been to request those in judicial positions (i.e., PJ, APJ, and Child Support Commissioner) to submit Form 700 at the beginning of each calendar year. In practice, the APJ and Child Support Commissioner submit their Form 700 to the CEO for filing with the Fair Political Practices Commission, while the PJ prefers to file his Form 700 directly to the Mono County Clerk’s Office.

The Court’s process can be improved in two ways:

- While the Court has appropriate processes in place to ensure that the Child Support Commissioner and APJ file Form 700 on an annual basis, the Court does not have a process in place to oversee and ensure the PJ does the same. Instead, the Court relies on processes employed by the County—a governmental agency with no purview over the Court or its practices—to oversee the PJ’s submittal.

- The Court does not require non-judicial employees to file Form 700, even though some are involved in decision making that could “have a material effect on any financial interest”—such as administering or overseeing the expenditure of court monies. As noted, contrary to statutory requirements, the Court has not established a conflict of interest code that identifies officers or employees that should reasonably be required to file Form 700.

## Recommendations

To ensure compliance with statutes regarding potential conflicts of interests, we recommend that the Court:

3. Establish a Conflict of Interest Code that follows GC 87300, and identifies each judicial officer and court employee that occupies a position that may place them in a position to participate in decisions that may have a material impact on their economic interests.
4. Require each of the identified officials and employees to submit Form 700 to the clerk of the court, or the CEO; for judicial officers, a copy should be made for Court records and the original should be filed with the Fair Political Practices Commission.

## Superior Court Response

Below we list the Court’s responses to the specific recommendations shown above. The Court’s full response to this finding and the report is located in Appendix C.

3. **Court Response**-Court agrees. In addition to the audit identified judicial officers and CEO, the Court intends to include the Court Operations Manager as an employees required to submit Form 700 to the CEO. This is done after reviewing the conflict of interest codes or policies of other similar sized courts.
4. **Court Response**-Court agrees implement the recommendations for the 2012 submission Form 700’s.

### 1.3 Certain Court Governance Practices Could Be Strengthened

The Court has implemented many strong practices designed to protect court assets and to minimize risks of potential loss. At the same time, we noted a few additional areas that pose unnecessary risk that could be addressed with minimal cost to the Court, such as formally memorializing the PJ’s delegation of authority over administrative responsibilities to the CEO, Each are discussed more fully below.

- ✓ ***Delegation of Authority:*** In practice, the CEO is responsible for the day-to-day operations and administration of the Court, although we found no evidence that the PJ has formally delegated this responsibility to the CEO either through judicial order or local rules of court. Though not formally documented, the CEO is primarily responsible for executing policy decisions, particularly regarding administrative, financial, budgetary and operational activities. This includes, but is not limited to, negotiating contracts on behalf of the Court; managing Court budgets; and hiring, disciplining, and terminating non-judicial employees. To be consistent with FIN Manual guidelines, the PJ should formally document—in judicial

order or local rule of court—the Court’s delegation of responsibilities, as deemed appropriate by the PJ, to the CEO.

- ✓ ***Tracking Judicial Leave and Absences:*** The Court does not have formal process in place to track or monitor judicial leave or absences. According to California Rules of Court, “The presiding judge must adopt a process for scheduling judges' vacations and absences from court...and must prepare a plan for these vacations and absences from court” (Rule 10.603 (c)(2)). California Rules of Court also specifies the number of vacation days judicial officers may take annually. While the Court employs a process for determining judges’ availability for calendaring and scheduling purposes—thereby providing a mechanism for judges to report vacation and other leave—the Court does not have a process to track absences; local rules of court do not define a “vacation day” for judicial officers; and the Court has not established a sufficient method of tracking judicial leave or leave accrued. As a result, the Court cannot ensure leave is reasonable and accrued leave is appropriate.
- ✓ ***Monitoring Causes Under Submission:*** The Court has not established either a formal policy or informal protocols for the handling and overseeing of causes under submission. According to California Rules of Court, “The presiding judge must supervise and monitor the number of causes under submission before the judges of the court and ensure that no cause under submission remains undecided and pending for longer than 90 days” (Rule 10.603 (c)(3)). The Court Operations Manager reviews the case management system for older cases and brings any outstanding items to the attention of the CEO or PJ as needed—though it was not clear how often this occurred. This process is not required to be performed on a monthly or otherwise routine basis, and is not monitored or overseen by the CEO.

While it does not appear that the Court’s lack of a formal protocol for monitoring causes under submission poses a significant risk based on the relative infrequency of such cases, we believe this practice warrants further consideration for at least two reasons. First, while the PJ was the only judge assigned to the Court during most of our audit fieldwork, the recent election of the APJ means that the CEO must now monitor and track causes under submission by the new APJ in addition to the PJ’s own cases. Second, the Court continues to use assigned and pro-tem judges to work the Court’s case calendar. In these instances, neither the PJ nor the CEO may be aware if a judge took a case under submission and, therefore, the progress of such cases may not be readily evident to the either. To better ensure compliance with California Rules of Court, we recommend that the Court establish protocols for identifying, monitoring, and taking action on cases extending beyond California Rules of Court parameters for timely resolution of cases.

## **Recommendations**

In order to enhance various court governance practices, we recommend that the Court:

5. Memorialize the PJ’s informal delegation of responsibility to perform PJ administrative duties to the CEO through judicial order or local rule of court.
6. Establish a method to track leaves of absence for judges in a manner consistent with the FIN Manual and California Rules of Court.

7. Ensure the PJ has adequate information regarding causes under submission—including information necessary to identify any cases approaching the 30-, 60-, 90-day thresholds—by providing on a monthly basis the PJ with case management system reports showing all causes under submission.

### **Superior Court Response**

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

5. **Court Response**-Court agrees. The court has already received assistance from the AOC Audit Unit with drafting a special matter order in conformance with California Rules of Court 10.603.
6. **Court Response**-Court agrees. The court CEO and the Court Executive Assistant have established tracking system in conformity with FIN Manual.
7. **Court Response**-Court agrees, has created a submission report that identifies cases under submission and their timelines approaching 30, 60, 90 day thresholds that is provided to the PJ and CEO.

## 2. Fiscal Management

As detailed in Appendix A, salaries and benefits for non-judicial staff totaled nearly \$731,000 in Fiscal Year 2009-2010, encompassing approximately 33 percent of the Court's approximate \$2.22 million expenditures. Fiscal activities are overseen by the CEO while daily activities are carried out by the Court Fiscal Officer (CFO), Court Accounting Technician, and Executive Assistant, who perform various aspects of fiscal operations, including recording fiscal transactions and activity, processing vendor payments and trust disbursements, preparing daily fee and fine deposits and remittances, and handling payroll activities. Court fiscal operations are centrally located in the main courthouse in Mammoth Lakes.

Since the Court's transition to the Phoenix-Financial (FI) system, the Court is no longer reliant on the County for most fiscal and administrative support, with the exception of payroll processing and human resources support. While the Court's fiscal activities are generally overseen by the CEO, CFO, and Court Accounting Technician, the Court's fiscal operations are supported in large part by the AOC's Trial Court Administrative Services (TCAS) Division for all financial activity processed through Phoenix-FI. The TCAS Division is responsible for preparing the Quarterly Financial Statement (QFS) reports and the Consolidated Annual Financial Report (CAFR) worksheets, processing journal entries, uploading payroll register data and other transaction data into Phoenix-FI, performing the Court's Bank of America bank account reconciliations, and generating vendor checks.

At the same time, the Court performs several fiscal activities outside Phoenix-FI, including issuing trust and jury checks, managing the Court's trust holdings, and internal financial reporting (e.g., revenue and expenditure reports and budget-to-actual reports) to stay abreast of its financials and ensure the Court is in sound financial shape and does not run into any cash flow issues. This arrangement has remained unchanged since the Court migrated to Phoenix-FI in 2006. While the Court stated that it utilizes some reports generated through Phoenix-FI, such as revenue and expenditure reports, we did not find evidence that the Court regularly produces, reviews and submits to the CEO or PJ key reports necessary for ongoing monitoring of the Court's financial condition, including budget to actual reports. According to the CFO, the Court requests a budget to actual report from the Trial Court Administrative Services Division as needed throughout the fiscal year as a tool to test the accuracy of the budgeting process. As the CFO discovers problems, he either corrects budgeting errors or makes modifications in the distributions of amounts charged to General Leger accounts to ensure the Court remains within budget.

Our review of the Court's fiscal management activities—including those facilitated by the TCAS Division and those carried out by court personnel outside Phoenix-FI—revealed several opportunities for improvement. Most importantly, the Court relies heavily on Excel spreadsheets created by the CFO to record of daily cash collections, reconcile Court bank accounts, and recording Court-issued checks—when enhanced automated controls are available to the Court. Ultimately, we recommend several steps for the Court's consideration, steps we believe are necessary to ensure the Court fully complies with California Rules of Court, FIN Manual guidelines, and sound business practices.

## 2.1 The Court Does Not Benefit From Phoenix-FI's Full Functionality

The tools the Court relies on to record, monitor, and report on Court financial activities are incongruous with the fiscal and accounting management tools made available through Phoenix-FI, are consequently subject to human error, and place the Court at increased risk that makes it easier for people to conceal mistakes, errors, and inefficiencies. Rather than relying on the automated processes made available through Phoenix-FI, the Court relies heavily on manual processes to issue checks, record transactions, procure goods and services, and monitor court financial activity. In this report, use of the term “manual” or “manual processes” will refer to the Court’s use of non-automated tools, such as Excel spreadsheets, to manage and monitor accounting and fiscal activities, instead of selecting to utilize the AOC’s automated Phoenix-FI financial system for these particular functions. For instance, a significant portion of fiscal and accounting activities are recorded and tracked outside of Phoenix-FI, such as trust accounts and manual checks issued by the Court. This issue surrounding the Court’s limited use of Phoenix-FI functionality was previously cited in the 2007 AOC Internal Services Audit Report as well. Following, we discuss some of the manual processes employed by the Court that could be better controlled and automated through Phoenix-FI.

- ✓ ***Requisition, Purchasing, and Accounts Payable Processes:*** The Court utilizes neither Phoenix-FI’s purchasing and requisition module, nor does it fully take advantage of the services provided through the TCAS Division’s Virtual Buyer Program. Instead, the Court simply receives and processes invoices through Phoenix-FI accounts payable module. Phoenix-FI’s purchasing module includes two important controls that allow the Court to better manage expenditures.

First, it requires requisitions to be approved by the proper approving authority—in this case, the CEO—thereby ensuring purchases are appropriately authorized before they are executed. It then issues a Purchase Order, against which an expenditure can be made, thereby providing a basis upon which to evaluate the invoice through a three-point match and providing a control that prevents expenditures that exceed the approved Purchase Order amount. As discussed in Sections 9 and 11 of this report, court processes for controlling purchasing and accounts payables activities were found to be insufficient to adequately protect court assets, weaknesses that would be resolved with full implementation of Phoenix-FI’s functionality.

Second, Phoenix-FI automatically encumbers obligated monies through the Purchase Order process, as required by the FIN Manual (Section 5.01, 6.8.3). Without Purchase Orders, the Court does not encumber funds to properly set aside monies that are already obligated, increasing the risk that the Court could expend resources that have already been obligated. While we do not believe this is an imminent threat to the Court, given its existing fund balance reserves, future funding reductions could place the Court in a position in which such budgetary controls would be essential.

- ✓ ***Fiscal Records and Monitoring:*** Rather than utilizing Phoenix-FI, or on the TCAS Division for assistance, to record and track fiscal activity, the Court relies on manual processes that increase the risk of human error and reduce the level of control afforded in automated processes employed in Phoenix-FI. For instance, the Court maintains manual ledgers for several of its bank accounts, using a combination of Excel spreadsheets and QuickBooks to

record and track checks written and deposits made. In addition, the Court maintains three funds with the County Treasury and three bank accounts with Union Bank, for a total of six accounts that must be manually reconciled on a monthly basis. While we found the reconciliation process for 5 of the 6 accounts to be adequate given the limitations of the Court's case management systems, the remaining account holds comingled funds that have not been sufficiently reconciled. As is discussed further in Section 7 of this report, improvements to existing internal controls can still be made.

Overall, we believe the Court can significantly improve accounting controls by working with the AOC to determine what fiscal and accounting functions currently managed through manual processes can be transitioned onto the Phoenix-FI platform. This will also require management and staff to seek additional training on Phoenix-FI capabilities and reporting functions. The Court should consider transitioning its fiscal and accounting management to Phoenix-FI in segments, outlining fiscal and accounting functions handled outside of Phoenix-FI by level of risk, and incorporating the Phoenix-FI platform segment by segment as management and staff receive the necessary training.

Despite these manual processes, the Court does not have desk manuals or other written procedures to guide staff performance, leaving the Court even more vulnerable to disruptions caused by employee turnover.

FIN Manual guidelines suggest that the Court employ sound business, financial and accounting practices to conduct its fiscal operations, including a system of internal controls. Such practices include documenting financial activities and maintaining sufficient accounting records to support accountability of court employees who execute and process financial transactions. Transitioning manual processes to Phoenix-FI offers many benefits, including:

- Facilitating greater supervisory overview;
- Providing system controls that better ensure purchasing, receiving, invoice processing, accounts payable, and key financial controls are appropriately segregated among different Court personnel;
- Controlling access to fiscal records and limiting the ability to inadvertently or intentionally altering financial records contained in manual Excel ledgers, both of which are inherently missing in spreadsheets; and
- Aid in terms of succession planning by integrating automated fiscal and accounting processes that do not require managing detailed calculations and macros within multiple Excel spreadsheets.

Furthermore, integrating automated fiscal and accounting processes will aid in terms of succession planning, as currently only the Court's CFO and Accounting Technician fully understands the detailed calculations and macros within the spreadsheets.

### **Recommendation**

8. Consider reducing the number of bank accounts and County funds outside of Phoenix-FI, and begin automating many of the manual accounting practices associated with these accounts through Phoenix-FI.

9. Identify current accounts payable activities managed outside of Phoenix-FI and begin transitioning them to Phoenix-FI, where greater controls are in place to ensure compliance with FIN Manual guidelines.
10. Develop policies and procedures covering key fiscal and administrative processes, particularly those carried out through manual processes outside Phoenix-FI.

### Superior Court Response

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

8. **Court response**-Court partially agrees. The Court has closed two of the three county funds and has used the monies in the funds to augment general fund expenses related to technology for the new courthouse. Our court will also reconfirm with the County the amount the Court must maintain in a County payroll fund, and reduce the amount held in that County payroll account accordingly. Our Court will maintain all other funds in their current accounts.
9. **Court response**-Court agrees to implement the Phoenix Virtual Buyer program, qualified by the assumption that it will not substantially increase complexity or the need for additional staff resources. Our Court's use of the Phoenix Virtual Buyer program to cover procurement and purchasing should make compliance with the FIN manual guidelines more practical given our Court's unique business environment for procurement of services. Our main courthouse is located in an extremely isolated mountain community, Mammoth Lakes, with a population of full-time residents of approximately 7,000. The largest population and business center near Mammoth Lakes is over 160 miles away, the Carson-Reno area, in the state of Nevada. We have a very limited number of service vendors in our area or service vendors outside our area who are willing to come to our area. The Court wishes to comply with the complete segregation of duties in the areas of accounts payable and purchasing. However, given that we only have four administrative/fiscal staff (CEO, Court Fiscal Officer, Executive Assistant and Fiscal Technician), complying with the ideal of segregation of duties with current staff is extremely difficult. We expect that the utilization of the Virtual Buyer program will help us achieve segregation of duties without hampering our productivity.
10. **Court response**-The Court agrees. Our Court will begin developing policies and procedures. We also intend to submit these policies and procedures for review by the AOC Audit Unit.

### 2.2 Audit Fieldwork Identified Limited Instances of Non-Rule 810 Allowable Expenditures by the Court

California Rules of Court Rule 10.810 (herein referred to as "Rule 810") defines allowable and unallowable cost that may be incurred by the Court. It is the Court's responsibility to comply with Rule 810, and to ensure court funds are expended in a prudent and fiscally sound manner—an important responsibility given the potential impact of State's budget on future court operations. Specifically, given the current economic fiscal climate and recent AOC proposed

funding cuts which could result in trial courts losing 9 percent of its funding for the current fiscal year and a loss of 15.2 percent in funding for the next fiscal year, the Court should strive to eliminate as many non-essential business expenses as possible.

Overall, we found that the Court exercised sound business practice by restricting expenses to necessary court-related business. However, our limited test work revealed few instances in which the Court expended court monies on activities that were either not consistent with Rule 810 or which exhibited questionable business purposes. For instance,

- \$3,521.19 in expenditures for the Presiding Judge's retirement party; and,
- \$596.16 expense for non-sequestered jury meal(s).

Although the expenditures for the jury meal and the retirement party were from Non-Trial Court Trust Fund (NTCTF) monies, in light of court funding reductions observed over the past few years and uncertainties relating to future funding, the Court should reconsider certain types of expenditures that may not be Rule 810-allowable or critical to court operations.

### **Recommendation**

11. Ensure Court operational monies are used for business related goods and services, and are Rule 810 allowable; strive to eliminate non-essential business expenses.

### **Superior Court Response**

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

11. **Court response**-The Court appreciates the auditors finding that "Overall, we found the Court exercise sound business practice by restricting expenses to necessary court-related business." However, good cause exists for two of the three instances that the audit contended that the Court expenditures were not consistent with Rule 10.810. The three instances noted were the purchase of bottled water, purchase of meals for a non-sequestered jury and expenditures for a presiding judge's retirement event. There is good cause for the purchase of bottled water. Our community's tap water has a high mineral and arsenic content that make it unpalatable and prompts health and safety notifications from our local community water district. There was good cause for the one instance or our court purchased meals for a non-sequestered jury. This once instance was an exception to our normal court practice, it was ordered by a visiting judge who believed that providing the meals would give the jury more time to reach a decision and save the Court the expense of an additional day of deliberations. Our Court's practice is not to purchase meals from court funds for non-sequestered juries. Normally, when a non-sequestered jury is close to reaching decision and approaching dinnertime, our judges and/or the CEO will pay for meals for the jury out of their own pockets. The Court accepts that expenditures for the 2010 retirement event held to honor our former presiding judge were not essential business expenses. On or before April 1, 2012, the Court will be reimbursed for the all expenditures incurred for the retirement event. The decision to incur the expenditures was made by the Court Executive Officer (CEO). The

Court Presiding Judge will implement a Special Matter Order that will delineate the duties delegated to the CEO in regards to expenditures of Court funds to assure adherence to Rule 10.810 and review and approval by the Presiding Judge.

PENDING

### 3. Fund Accounting

To ensure the Court properly accounts for its financial resources and expenditures in separate funds, the CFO, as overseen by the CEO, is responsible for reviewing all transactions, whether posted in Phoenix-FI or in one of the Court’s manually prepared subsidiary ledgers; maintaining and reconciling general, restricted, and fiduciary funds; reviewing financial reports for accuracy; and working with the AOC’s TCAS Division to ensure proper recording of fiscal activity throughout the year. With few exceptions, the Court records fiscal activity through appropriately segregated funds and accounts. All of the Court’s fund balances were reported and supported by underlying financial records and documentation in Fiscal Year 2010.

Further, in most situations, the Court appropriately and carefully established fund balance reserves in accordance with the Judicial Council’s Fund Balance Reserve Policy. This policy requires courts to report the difference between their assets and obligations as fund balance on the Quarterly Financial Statements (QFS) reports. The fund balance is further divided into “restricted” and “unrestricted” categories to distinguish statutory or contractual obligations and to set-aside reserves for emergency and other operational expenses. At the end of Fiscal Year 2009-2010, the Court had combined trial court trust fund balances totaling \$1,976,157, as shown in Table B. The Court identified \$288,578 in contractual obligations associated with the implementation of its new case management system, Integrated Case Management System (ICMS), as well as liabilities related to accrued leave and workers’ compensation. In addition to the Court’s operating and emergency reserve of \$626,728, the Court designated \$411,861 for the statewide administrative infrastructure initiative, \$205,708 for IT/Audio Visual and related infrastructure items for its new court facility, \$265,416 in unfunded liabilities for retiree health care, and \$177,866 in professional and consulting services for the upgrade of Court systems, procedures, and operations with the new court facility.

*Table B. Court Fund Balances per Quarterly Financial Statement, Fiscal Year 2009-2010*

G/L Account	Description	Account
552001	Restricted – Contractual	288,578
552001	Restricted – Statutory	0
553001	Unrestricted – Designated	2,095,375
554001	Unrestricted – Undesignated	0
		\$ 2,383,953

In all, it appears that the Court has a sufficient fund balance to meet its obligations in the event of an emergency or other economic constraint, such as a delay in the enactment of the State Budget. Of the Court’s total \$2,095,375 unrestricted designated fund balance, \$626,728 is designated as operating and emergency reserves, which well exceeds the minimum operating and emergency fund balance required by the AOC’s Fund Policy. Specifically, with actual and accrued general fund expenses being \$2,219,357 for FY 09-10, the Court should maintain a minimum emergency reserve of \$110,967.85 calculated as follows:

➤ 5 percent of the first \$10,000,000	====>	\$110,967.85 (5% of \$2,219,357)
➤ 4 percent of the next \$40,000,000	====>	\$0
		<u>\$110,967.85</u>

In all, it appears that the Court has a sufficient fund balance to meet its obligations in the event of an emergency or other economic constraint.

This audit revealed, however, that the Court can improve its fund accounting by more accurately recording restricted and unrestricted fund balances, and by moving large fund balances remaining with the County Treasury to Court-owned bank accounts in order to put the money to better use.

### 3.1 Court Balances Currently Held in the County Treasury Were Incorrectly Categorized in the Court’s Fiscal Records

The Mono County Treasury maintains three funds used to account for court-related activity, as reflected in Table C. Based on the description of each fund, as provided by the Court and the County, each fund holds monies controlled and owned by the Court for general or restricted operating purposes, and must be reflected in the Court’s fiscal records. One fund holds court funds set aside for payroll purposes—as Mono County is the Court’s payroll administrator. The other two funds hold old Court Automation money.

*Table C. Court Funds Held in County Treasury, as of December 31, 2010*

Fund Number	Fund Name	Account Balance
260	Cash—Trial Court Operations	\$841,427.29
261	Cash—Justice Court Automation Fund	\$186,033.47
262	Cash—Superior Court Automation Fund	\$6,802.17
	<b>Total Funds with County</b>	<b>\$1,034,262.93</b>

While the Court appropriately reflected these monies in Phoenix-FI as “Cash with County”, it inappropriately reflected Funds 261 and 262—Court Automation money—as Non-Trial Court Trust Fund general operating money. The Court only maintains special revenue funds for limited Grand Jury expenses and its grant funded Family Law Facilitator and Child Support Commissioner programs. It is likely that the Court Automation monies held by the County are restricted since these accounts reflect automation fund monies deposited with the County prior to consolidation of the California’s Trial Courts in 2001. Thus, they should be maintained in a designated special revenue fund in Phoenix-FI. At the same time, the Court did not appropriately report these monies as “Restricted – Statutory” in its fund balance reserve designation.

Of the three funds, only payroll must be maintained by the County. However, we believe the Court maintains an unnecessarily high balance with the County. According to the Court, it

maintains a balance sufficient to cover between six and seven months of payroll with the County in case the Court finds it difficult to obtain sufficient funds to cover payroll from its AOC accounts—a concern that appears rooted in the Court’s initial transition to Phoenix-FI. The Court’s Fiscal Year 2010 trial balance shows total personal services costs of \$1.2 million for the year, and shows the Court held more than \$730,000 with the County treasury for payroll.

We also found that the Court Automation money held with the County represents a revenue stream that has been left unused, but which could offset significant expenses to the Court’s general operating fund. With the Court’s recent acquisition of a new case management system for all civil and family law cases, its new maintenance expenses associated with ICMS, and significant expenses related to Information Technology systems associated with its move to its new courthouse, the roughly \$200,000 in restricted Court Automation money could be put to use.

### Recommendations

To more accurately account for operating monies held in the County Treasury, and to put this money to better use, we recommend that the Court:

12. Work with the County to transfer all Court-owned money to a Court-owned account, with the exception of the minimal necessary to fund payroll obligations—such as maintaining a balance equivalent to two months worth of payroll with the County.
13. Establish a special revenue fund in Phoenix-FI for the Court’s restricted automation monies.
14. Identify any allowable operating expenditures planned by the Court which could be offset with Court Automation funds, and use these funds for such expenditures in lieu of expending general operating money.

### Superior Court Response

Below we list the Court’s responses to the specific recommendations shown above. The Court’s full response to this finding and the report is located in Appendix C.

12. **Court Response**-Court agrees. The Court has transferred two of the three county funds to offset general fund expenses related to the new courthouse. Regarding the payroll fund; the Court’s will reconfirm with the County the minimum amount the Court is required to maintain in the County payroll fund. As previously stated, any monies beyond the minimum amount will be transferred from the County payroll fund to a Court controlled fund account.
13. **Court Response**-Court agrees. We have transferred the automation funds per auditors’ recommendations.
14. **Court Response**-Court agrees. It was our intention to use these funds for new courthouse IT cost. The funds have been expended for IT related costs for our new courthouse.

### **3.2 The Bank Account Used to Hold Bail Trust Deposits and Daily Fees, Fines, and Forfeitures Has Not Been Successfully Reconciled Since At Least 2003**

The Court deposits all trust monies associated with criminal or civil cases in one of two Union Bank accounts. Overall, we found that the manner in which the Court records trust activity, maintains subsidiary ledgers, and reconciles trust monies requires some improvement. In the case of civil trust monies, the Court's ability to implement stronger controls has been hampered by limitations in its DOS-based case management system—an issue that will be resolved as the Court continues its transition away from this system and onto the ICMS civil case module. However, for bail trust monies, the Court's practice of comingling trust and agency monies into one bank account has created a significant challenge to reconciling either—something the Court has not successfully been able to achieve since at least 2003. The issue surrounding the Court's ability to reconcile funds held in trust was also cited in the Agreed-Upon Procedures Report, a review of the Court's fiscal operations, issued in 2004. At that time the Court noted that the CFO attempted to reconcile the transactions recorded in trust per ICMS with the transactions recorded in the holding account, but was unsuccessful; however, the Court agreed to take action and establish procedures to reconcile funds held in trust. Each of the findings discovered during the current audit related to recording and managing funds held in trust is discussed further below.

For civil cases, we found that the Court designated one account to hold only civil trust deposits; ensuring civil trust monies would not be commingled. As of January 31, 2011, the Court held \$199,692 in trust for a total of 21 civil cases. For civil trust, the CFO created a series of Excel spreadsheets—including its account register—to document civil trust activity and all deposits and withdrawals. Given the inability of the Court's DOS-based case management system to generate a trust ledger or identify outstanding trust balances, this process is appropriate and enables accounting staff to reconcile the account register with the bank statement balance. While, as described in Section 7, this reconciliation process should be improved by further segregating duties requiring supervisory review and approval of the monthly reconciliation, the Court appears to have diligently recorded and tracked civil trust deposits and disbursements.

Unlike civil trust, the Court is not separately tracking bail trust deposits in an account register, and the bank account utilized for its bail trust is commingled with daily collections. Instead of separately tracking and recording bail trust deposits and depositing bail trust monies in a dedicated bank account, the Court deposits all bail trust monies collected into its local Union Bank "Holding Account," along with daily civil filing fees, local fees, and fee, fine, and forfeiture collections. The Court records and tracks the deposits made into the local Union Bank "Holding Account" as one lump sum, without distinction. At month end, the Court writes checks to distribute applicable fee, fine, and forfeiture collections to the appropriate County and State agencies, to transfer civil filing fees to its Uniform Civil Filing Fee (UCF) Bank of America account with the AOC, and to transfer all monies collected in local fees to the Court's "Expense Account" with Union Bank. It does not, however, transfer criminal trust deposits out of the Holding Account. As a result, while it appears that the Holding Account was initially established as an Agency fund intended to temporarily hold monies until they could be distributed to appropriate accounts, it has become a comingled account permanently holding criminal trust deposits with a wide array of fees, fines, and, forfeitures passing through. At no point does the Court actually know how much of the bank balance is money held in trust, agency

money awaiting transfer to the state or the County, local fees collected by the court, or—consequently—unreconciled overages or shortages.

Complicating the Court’s ability to manage and reconcile monies held in trust, trust balances reflected in ICMS do not appear to be reliable. Several reasons contribute to this, including data conversion issues when the Court transferred to its ICMS case management system and the practice of making manual adjustments to trust balances in the ICMS. First, when the Court transitioned from its prior DOS-based criminal case management system to ICMS in 2003, it is unclear whether trust deposits collected prior to the transition were reflected in ICMS. The Court indicated that it has not escheated monies held in trust at least since 2003, and the oldest trust monies reflected in ICMS do not date back further than 2003; as a result, the Court does not appear to have any record of trust monies collected prior to 2003 that have not yet been forfeited, refunded, or escheated.

Second, ICMS reports trust deposits three different ways, and these three reports do not agree with one another. Specifically,

- ✓ On the daily close-out report, titled “Daily Transaction Report”, ICMS reports two totals reflecting monies collected during the day—one for trust deposits and the other for fees, fines, and forfeitures. If the Court were to deposit trust monies into a dedicated bank account separate from fees, fines, and forfeitures—which we recommend—it would use this report to create two separate deposit slips.
- ✓ ICMS produces a “Bail Trust Report” reflecting each case with a trust balance held by the Court; this report shows the case name, case number, date of trust deposit, deposit amount, depositor address and a cumulative total of all trust in ICMS. Once a case has been adjudicated, and the Court Clerk reflects the bail as exonerated or forfeited in the case management system, the case drops from the Bail Trust Report reflecting the fact that the Court no longer holds money in trust for this case. According to the “Bail Trust Report” as of April 8, 2011, the Court held \$53,133 in trust for a total of 183 cases. This report may not be comprehensive, and there is no indication that the Court has validated the data reflected in the report, causing us to question whether the Court can fully rely on only this report. Nevertheless, this report may be the best starting point for the Court to identify current cases with trust monies on deposit.
- ✓ Further, cumulative trust balances and activity are reflected in ICMS’s “Daily Ledger Report”, which includes a cumulative net total, year-to-date deposits and withdrawals, and a year-to-date net total. We would expect the cumulative total to reflect the same balance as the “Bail Trust Report”; however, it reflects substantially less at \$13,088, or \$40,045 less than the “Bail Trust Report.” The Court is aware of the discrepancy, but has not been able to provide a definitive cause for the difference in trust balance reporting. Based on inquiries with the Court, we believe that this discrepancy is caused by one of two factors. First, the discrepancy could be caused by erroneous report parameters developed when ICMS was first implemented by the Court. Second, the discrepancy could be caused by erroneous adjustments made to the “Daily Ledger Report” when trust refunds are actually issued. When a case is adjudicated, the Court

Clerk records in the case management system any forfeitures and/or exonerations. This should result in an appropriate reduction in total monies held in trust as reflected in the “Bail Trust Report.” However, the “Daily Ledger Report” does not automatically reflect reductions in monies held in trust that result from exonerations; to ensure refunds are reflected in the “Daily Ledger Report,” the CFO must make a manual adjustment to the ledger each time he writes criminal trust refund checks. It is possible that the discrepancies between the trust balances in the “Bail Trust Report” and the “Daily Ledger Report” may be due to human error when making manual adjustments. To rectify this, the Court should first work with ISD, Inc. to ensure the parameters used to develop the “Daily Ledger Report” are accurate, and second the Court should implement a practice to periodically audit the adjustments in both bail trust balances, including any manual adjustments made by the CFO, to ensure the deductions and deposits to trust remain accurate.

In order to be able to fully reconcile trust deposits, several steps must be taken. First, the Court must ensure that its reconciled civil trust deposits remain traceable and do not become comingled when the Court begins its migration of civil cases to its new civil case management system module in ICMS. This transition poses a challenge in that the Court must decide whether to transition all cases with active trust deposits from its DOS-based case management system to ICMS, or to continue recording activity associated with these cases in the DOS-based system. Regardless of the Court’s decision, all new cases will be recorded in ICMS. If the Court opts to maintain its older cases in the DOS-based system, it will need to develop a procedure to reconcile civil trust deposits between the bank account and trust balances maintained in two separate case management systems. We believe this will unnecessarily complicate the Court’s trust reconciliation process; with only 21 civil cases with existing civil trust deposits in the DOS-based system, transitioning case information to ICMS will ensure all trust activity is reflected in a single, comprehensive system.

This, of course, requires the Court to implement several steps to correct existing deficiencies in its criminal trust reconciliation process and ICMS trust reporting. Until the Holding Account can be reconciled to zero on a monthly basis, the Court will not be assured that it has the money it needs to pay trust obligations, and it could be unintentionally withholding monies owed to other government agencies. Although our review of the Court’s fiscal management did not reveal inappropriate fiscal activities or instances of fraud—and was not intended to do so—the lack of reconciliation and support for fiscal activities in this account also raises the risk of inappropriate or unauthorized activity going undetected.

### **Recommendations**

To ensure the Court is operating in a strong fiscal control environment related to its bank account activities, the Court should:

15. Work with ISD Inc. to determine the cause of the variances between the ICMS trust reports and resolve any discrepancies.
16. Cease comingling trust and agency monies. In doing this, we recommend that the Court consider the following steps:

- Establish a new agency account and begin depositing non-trust daily collections in the new account; the AOC already has an account established for this purpose—the “Distribution Account”. In the future, this pass-through account should reconcile to zero monthly.
  - Deposit all future fees, fines, and forfeitures into the Distribution Account.
  - For existing fees, fines, and forfeitures in the Holding Account, proceed to distribute them through the standard revenue distribution process until no known fees, fines, and forfeitures remain in the Holding Account. The remaining balance will include all criminal trust monies as well as unreconciled balances, if any.
  - Open trust accounts with the AOC for civil and criminal trust deposits and migrate trust accounting onto Phoenix-FI, including deposits and refunds.
  - Identify all known criminal trust monies through ICMS reports, as well as all known civil trust monies, and transfer them to the new trust accounts in Phoenix-FI.
  - Finally, investigate funds remaining in the Holding Account, if any. These monies will represent unidentified and unreconciled monies that may require research to determine their origin.
17. Develop a trust account ledger for civil and criminal trust that includes the case number, deposit date, deposit check number, deposit amount, disbursement date, disbursement check number, and disbursement amount for each case. This should remain in place until the AOC’s Trust Module in Phoenix-FI is completed.
  18. Implement a true reconciliation process of criminal trust, as well as the civil trust now recorded in ICMS, that reconciles the bank statement balance, to the Court’s fiscal records—manual trust account ledger and Phoenix-FI, and to trust balances reported in the Court’s case management system. As part of the reconciliation process, the Court should implement a management review of the trust reconciliation.
  19. Given that the Court has not escheated stale trust monies in recent history, and given the challenges faced by the Court to identify trust deposits made prior to 2003 that may still be in the Court’s custody, the Court should continue its process of identifying old and stale trust monies so it may begin escheating all applicable dollars identified.
  20. Transfer all civil cases onto the new civil ICMS platform, if practical.
  21. Periodically audit the fiscal and accounting activities made to the bail trust ledgers, including reviewing any manual adjustments made to the trust ledger balance.

### **Superior Court Response**

Below we list the Court’s responses to the specific recommendations shown above. The Court’s full response to this finding and the report is located in Appendix C.

15. **Court Response**—Court agrees. The Court is and will continue to work with ISD and consultants to find a solution to these discrepancies.

16. **Court Response**-The Court agrees with the outcome stated in Recommendation 16, we need to reconcile our stale criminal trust fund monies. Our Court is able to accurately track and reconcile current criminal trust monies held in the Holding Account. We agree to consider expanding the Court's use of Phoenix-FI. We will expand the use of Phoenix-FI as long as additional complexities, costs and staffing are not required. We agree that our current methods and practices need improvement to correctly reconcile stale criminal trust monies held in the distribution account labeled as "Holding Account". We will diligently work to identify the case information for stale criminal trust monies, determine case status and work closely with our county to appropriately escheat these monies. Operationally, it is more efficient for our Court to maintain the Holding Account.
17. **Court Response**-The Court already maintains account ledgers with all the above components for civil trust account and several such ledgers for the criminal trust monies.
18. **Court Response**-The Court agrees with the outcome recommended, the improved reconciliation of the criminal trust monies with management review of that reconciliation. Court agrees to use of the Phoenix-FI as long as additional complexities, costs and staffing are not required.
19. **Court Response**-The Court agrees. As previously stated, the Court intends to identify all stale trust fund monies and implement an appropriate escheatment process in coordination with the appropriate authority, County for criminal trust monies or AOC for civil trust monies. The court has implemented an escheatment project and begun to identify stale trust fund monies.
20. **Court Response**-The Court agrees. The Court has already hired an IT consultant specializing in data migration who is currently analyzing the old civil DOS case management system and the new civil ICMS case management system. We expect to have all civil case data in the DOS case management system migrated to ICMS by May 2012.
21. **Court Response**-The Court does and will continue to audit the fiscal and accounting activities of the criminal trust monies (Bail trust), including of any adjustments made to the trust ledger balance.

#### 4. Accounting Principles and Practices

Since migrating onto the Phoenix-FI system in 2006, the Court has received general ledger accounting, analysis, and reporting support services from the TCAS Division. Some of the benefits of using Phoenix-FI are consistent application of FIN Manual accounting guidelines and the ability to produce quarterly and annual financial reports directly from the system. Moreover, to ensure trial courts accurately account for the use of public funds in its fiscal records, the FIN Manual specifies various guidelines and requirements related to accounting principles and practices in areas we reviewed, such as recording revenues, expenditures, and accruals associated with court operations.

Overall, with the assistance of the AOC's TCAS Division, we found that the Court had adequate processes in place to record and report accruals and grants—though, as discussed in Section 9 of this report, the use of purchase orders in Phoenix-FI will allow the Court to encumber obligated monies, which in turn will provide an additional indicator of possible expenditures that should be accrued. Nevertheless, a high-level review of revenue and expenditure accruals for Fiscal Year 2009-2010 revealed that the Court has appropriate procedures in place to ensure significant revenues and expenditures are recorded in the proper period and accrued as required by FIN Manual. FIN Manual (Section 5.01, 6.8) requires all Trial Courts "...to adjust their financial statements at year-end to account for revenues not yet received or expenditures not yet paid as of the last day of the fiscal year (June 30)." The Court utilizes a modified accrual basis accounting method and accrues significant expenses related to applicable direct invoices, grant reimbursements, payroll, and MOU expenditures or revenues at fiscal year-end. By accurately and efficiently processing accruals at year-end, the Court ensures its financial records accurately represent fiscal activities in the correct fiscal year. As such, we have no identifiable issues to report.

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PENDING

## 5. Cash Collections

On average, the Court collects approximately \$269,000 a month in fees and fines. Both court locations collect and process payments for all case types. Up until March 2011, the Court utilized two case management systems to record case information and process collections. Specifically, “ICMS”—an integrated case management system and cashiering module—by ISD, Inc. was used for all criminal and traffic cases. Home-grown DOS-based case management system and cashiering system were used for all civil and family law cases. Each DOS-based system was created and maintained by the former CEO. In March 2011, the current CEO replaced the DOS-based system and implemented an ICMS module for all civil and family law cases; while the Court currently operates both systems, this transition will create a single integrated case management system throughout the Court.

FIN Manual 10.02 establishes uniform guidelines for trial court employees to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitution, penalties, and assessments resulting from court orders. Additionally, FIN Manual 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts are required to implement procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments. As a result, we reviewed the Court’s compliance with these sections of the FIN Manual, including processes such as:

- Bank deposit preparation;
- Segregation of cash handling duties;
- Accounting for safe access, keys, and security over other court assets;
- Physical and logical access security of cashiering areas and systems; and,
- End-of-day closeout and reconciliation.

Overall, we found the Court employed several effective controls over cash handling, such as endorsing checks immediately upon receipt, investigating daily collection discrepancies before final close-out, segregation of duties over payment processing (such as requiring the Executive Assistant to perform the daily closeout and different Court employee verify the cashiers daily closeout totals), and securing daily collections overnight in a safe. Other good practices include limiting access to the Court’s safe and void approvals through supervisory oversight. Further, in 2008 the Court established written policies and procedures for its cash handling, and updated its policies and procedures during the course of this audit. Current policies and procedures detail the various aspects of cashiering, balancing, and other cash processes.

However, this audit revealed some weaknesses in the Court’s cash controls that require attention. In some cases, these weaknesses will be remedied as the Court fully transitions onto ICMS for all case types, and eliminates its DOS-based systems. For instance, the Court’s use of a separate DOS-based case management system and DOS-based cash register system for civil payment processing poses an unnecessary risk to the Court’s ability to adequately secure the Court’s cash collections. The Court’s ICMS system employs a number of system controls, including access permissions and audit trails; however, audit trails are absent from the DOS-based system. Furthermore, Court practice requires cashiers to share the one cash drawer linked to the DOS-

based cash register system. By allowing more than one individual to access a single cash drawer, the Court limits its ability to impose individual accountability over cash handling. While this risk will remain so long as the Court maintains its DOS-based system, it will be reduced over time as fewer and fewer cases are maintained in the system.

In many cases, however, steps can continue to be taken by the Court to improve its cash handling procedures. These are discussed in the following section.

### **5.1 Controls Over Cash Handling and Collection Processes are Good, but Could be Enhanced**

Cashiering processes generally appeared to be in compliance with the FIN Manual, helping to ensure that fees and fines collected were adequately safeguarded. For instance, the Court locked cash drawers at all times, balanced daily collections, and confirmed bank deposits. Nevertheless, this audit revealed a few areas where controls could be strengthened—some of which were previously noted during the Court’s prior audit. While many of these could appear insignificant on their own, when viewed together along with the system weaknesses described in Section 6 of this report they combine to create an environment that is not conducive to adequately securing cash assets, although it is important to note that this audit did not identify instances of theft or wrongdoing.

- ✓ ***Court Clerks at the Mammoth Lakes Court Location Share One Cash Register for Processing Cash Collections on Civil Cases:*** According to FIN Manual Section 10.02 6.3.3, sound cash handling practices include “Assign[ing] each trial court employee who processes payments his or her own locking cash drawer so that he or she has exclusive access to and custody of his or her respective cash on hand. Cash drawers must not be shared by trial court employees.” However, current court cash handling practice requires Court Clerks process cash collections for cases in the DOS-based system by sharing the same cash drawer—a cash drawer that does not prevent individuals from opening the drawer at any time.
- ✓ ***Court Fiscal Officer Access Levels in the Case Management System are in Conflict with Assigned Cash Handling Duties:*** The Court’s Executive Assistant conducts the daily close-out, including verifying individual cash collections processed by cashiers, printing a cash collections report from the case management system, and preparing the bank deposits. Once the daily close-out is complete, the Court Accounting Technician verifies the bank deposit. The CFO also verifies the bank deposit prior to updating the daily deposit activities in the Court’s fiscal record and taking the daily collections deposit to the bank the next business day. While the CFO does not have the ability to authorize disbursements from court accounts and funds, there is a segregation of duties issue surrounding the CFO’s responsibilities. Specifically, the CFO is able to perform the following activities:
  - Handle and deposit daily collections, including trust;
  - Update and manage the Court’s fiscal records; and,
  - Conduct monthly reconciliations of Court accounts and funds.

In addition to being responsible for performing these functions, the CFO also has access to modify, add, or delete case information in the Court's case management system, ICMS. As such, the CFO can reduce the daily collection totals deposited into the bank, modify ICMS to reflect the reduced deposit amount, and conceal the changes made by reviewing and approving the bank reconciliation for the daily collection's bank account. Having one person with the responsibility of handling and depositing court collections, recording and reconciling accounting transactions, and the ability to add, modify or delete cases in the case management system presents a significant risk that an individual can make modifications to case(s) on file and to the fiscal record to conceal errors and irregularities in cash collection deposits could occur.

As described in Fin Manual 1.03 §6.3.3, the Court should ensure adequate segregation of duties are in place so that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of their duties. According to the CEO, the CFO does not have access in the ICMS to modify, add or delete case information. However, descriptions of ICMS security access rights provided by the Court Operations Manager, who was the designated system administrator at the time, indicated the CFO had the same full system access as the Court Operations Manager and the CEO, which included access to add, modify and delete case files. In light of this, the Court should ensure that, in the future, the CFO does not have access to edit or modify case records in ICMS.

To better segregate these duties, the Court should consider restricting the CFO's access levels in the ICMS case management system, as described in Section 6 of this report; or, at a minimum, restrict the CFO's access to cash handling. For example, the Court should consider reassigning bank deposit responsibility to the Executive Assistant, since she prepares the bank deposit but does not process cash payments; does not have ICMS access to add, delete, or modify cases; and is not involved in the bank reconciliation process.

- ✓ ***Fine Reductions and Fee Waivers Are Not Closely Monitored:*** Both fine reductions and fee waivers are common for criminal (particularly traffic) and civil cases, respectively. While the Court has appropriately delegated some responsibility to Court Clerks to implement fine reductions and fee waivers, we found a general lack of supervisory oversight in both cases.

Court policy requires all fine reductions to be reflected in a judge's order; to execute the judge's order, all clerks have the ability to reduce fines in ICMS. Civil fee waivers, however, require individuals to complete and submit an application for waiver, which must be reviewed and approved by the Court Clerk or through a judge's order. The Court's practice of processing fine reductions and fee waivers is consistent with practices employed by courts throughout the state. However, for neither fine reductions nor civil fee waivers has the Court implemented controls to prevent or detect potential instances of intentional or inadvertent erroneous adjustments. That is, there are no system restrictions which prevent adjustments that do not reflect judicial orders, and the Court does not periodically review fine reductions for accuracy and appropriateness.

According to the Court Operations Manager, the Court's case management system does not have report generation capabilities which would identify cases with either fine reductions or

fee waivers. As such, the Court should work with their case management system provider to determine if fine reduction report generation capabilities can be incorporated into the Court's current ICMS platform. Alternatively, the case management system provider should identify other processes that would enable Court management to review a sample of case records on a random basis to assess the accuracy and appropriateness of ICMS records and application of fine reductions and fee waivers.

- ✓ ***Court Exercises Adequate Controls Preventing Court Clerks from Voiding their Own Transactions, but Does Not Do the Same for Court Management:*** Court cashiers do not have system access to process voids and thus are prevented from voiding their own transactions. To mitigate risks of fraudulent reversals and voids, the Court has implemented a policy that requires not only supervisory approval at the time of the void, but also a review of all voids issued by each clerk during the daily close-out. Only the Court Operations Manager and the CEO have the ability to approve voids in the system. However, because the Court Operations Manager is occasionally placed in the position of processing transactions herself, the system allows her to void her own transactions. While it is the Court's unwritten policy to have voided transactions processed by an employee other than the person processing the original transaction, there may be instances when the Court Operations Manager may void her own transactions. Though this issue of employee access to void their own transactions was identified in the 2007 AOC Internal Services Audit as well, although at the time all Court cashier's had access to void their own transactions without supervisory approval. The court has greatly reduced the risk to court assets associated with an employee processing his own void; however, this risk still remains with the Court Operations Manager. Because it is already court practice to review voided transactions during the daily close-out, we recommend that the CEO review instances in which the Court Operations Manager voided her own transactions.
- ✓ ***Manual Receipts Not Monitored:*** The Court did not actively monitor the use of manual receipts at either courthouse to ensure each was appropriately used and entered into ICMS. In addition, manual receipt books were not adequately secured.

First, receipt books are not adequately controlled and secured. While the Court secures manual receipt books in a locked filing cabinet—accessible by a key that is kept in the Executive Assistant's drawer—the Court does not have a formal process for checking out receipts books. In the event that the case management system were offline, the Executive Assistant would unlock the cabinet and would place receipt books at the front counter until the automated system is back online—receipt books are not assigned to an individual who is accountable for it. At the Bridgeport courthouse, Court Clerks do not have access to the cashiering system at all, requiring that they only use a manual receipt book to issue receipts.

Second, the Court does not have a formal or documented review process for ensuring all manual receipts are appropriate and accurately recorded in the case management system. While the CFO described informal processes to review manual receipt books, the Court could not demonstrate that such processes are regularly followed. Without a periodic review of all manual receipt books, Court management will be unable to detect inappropriate use of manual receipts if it were to occur.

When combined with the ability to suspend monies and reverse transactions without prior approval and, in some cases, prepare bank deposits of one's own collections, there is an increased risk of an employee receiving a cash payment from a customer, issuing a manual receipt, reducing fines or waiving fees, and pocketing the payment without detection.

- ✓ ***DMV System Access Should Be More Closely Monitored:*** California Department of Motor Vehicles (DMV) access is restricted to one computer terminal, located at the Mammoth Lakes courthouse. Access to the DMV system is needed to facilitate the processing of traffic related fees and fines and to place holds on drivers' licenses for delinquent accounts. The data contained in the DMV system is considered confidential. We noted two areas where greater control and oversight can be exercised by the Court.

First, while the Court manually tracks DMV system access using a 'DMV Access Activity Log', the Court does not monitor activity through the use of system access or user activity reports—a process employed at some other courts. Second, while the Court Operations Manager is responsible for ensuring employees with DMV access sign the 'Employee Security Statement' confidentiality agreement required by DMV, the Court could only provide signed security statements for four of the seven employees with DMV access. As a result, the Court is hindered in its ability to detect potentially inappropriate activity or inappropriate access to sensitive and confidential data contained in the DMV database of license holds or releases.

- ✓ ***Court Has Not Changed Safe Combinations in Recent Memory:*** The Court maintains one safe at each of its courthouses. For the Mammoth Lakes courthouse, the Court uses the safe to store cash bags for each court clerk, including the DOS-based cashiering system till of \$105, daily collections, and keys to Court vehicles. Only the Executive Assistant, Court Operations Manager and the CEO have access to the safe combination. The Bridgeport location has a safe, which is used solely to secure daily deposits. For both courthouses, the Court cannot recall the last time it changed combinations to either safe, despite the fact that court employees with access to each safe have since left court employment.

Ultimately, while system controls can be quite successful in preventing inappropriate activity and reducing inadvertent errors, the control weaknesses noted above must be addressed in order to further minimize the risk of theft or loss of Court collections. Moreover, we believe that the implementation of a broader case file review process would enable Court management to evaluate the overall accuracy with which case information is reflected in ICMS and the appropriateness of actions taken on cases. This includes the accuracy with which staff enters new citations into the system; reflect fee, fine, and forfeiture amounts ordered by judges; enter case data from judicial orders; and close out cases.

## Recommendations

To tighten controls surrounding cash collections and to protect the Court's assets, the Court should:

22. Restrict access to the civil cash register drawer no more than one cashier per day or per shift.

23. Restrict the CEO's and CFO's access to add, delete, and/or modify case file information in the ICMS case management system; or, at a minimum, restrict the CFO's access to cash handling by reassigning bank deposit responsibilities.
24. Implement regular supervisory review of fine reductions and fee waivers to ensure judicial orders match fine reduction amounts listed in the case management system and that fee waiver applications in the case file support waivers entered into the case management system.
25. Institute a practice where the CEO reviews and signs off on the voids the Court Operations Manager issues under her own transactions.
26. Implement a formal process for checking out manual receipt books and establish a review process for ensuring all manual receipts are appropriate and accurately recorded in the case management system.
27. Ensure all Court employees with DMV access sign the annual DMV confidentiality statement, and incorporate periodic reviews of DMV-generated system access or user activity reports to ensure access and activity are appropriate.
28. Implement a practice where safe combinations are periodically changed, including changing safe combinations when employees who have safe access leave Court employment.

### Superior Court Response

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

22. **Court Response**-Court agrees with the audit report's recommendation that clerks should not be sharing a cash register. We intend to install a new point-of-sale cash register system that will allow us to assign cash registers in shifts. However, before we can install this new point-of-sale register system we need take two important preliminary steps. First, our Court must eliminate our current dependency on a legacy DOS civil cash register program. This dependency will end once we migrate all our civil case data from our 20-year-old DOS civil program to our new ICMS civil program. As previously stated, the Court has retained a data migration consultant to do so. Second, our Court must work with the vendor of our new ICMS civil program to determine whether a point-of-sale cash register system will properly interface with our ICMS civil program.
23. **Court Response**-The Court has rectified the situation by eliminating the Court Fiscal Officer's complete access to the ICMS case management system. The complete access of the Court Fiscal Officer to the case management system was something the Court was unaware of until discovered by the audit.
24. **Court Response**-The Court agrees. In regards to review of fine reductions, the Court will do an operations/practice review and implement end of day fine reduction report for management review. The Court agrees that greater supervisor review of fee waivers is necessary. The Court will draft policy and procedures regarding fee waivers and training staff.

25. **Court Response**-The Court agrees and has already implemented a monthly CEO review of all void transactions done by the Court Operations Manager.
26. **Court Response**-The Court agrees. The process has been established to store receipt books in the court safe and only management personnel are authorized to remove the books which must be returned promptly.
27. **Court Response**-The Court agrees. The court has already required all court employees with DMV access to sign the annual DMV confidentiality statement. The Court IT/Network Administrator will begin generating user activity reports for review by the CEO.
28. **Court Response**-The Court agrees to research the cost of changing combinations. If cost is not unduly exorbitant and is able to be absorbed in current budget, combinations will be changed in this fiscal year. If cost is exorbitant, cost of combination changes will be built into next fiscal year's budget.

## **5.2 Improvements Can Be Made to Enhance the Court's Delinquent Collections Program With Little Cost to the Court**

The Court established its delinquent collections program in March 2009; it is not considered a comprehensive collections program pursuant to PC 1463.007, precluding the Court from recovering costs incurred attempting to collect on delinquent accounts. As of June 2010, the Court had approximately 711 cases with approximately \$358,156 in outstanding delinquent receivables due. In Fiscal Year 2009-2010 the Mono County Superior Court collected total gross revenues of \$125,369 from delinquent accounts in collection. Because the Court cannot recover costs associated with delinquent collections, it does not track costs for its collection services.

The Court cites its relatively small size as an obstacle to allowing additional allocation of funds and personnel to pursue a comprehensive collections program. However, we noted several relatively simple and cost effective approaches to enhancing its collections program. First, the Court's newly established delinquent collections program focuses on overdue accounts from March 2009 and forward only; however, a 'Failure to Pay' report generated from the Court's case management system in December 2010 identified a significant number of overdue cases dating back to 2003. While the Court's size may limit the resources it can dedicate to researching delinquent accounts prior to March 2009, reaching out to outside collections agencies and/or other courts throughout the state could be a cost-effective and beneficial way to augment Court resources while pursuing delinquent individuals. Second, incorporating the Franchise Tax Board's tax intercept program for older cases may pose a cost effective alternative to not pursuing collection activities with these cases at all as the Franchise Tax Board typically retains a percentage of monies collected as its fees. Taking steps toward implementing both would bring the Court much closer to being able to implement a comprehensive program, and being able to recover costs accordingly.

Furthermore, though Penal Code 1214.1 allows trial courts to assess a \$300 civil assessment immediately upon delinquency, the Court rarely applies the \$300 civil assessment to delinquent cases, finding it excessive. Civil assessments serve two functions: they provide incentive for individuals to pay fines on time, or induce payment after delinquency, and they augment Court operating revenue. Monies collected through civil assessments can be used to offset court operating costs, including costs incurred as part of the Court's collections program. While civil assessments are deposited into the Court's State bank account by the State at month end, all civil assessment monies are remitted back to the Court via AOC monthly allocations. By not assessing civil assessments as permitted by statute, the Court is not realizing the full level of revenues that it could reasonably assess.

### Recommendations

To improve the Court's ability to recover costs and collect revenues on cases in collection, the Court should:

29. Include cases prior to 2009 in the Court's delinquent collections efforts.
30. Collaborate with other courts that have robust delinquent collection programs to conduct continuing collection efforts on Mono County Superior Court's cases in delinquent collections after the Court's initial identification and collection attempt.
31. Consider using Franchise Tax Board's tax intercept program for older cases in collections.
32. Consider assessing the \$300 Civil Assessment on cases that go into delinquent collections status.

### Superior Court Response

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

29. **Court Response**—The Court agrees, however, we will implement this recommendation to the extent possible with existing Court resources. We will also explore utilizing Franchise Tax Board, as explained below.
30. **Court Response**—the Court agrees. The Court will contact other courts with collection programs and determine what course to take in accomplishing this. The Court will contact Mono County officials to discuss a Court-County collections effort. The court will request the assistance from the AOC to develop a Court program in order to ensure that the steps taken will result in a successful adoption of a comprehensive collections program with cost offset component.
31. **Court Response**—The Court agrees. The Court will contact the Franchise Tax Board (FTB) and discuss involving the FTB in a collections program. The Court anticipates that the Court actions described in response to Recommendations 29, 30 and 31 will result in having an acceptable collections program by the end of the 2011-12 fiscal year.

32. **Court Response**—The Court agrees that this issue will remain under the Presiding Judge’s discretion.

### 5.3 Mail Opening Process Requires Increased Oversight

FIN Manual Policy 10.02 §6.4 mail handling guidelines indicate that mail should be processed on the same day as received and by a two-person team. Following these procedures would provide the strongest protection of court assets as well as ensure the timely processing of payments received by mail. We found improvements can be made to better ensure compliance with the intent of these guidelines.

Audit fieldwork revealed that the Executive Assistant sorts the mail at her desk, only opening mail addressed to the judicial officers, the CEO or invoices. Payments are not opened; instead, they are forwarded to court clerks responsible for different case types (e.g., civil, criminal, or traffic). Court Clerks individually open the mail, restrictively endorse checks received, and set the mail aside to be processed as workload permits—a process that may result in a lag of up to three days until the payment received is actually processed. Payments that could not be processed the same day are stored in each individual Clerk’s unlocked drawer overnight.

The purpose of the FIN Manual suggested guideline that two people be present when opening mail is to create an environment that would make it likely that an employee could observe potential improprieties of another employee should they occur. It did not appear that the Court had successfully created such an environment. While all clerks are located in a single room, they are often at the cash register, in courtrooms, on breaks, or are otherwise busy and unable to pay attention to another clerk opening mail and processing payments. With Court Clerks able to open and process mail payments at their discretion, it would not be difficult for a clerk to wait for an opportune moment when they would be left alone or unobserved to process payments.

### Recommendations

To tighten controls surrounding cash collections by mail, as well as deter and detect potentially inappropriate activities the Court should:

33. Assign two persons to open mail and process cash collections or the Court may implement alternate procedures as long as these procedures ensure potential improprieties with mail processing may be observed by other Court employees.
34. Ensure mail payments are processed in a more timely fashion, preferably processed the same day of receipt per FIN Manual Policy 10.02 §6.4.

### Superior Court Response

Below we list the Court’s responses to the specific recommendations shown above. The Court’s full response to this finding and the report is located in Appendix C.

33. **Court Response**—The Court agree to consider this recommendation. In order to make an informed decision, the Court will to determine the risk of the current practice by researching the amount of cash versus checks that are received by mail. Given the

number of available staff in our small court it may not be cost effective if the amount of cash received by mail is insignificant when balanced against the cost of dedicating two persons to this function.

34. **Court Response**—The Court sees this as a laudable outcome. We will find alternative means to improve the timeliness of processing mail, such as rotating the assignment of mail opening.

PENDING

## 6. Information Systems

The Court utilizes a variety of information technology systems to serve its needs, including ICMS (case management system), a homegrown, DOS-based case management system for civil cases established prior to March 2011, Jury Systems, Inc. (jury management software), and Phoenix-FI (fiscal system). The Court operates its own technology department, comprised of one employee—the Network Administrator.

As part of our audit, we analyzed various automated controls and processes as well as limited system programming, including:

- Systems backup and data storage procedures;
- Continuity and recovery procedures in case of natural disasters and other disruptions to court operations;
- Logical access controls over user accounts and passwords;
- Physical security controls over access to computer server rooms and the physical conditions of the server rooms;
- Controls over court staff access to the DMV system; and,
- Calculation and distribution of fees, fines, penalties, and assessments for a sample of criminal and traffic convictions.

The Court manages its information system security primarily through its Mammoth Lakes courthouse, and has taken several measures to protect its information systems. For instance, the server room temperature is maintained at moderately cool temperatures with a thermostat controlled system independent of the Court's primary air conditioning system, the Court creates and keeps system back-up tapes that are stored off-site, and allows limited remote access to information systems.

Nevertheless, current procedures are not adequate to fully secure sensitive court data or sufficiently protect the Court's information systems from inappropriate access. In some cases, we believe these weaknesses will be resolved with the Court's move to its new courthouse in Mammoth Lakes. For instance, access to the existing server room is not sufficiently restricted; while access to the server room is restricted from the general public and requires key access, we observed instances where the door to the server room was left open, the room unattended and server cabinets unlocked. Since the Court bathroom used by court employees and jurors is next door to the server room, there could be potential security concerns.

In other cases, however, additional steps are needed to better enhance system security. This includes improving court protocols and case management system programming relating to revenue distribution calculations. It also includes better securing access to court information systems to prevent inappropriate or unauthorized activity.

## 6.1 Certain Fine Distribution Calculations Were Incorrect

To automatically calculate and distribute fees and fines based on the Court's interpretations of applicable laws and the State Controller's *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C*, the Court relies on codes programmed into its ICMS case management system. The Court primarily relies on ISD, Inc. to program distribution tables to reflect ongoing legislative changes in order to ensure the system appropriately calculates revenue distribution amounts for each case. According to the Court's contract, ISD Inc. is responsible for ensuring distribution tables are correct; however, the Court is ultimately responsible for ensuring fees, fines, and forfeitures are correctly distributed to state and local funds. Because of this, the Court also occasionally creates manual adjustments to ICMS's distribution tables to reflect modifications stemming from new legislation, AOC guidance, and other changes it believes are necessary.

During our audit, we selected several different violation types for review as follows:

- Driving Under the Influence pursuant to Vehicle Code 23152(a) and Driving without a Valid Driver's License pursuant to Vehicle Code 12500
- Disorderly Conduct pursuant to Penal Code 647(f)
- Domestic Violence pursuant to Penal Code 243(e)
- Possession of an Illegal Substance pursuant to Health and Safety Code 11379(a)
- Fish and Game violation pursuant to Penal Code 7.50(53)B
- Child Seat Restraint pursuant to Vehicle Code 27360.5(a)(1)
- Unattended Child Under 6 pursuant to Vehicle Code 15620(a)(1)
- Speeding pursuant to Vehicle Code 22356(b)
- Traffic School disposition for violation pursuant to Vehicle Code 22349(b)
- Traffic School disposition for Red-Light violation pursuant to Vehicle Code 21454(c)

Overall, we found revenue distribution calculations were inaccurate due to a variety of reasons including incorrect system programming, system limitations, erroneous case entries by Court staff, and incorrect programming changes made by court staff. These inaccuracies make it likely that the Court is routinely distributing incorrect amounts to designated state and local funds, which not only impacts the funds themselves, but also puts the Court at risk of facing penalty assessments from the State Controller's Office.

Our review of a recent State Controller's Audit Report (Draft), found that the State Controller's Office also identified multiple inaccuracies in the Court's distributions, such as the distribution of the Traffic Violator School Fee and issues with the Fish and Game distributions, which may like result in penalty assessments against the Court. According to management, the Court is still paying penalties assessed by the State Controller's Office from a previous Audit. It is imperative

that the Court make the necessary changes to its distribution tables and to the methods employed to ensure changes in legislation are appropriately reflected in ICMS in the future.

- ✓ ***Judges Waived Statutorily Mandatory Fees and Fines:*** Certain fees and fines are mandatory, including the Court Security Fee pursuant to PC 1465.8, Criminal Conviction Assessment (Criminal ICNA) Fee pursuant to GC 70373, and the State Restitution pursuant to Penal Code 1202.4(b). According to the Court, Mono County Superior Court Judges often only assess one Court Security Fee and one Criminal ICNA fee on cases with multiple violations, contrary to statute which requires one for each violation. The Court is unable to waive these fees in ICMS and the system correctly distributes monies to these funds regardless of the judges' orders. However, because the judges did not include these required assessments when calculating the fine amount owed, in ICMS means that the automatic distribution of the total fine collected was not sufficient to cover other fine components because the system automatically distributes monies to the "waived" security fines and ICNA fees.

Separately, but related, our testing also noted for one Penal Code violation reviewed, the Court did not assess the mandatory \$100 State Restitution fine pursuant to Penal Code 1202.4(b). According to the Court, the case was heard by a new judge, who did not order the fine—though there is no evidence in the order documenting the judge's decision to waive the assessment. Unlike the Court Security Fee and Criminal ICNA, ICMS is not programmed to automatically add this fine to applicable violations. As a result, no monies were distributed for the mandatory fine. In order to ensure sufficient monies are collected and appropriately distributed, the Court should work with Judges to ensure all mandatory fees and fines are assessed.

- ✓ ***The Court was Unable to Provide County Board Resolutions Describing and Authorizing Collection and Distribution of Local Assessments Under GC 76000, and Thus May Be Collecting and Distributing Monies Incorrectly:*** The Court was unable to provide a County Board resolution authorizing collection of local penalties and assessments pursuant to GC 76000, which authorizes counties to collect as much as \$7 in additional assessments for every \$10 of the assessed Base Fine amount. The Court indicated that while it had collected GC 76000 assessments at the "\$7 per \$10 of base fine" rate in the past, at the AOC's direction it subsequently lowered the rate to "\$5.61 per \$10 of base fine" and then to "\$4.91 per \$10 of base fine" to account for a reduced contribution to the Local Courthouse Construction Fund coinciding with the Court's transfer to the new state-owned courthouse in the Fall of 2011.

While this may be correct, the authorization to assess and collect monies under GC 76000 is subject to County Board resolution. As such, the Court should work with the County to develop or update a resolution pursuant to GC 76000.

- ✓ ***Some Monies Collected By the Court Do Not Appear to Be Correctly Reported in the Month-End ICMS Distribution Report, Potentially Resulting in Incorrect Distributions:*** We noted the following discrepancies in the way the Court reports month-end distributions on the ICMS Distribution Report.

- **County Authorized Assessments (GC 76000)**—Monies assessed by the Court pursuant GC 76000—e.g., Local Courthouse Construction, Criminal Justice Facility, and Emergency Medical Services funds—appear to have been distributed to the “CPA” bucket reflected as county general fund distributions pursuant to PC 1464 in the Court’s month-end case management system reports. This means it appears that restricted special revenue monies intended to be used for specific county purposes were distributed into the County General Fund where monies are used for other purposes.

These monies should have been distributed to the Local Courthouse Construction ICMS bucket code “TCC”, Criminal Justice Facility ICMS bucket code “CJF”, and the first Emergency Medical Services (pursuant to GC 76104) ICMS bucket code “EMF” during the month-end distribution. The Court should review ICMS coding and ensure monies are appropriately reflected on the month-end distribution report provided to the County.

- **Emergency Medical Services (GC 76000.5)**—Although the Court has been correctly assessing an additional Emergency Medical Services fee pursuant to GC 76000.5, monies collected do not appear to be distributed to the appropriate County fund. In September 2007, the County Board passed a resolution authorizing a second Emergency Medical Services (EMS) fee pursuant to GC 76000.5 (at a rate of \$2 per every \$10 in Base Fine amount). Although monies were assessed and collected for this purpose, the Court’s month-end ICMS revenue distribution report shows no monies were distributed to EMS fund. For instance, in the month of March 2011, the Court collected \$5,892.92 pursuant to GC 76000.5; however, an automatic adjustment was made in ICMS at month-end to this distribution and no monies were reported in this bucket, instead the monies were transferred to the County General Fund bucket “CGF” in ICMS. The Court should correct ICMS programming to correctly distribute the monies and then notify the County that monies previously reported in the “CGF” bucket included restricted monies designated for the EMS fund pursuant to GC 76000.5.
- **Traffic Violator School Fee (VC 42007.1)**—The Court does not appear to be distributing the State’s portion of Traffic Violator School Fee (TVS Fee) monies collected pursuant to VC 42007.1 to the state. Our testing revealed that in two of the cases where the TVS Fee was applicable, all monies collected were incorrectly reported by the Court that the monies should be distributed to the County. Specifically, per VC 42007.1 the Court is required to assess \$49 for the TVS Fee, of which \$24.99 should be distributed to the “State Court Facilities Construction Fund – Immediate and Critical Need Account” and \$24.01 should be distributed to the county. On the month-end distribution report provided to the County, the report incorrectly reflected all TVS Fee monies collected as County funds. The Court should notify the County that monies reported in the Traffic Violator School bucket include both the State’s portion and the County’s portion, and should identify the amount that should be distributed to the State on the TC-31.

- ✓ ***The County May Not Be Appropriately Distributing monies collected for the Emergency Medical Air Transportation Penalty (GC 76000.10(c)(1)):*** While the Court recently began

appropriately collecting Emergency Medical Air Transportation (EMAT) Penalty monies pursuant to GC 76000.10(c)(1)—which allows an additional penalty of \$4 for every traffic infraction—it does not appear that these monies have been appropriately distributed to the State. During the month-end distribution process, the Court provides the County with a report generated from ICMS that the County uses to prepare the TC-31. While the month-end distribution report provided by the Court identifies the EMAT monies and these monies are remitted to the County, the County is not reporting these monies in the TC-31, and may not be remitting these monies to the State as required by legislation. Although the Court is appropriately assessing and collecting these monies, the Court did not notify the County that it began collecting the monies pursuant to the new legislation and did not communicate the required distribution. The Court should notify the County that these monies should be remitted to the State on the TC-31.

- ✓ **2 Percent State Automation Calculations May Not Be Applied Appropriately:** The Court was unable to demonstrate how ICMS calculates the 2 Percent State Automation distribution pursuant to GC 68090.8, and was unable to demonstrate that the amounts collected and reflected on the TC-31 Report were accurate and consistent with statute. Statute requires 2 percent of certain penalties and assessments collected to be distributed to the State's Automation Fund, while at the same time precludes other penalties and assessments from being reduced. It is incumbent upon the Court to ensure that the 2 Percent Automation fee only impacts applicable penalties and assessments, and that the correct amount is distributed to the State. However, unaware of how ICMS performs this calculation, the Court cannot provide such assurances.
- ✓ **Programming Errors Exist in ICMS's Fine Calculation Tables:** Our review of distributions for several different violation types identified multiple instances where programming in ICMS was incorrect. For example:
  - **Fish and Game Violation**—For one Fish and Game violation tested, we noted multiple discrepancies: While the total fine amount assessed was accurate, the Court incorrectly distributed the fine components amongst the receiving entities. Pursuant to PC 1464, the Court must assess an additional \$10 as a Penalty Assessment for every \$10 of Base Fine assessed by the Court. Of this Penalty Assessment, 30 percent (or \$3 per \$10) must be distributed to the County General Fund, and 70 percent (or \$7 per \$10) must be distributed to the State. Instead, the Court distributed all of it to the County, resulting in the County receiving \$70 too much. Additionally, while the Court's application of GC 76000 allowed it to distribute \$5.61 for every \$10 in base fine to fund the Local Courthouse Construction, Criminal Justice Facility, and Emergency Medical Services funds, ICMS distributed all of these monies (\$56.10) to the State. As a result, it appears that the State received \$56.10 too much in these monies.
  - **Health and Safety Violation**—We identified multiple errors in the one Health and Safety violation distribution tested, including:

- Although the Drug Program Fee assessment pursuant to HS 11372.7 is a maximum of \$150 and the Court's tables are programmed to distribute \$150, \$313.97 was actually distributed to the Drug Program Fee bucket.
- While the Criminal Laboratory Analysis Fee pursuant to HS 11372.5 is a \$50 fine, ICMS distributed \$52.01 to this bucket.
- ICMS did not distribute the \$230 Base Fine correctly—25 percent should have been distributed to the City and 75 percent should have been distributed to the State; instead, no monies were distributed to the City or State.
- Statute requires many penalties and assessments to be calculated based on \$10 increments of the Base Fine amount—including DNA, Courthouse Construction, State Penalty, and other assessments. ICMS miscalculated all of these for the case tested, resulting in distributions that were off by anywhere from \$0.73 to \$5.12 per distribution.
- **Domestic Violence Violation**—In one Domestic Violence case, the judge ordered one installment fee of \$35, but ICMS instead assessed an installment fee of \$70. According to the Court, this error has occurred on other cases. It is not clear, however, if this was indeed a system error or whether it was the result of a Court Clerk erroneously entering the \$35 installment fee into the system. In either case, the Court overcharged the customer by \$35. If this is a system error, the Court should work with ISD Inc. to rectify the programming error; the Court should also inform Court Clerks of the error and, in cases where the system adds an additional \$35, the Court Clerk will need to make a manual adjustment.

We were unable to determine the root cause for many of the erroneous distributions identified above.

According to the Court, the prior Court Executive Officer was responsible for making changes to distribution tables and for ensuring accurate distribution coding. However, when the prior CEO retired, this function was informally reassigned to the Court Operations Manager, who has not receive any training related to revenue distribution.

In some cases, discrepancies noted in this section were the result of either judicial decisions to reduce fine amounts, or Court Clerk errors in recording the correct amounts. In other cases, discrepancies appear to result from a lack of communication between the Court and the County regarding revenue distribution calculations and deposits with the County. In most cases, however, the discrepancies appear to result from programming errors—whether initiated by ISD, Inc., or by Court personnel—that can be rectified through a coordinated effort involving the Court, AOC, and ISD, Inc.

As a result, the Court should work with the AOC, the State Controller's Office, and ISD, Inc.—under existing provisions of its contract with ISD, Inc.—to rectify these matters.

### **Recommendations:**

To ensure appropriate calculation and distribution of fines, fees and penalty assessments, the Court should:

35. Work with the AOC and State Controller's Office to gain the necessary training for staff responsible for overseeing revenue distribution, and ensure key personnel are familiar with legislative requirements.
36. Work with ISD Inc., and the AOC to resolve programming errors identified during this audit, and continue to review distributions for other discrepancies. As part of this review, the Court should ensure all local and state distributions are accurate.
37. Ensure judges are aware of current legislation prior to issuing decisions, and that staff is both aware of mandatory fees, penalties, and assessments, and that they accurately record judicial orders in the case management system.
38. Work with the bench to better ensure judges' orders reflect reduced or waived fine amounts, and ensure judges are aware of mandatory fees and fines, ICMS system limitations, and distribution errors caused when mandatory fees and fines are reduced or waived.
39. The Court should notify the County that it began collecting EMAT monies pursuant to GC 76000.10(c)(1), and that these monies should be remitted to the State on the TC-31.

### Superior Court Response

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

35. **Court Response**—The Court agrees. As stated previously, the court will work with the AOC Audit unit to analyze revenue distributions to identify areas in need of correction. Court staff will then get technical assistance from fellow trial courts and case management system vendor to reconfigure case management system.
36. **Court Response**—The Court agrees, the court has already informally requested revenue distribution analysis from the AOC Audit unit.
37. **Court Response**—The Court agree. The Court CEO will provide on an annual basis all current schedules of fines, fees, penalties, and assessments to judges and all court staff. Familiarity with mandatory fees, penalties and assessments will be included as a component of clerk training and as discussion item for staff meetings held in January and July of each year.
38. **Court Response**—The Court agrees. Court CEO and Court Operations Manager will meet with judges January and July of each year to review of mandatory fees and fines, case management system limitations and distribution errors caused when mandatory fees/fines are reduced or waived.
39. **Court Response**—the Court agrees and has already notified the County that Emergency Medical Air Transportation (EMAT) regarding corrections and corrections have been made as of December 2011 distribution.

## 6.2 Broad User Access to Court Case Management Systems Increases Risk to the Court

With its use of a variety of automated systems to support the Court's daily operations—including ICMS, Phoenix-FI, and Jury Plus—our review revealed that the Court can make improvements to better secure the Court's information systems. According to the Network Administrator, the Court does not perform random audits of failed user log-in attempts and user access levels. During audit fieldwork, we noted three weaknesses in current user access protocols specifically related to the Court's case management system.

First, employees responsible for operational activity in court information systems are granted system administrator roles that effectively allow the employee to perform conflicting functions. For instance, the Court's Court Operations Manager manages system access to the Court's case management system, allowing her to change her own access levels.

Next, we also noted that management personnel—including the Court Operations Manager, CEO, and CFO—have access to the ICMS that allows them to void transactions, delete cases, and otherwise modify cases for which they have case management, cashiering, accounting or other operating responsibilities. This poses increased and unnecessary risk to the Court. For instance, as discussed in Section 5, while it is reasonable for the CFO to have access to ICMS accounting functions related to cases (trust, general ledger, etc), having the ability to add or modify cases as well as the responsibility to record and reconcile accounting transactions in the system presents the risk that an individual can make modifications to case(s) on file to correct for cash collection balancing discrepancies discovered during the daily close out.

As a general principle, employee access to information systems should be limited to only those functions necessary to perform their primary business responsibilities, and by limiting user access to data systems, the Court can better ensure the integrity of data within the system and reduce the risk of information being modified or deleted inappropriately.

Finally, as of Fall 2010, user profiles of former court employees, which enable access to the Court's case management systems and Phoenix-FI, continue to remain in place and have not yet been eliminated. For instance, the most recent Phoenix-FI user access report, generated in Fall 2010, the former CEO and former Executive Assistant still have active user profiles. We recommend the Court immediately disable all former employee user profiles from all systems, including the DOS-based case management system and Phoenix-FI.

### **Recommendations:**

To strengthen user access protocols related to the Court's case management system and other applicable information systems, we recommend that the Court:

40. Restrict ICMS case management system access to ensure court employees who maintain or manage the Court's fiscal and accounting records do not have system access to case management functions.
41. Ensure Court employees with add, modify and delete ICMS system access to cases do not have system access to perform cashiering functions.
42. Disable all former employee user profiles from all systems.

## Superior Court Response

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

40. **Court Response**—The Court agrees and has already limited access to the court case management system to read only for the Court Fiscal Officer and CEO.
41. **Court Response**—The Court agrees to the point practicable, given our small staff. Given the size of our court staff, our deputy clerks need to be able to do both counter cashier work and legal processing duties. We can limit deputy clerk line staff abilities in ICMS, particularly in the areas of making additions and deletions.
42. **Court Response**—The Court partially agrees. The Court has or will disable all former employee user profiles from all systems except for the former employees still working as retired annuitants and Court's previous CEO user profile in the DOS-based civil program. The former CEO personally programmed the DOS-based program and is the only individual who can fix or update the program. Until we are able to migrate our civil case data out of the DOS civil program into our new ICMS civil case management program, the former CEO needs to access the system. However, this access is only given on-site at the main courthouse under the supervision of our Court IT/Network Administrator.

### 6.3 Minor Improvements in the Court's Information System Security Are Required

While the Court took some measures to protect its information systems, policies and procedures did not fully secure sensitive court data or sufficiently protect the Court's information systems from inappropriate system access. This included weaknesses relating to disaster recovery plans, server room access, and password change protocols.

- ✓ ***Server Room Access:*** During audit fieldwork, we found that access to the server room was restricted from the general public and required key access, but we also observed instances where the door to the server room was left open, the room unattended and server cabinets unlocked. Since the Court bathroom used by court employees and jurors was next door to the server room, there were potential security concerns. While the Court's move to its new court location will likely rectify this, the Court should ensure adequate server room security in the future. However, this room no longer exists as the Court has moved into a new court facility.
- ✓ ***Password Controls:*** Each work station within the Court's courthouses had a unique username and password for network access in addition to individual employees' unique usernames and passwords for system logins, and all Court staff were told to keep their individual passwords and usernames confidential. While the Court required separate usernames and passwords for both network and system access, the Court did not require periodic changes to network or system passwords. Though the Court has since noted that all employees had to set up new user profiles and passwords in the new courthouse, the Court should establish a policy that requires periodic changes to network or system passwords at the new facility.

- ✓ **IS Disaster Recovery Plan:** While the Court had protocols in place to ensure daily backups occurred and were stored offsite, the Court did not have a formal disaster recovery plan to ensure its information systems would be protected in case of a disaster. This appears to be an ongoing issue, as the 2007 AOC Internal Service Audit also cited concerns that the Court did not have a documented Disaster Recovery Plan and made recommendations for the Court to develop a formal Disaster Recovery Plan providing for an orderly resumption of IT function in the event of a major physical disaster.

### **Recommendations:**

To fully secure sensitive court data and sufficiently protect the Court's information systems from inappropriate system access, we recommend that the Court:

43. Restrict, particularly when moving to the new courthouse, the server room and all information system hardware from the public and all court personnel that do not require access.
44. Implement a policy that requires all court employees change passwords on a regular basis.
45. Work with the AOC to develop a Disaster Recovery Plan for all Court information systems.

### **Superior Court Response**

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

43. **Court Response**—The Court agrees and has already done so.
44. **Court Response**—The Court agrees and has already done so.
45. **Court Response**—The Court agrees. The Court IT/Network Administrator will work with the AOC IT Unit to develop a disaster recovery plan.

### 7. Banking and Treasury

Government Code 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the Court’s control. As with other courts throughout the State, the Court relies on the TCAS Division to provide critical financial support and banking services; this includes performing monthly bank reconciliations between bank statements and the Court’s general ledger, and providing daily cash reports to the Court. However, any bank accounts or funds outside of the AOC Treasury are the responsibility of the Court who must ensure that those accounts are reconciled and appropriate month-and year-end cash balances are accurately recorded in Phoenix-FI.

As of June 30, 2010, the Court has seven bank accounts—four with Bank of America through the AOC, and three local accounts with Union Bank—which were all reported to the AOC on the “Report of Bank/Savings and Loan Association Accounts Outside the Treasury System” pursuant to FIN Manual Section 13.01, 6.6. In addition to these bank accounts, the Court maintains more than \$1 million in three different funds in the Mono County Treasury.

*Table D: Court’s Bank Accounts and County Funds*

#	Bank Name	Account Number	Name	Purpose	Balance Per Bank FYE 6/30/10
1	Bank of America	xx1352	SCC Mono Disbursement	Disbursement	\$0
2	Bank of America	xx0980	SCC Mono Operating	Operating	\$204,838
3	Bank of America	xx0985	SCC Mono Revolving	Revolving	\$50,756
4	Bank of America	xx0788	SCC Mono Civil Fees	UCF	\$9,182
5	Union Bank	xx5564	Expense Account	Operating-Local	\$202,205
6	Union Bank	xx2239	Holding Account	Criminal Trust, Fines and Fees, Civil Fees	\$439,008
7	Union Bank	xx2247	Trust	Civil Trust	\$29,952
#	Mono County	Fund Number	Name	Purpose	Balance Per County Fiscal Records FYE 6/30/10
8	County Treasury	133	Trial Court Operations	Trial Court Payroll	\$844,470
9	County Treasury	113	Justice Court Automation Fund	Automation	\$186,033
10	County Treasury	104	Superior Court Automation Fund	Automation	\$6,745
<b>Total</b>					<b>\$1,973,189</b>

It is court practice to ensure bank account activity is properly reconciled to fiscal records maintained by the Court, including a series of ledgers maintained by hand, in Excel, and in QuickBooks. The Court regularly conducts monthly bank account reconciliations of its local Union Bank accounts, and reviews the AOC-prepared bank reconciliations for the Bank of

America accounts. However, the bank account and County Treasury fund reconciliations provided do not indicate the names of who prepared and who reviewed the reconciliations, as required by FIN Manual Policy 13.01, 6.6.

## **7.1 Bank Account Reconciliation Practices Should Be Improved**

As with other Phoenix-FI courts, the Court relies on the AOC's Trial Court Administrative Services Division to provide critical financial support and banking services, including monthly bank reconciliations using bank statements and general ledger information from the Phoenix-FI system and providing daily cash reports to the Court. While the AOC employed sound practices when conducting reconciliations of the Court's bank accounts, we noted some deficiencies in the Court's reconciliation of the bank accounts for which the Court is responsible for monthly bank reconciliations.

In addition to the AOC's reconciliations, the CFO and Court Accounting Technician indicated that they together, on a monthly basis, reconcile the Union Bank accounts, the Court's Bank of America Revolving account and, on a quarterly basis, reconcile the payroll and automation funds maintained in the County Treasury. This is done by comparing and reconciling bank statements and County-provided fund activity reports on Excel spreadsheets maintained by the Court as a ledger for all transactions related to those accounts. In all cases, the bank statements reconciled to the provided manual fiscal records. However, the Court does not clearly indicate on its reconciliations who prepared or who reviewed these bank reconciliations. FIN Manual Policy 1.03 6.2.3 emphasizes the necessity of strong internal controls to protect court assets by preventing an individual's ability to conceal errors, misstates and inefficiencies. However, the current reconciliation process does not demonstrate sufficient use of strong internal controls. Since the Court uses a number of intricate, Excel spreadsheets to conduct its reconciliations instead of reports generated by the Court's case management system with its built-in internal controls, it is of paramount importance that the preparer initial the completed reconciliations. The signature would demonstrate that each applicable spreadsheet was appropriately checked when making the necessary adjustments, such as adjusting for total outstanding checks or deposits in transit, to reconcile each bank statements to court's fiscal records.

While the Court suggested its standard practice was to require supervisory review and "sign off" approval on the reconciliation package by the CFO—a standard sound business practice required to demonstrate proper segregation of duties—we found this was not reflected in practice. In fact, our review noted that none of the bank reconciliations provided by the Court contained initials of the CFO indicating he reviewed and approved the reconciliations. As previously discussed in Section 5 of this report, the CFO is responsible for depositing daily collections, including trust monies, and has access to the ICMS to add, modify or delete case information. Coupled with the fact that the Court cannot demonstrate bank reconciliations receive appropriate supervisory reviews and approvals, the Court is at risk that a person can conceal errors or irregularities with the Court's cash collection balances.

As the reconciliation process exists, the Court cannot be assured the person who prepares reconciliations did not also approve it, a violation of FIN Manual Policy 13.01 6.6. More

importantly, the process does not sufficiently prevent an individual's ability to commit or conceal errors or other inappropriate acts. The Court should ensure monthly bank reconciliations are appropriately performed and sufficiently reviewed by requiring the initials of the preparer and reviewer. Furthermore, the reviewer should not be in a subordinate position to the CFO and should be someone not involved in the reconciliation process, such as the CEO, to ensure the reconciliation is independently and appropriately approved.

### **Recommendation**

46. Require that the preparer initial or sign the bank account reconciliation upon completion and require management initial or sign each completed reconciliation to indicate the reconciliation was sufficiently reviewed and approved.

### **Superior Court Response**

Below we list the Court's responses to the specific recommendation shown above. The Court's full response to this finding and the report is located in Appendix C.

46. **Court Response**—The Court agrees and has implemented an additional step in the bank reconciliation process to require two signatures on the face of the reconciliation; one for the preparer, Court Fiscal Technician, and one for the reviewer, Court Fiscal Officer.

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## 8. Court Security

Given the nature of court business related to criminal activity and tension-filled family law actions, it is imperative that courts throughout the State ensure the safety of the public and court employees. Toward this end, the Court executed a Memorandum of Understanding (MOU) with the Mono County Sheriff's Department to provide security services. The Court and County appear to have established a cost-effective approach to securing court facilities, including assigning only one full-time Sheriff's deputy to the Court while utilizing part-time, non-sworn security officers—who generally are retired peace officers—to staff screening stations. Services provided by the Sheriff's Office include Bailiff functions when court is in session, courthouse perimeter security, and inmate transport within the courthouse. The Court spent approximately \$374,100 million on security related expenditures during Fiscal Year 2009-2010.

We reviewed courtroom and building security measures at both Mono County Superior Court locations (in Bridgeport and the main courthouse in Mammoth Lakes), and noted some areas where the Court could improve its physical security. Due to the sensitivity of court-related security matters, this information will be submitted to the Court under separate cover.

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## 9. Procurement

According to its fiscal records, the Court procured about \$381,040 in general expense and contract services for the 2009-2010 fiscal year. Since its migration to the Phoenix-FI system in September 2006, the Court assumed conducting its own accounting and fiscal processes. However, even though Phoenix-FI provides significantly enhanced capabilities over the manual processes employed by the Court prior to the conversion, the Court continued to purchase goods and services following informal processes rather than utilizing the procurement functions available in Phoenix-FI.

Despite the lack of formality in its processes, the Court often exhibited strong controls over its procurement process, and generally complied with FIN Manual requirements and sound practices—including significant oversight by the CEO with Court invoice processing. Nevertheless, the decision to not utilize Phoenix-FI to facilitate the procurement process and the lack of formal guidelines led to inconsistencies in the Court's practices—leading to increased risk of inappropriate or unauthorized expenditures.

### 9.1 Use of Informal Purchasing Processes Increase Risks to the Court

The intent behind the FIN Manual provisions related to procurement is to ensure and document that Court's practices are fair, reasonable, transparent, and provide for the economical use of public funds. To meet these purposes, a standard procurement process begins with the submission of a purchase requisition that is formally approved after ensuring that funds are available, continues through steps to obtain bids or proposals from which one vendor is selected that offers the best value, and concludes with the receipt of requested goods or service prior to payment. Each element of the process is a critical component of the control environment to help ensure procurement activities are conducted in an impartial, uniform, and unquestionable manner. Yet, our review of the Court's processes found that Court practices lack formal policies and procedures, full documentation and support, and competitive bidding for purchases over \$500. That Court procurement practices lack formal policies and procedures appears to be an ongoing issue. The Agreed-Upon Procedures Report issued in 2004 also mentioned that the Court could strengthen its internal controls and benefit from establishing detailed procedures tailored to Court practices and processes in a number of areas, including procurement.

In March 2011, new statutory requirements were enacted which require superior courts to comply with new provisions of the Public Contract Code (PCC) Section 2.5, Judicial Branch Contract Law. To address these statutory requirements, the Judicial Council of California established the *Judicial Branch Contracting Manual* implementing new contracting and procurement policies and procedures based on PCC 2.5. The provisions in the Judicial Branch Contracting Manual apply to all contracts initially entered into or amended on or after October 1, 2011, as well as practices related to the procurement of goods and services. As the Court addresses the procurement and contracting issues detailed in this audit, in addition to implementing the recommendations below, the Court should implement controls to ensure compliance with the new law.

- ✓ ***The Court Follows Only Informal Procurement Processes:*** It is not a Court practice to submit purchase requisitions or issue purchase orders through Phoenix-FI. Rather staff follow informal processes to request and initiate purchases. The AOC notes that it has a record of only one purchase order issued since the Court transitioned to Phoenix-FI in September 2006; this transaction appears to be a “test” purchase order as the Court never initiated a purchase against it. According to court staff, purchases typically involve small dollar values (below \$500) and thus, they find little value in creating a formal purchase requisition, which they believe will prove burdensome to their limited staff, for such minor expenditures.

Under current practices, the Court uses an informal process that involves a purchase request, often via email, being received by the Executive Assistant and subsequently verbally approved by the CEO. More significantly sized or unusual purchases may entail a written CEO approval, though not formally required. A vendor is selected and the Executive Assistant obtains the verbal approval from the CEO and completes the order. Occasionally, when a vendor needs a documented purchase order, the Court will use an internal purchase order form or use the Court’s CAL-Card to make the acquisition.

These informal practices do not conform with the FIN Manual, which requires that not only are requisitions or purchase orders to be in written form, but also numbered and tracked. Further, while the approval levels for purchases meet the intent of the rules, verbal approvals provide no evidence of the authorization. Formal documentation and authorization is an essential component in the “three point match” process, wherein requisitions, receiving documents, and invoices are matched.

- ✓ ***Multiple or Competitive Bids are Not Obtained for Larger Purchases or Service Contracts:*** The Court cites its small size and small county population as rationale for not obtaining multiple bids or negotiating contracts for professional services. Instead of conducting competitive bids or obtaining multiple quotes when a purchase is greater than \$500, the Court uses its local vendor listing to make the selection. In the Court’s view, following FIN Manual guidelines for purchases over \$500 is too time consuming and ineffective due to the limited pool of potential contractors and vendors in Mono County.

Overall, it does not appear that the Court adheres to FIN Manual Section 6.01, which requires the Court to obtain at least three informal quotes for purchases over \$500, or at least three formal quotes for purchases over \$2500. Through our review of contracts and expenditures, we discovered instances where multiple quotes were not obtained for purchases made over \$500.

- ✓ ***Three-Point Matches to Confirm and Pay for Purchases are Not Always Completed:*** According to FIN Manual Section 6.01: “to assure the implementation of strong internal controls, the receipt of goods and performance of services must be acknowledged and documented.” Practices for verifying receipt of services rendered vary and include a number of court employees who take responsibility for signing invoices to verify that the service was provided as stated.

For example, Court Clerks are responsible for confirmation of interpreter or Court Reporter services rendered; the Court Operations Manager confirms services received on Court

transcript invoices, and either the Judge or Court Operations Manager verifies services received for in-court services such as Court Appointed Counsel, psychological evaluations, and child custody evaluations. Finally, both the Executive Assistant and the CFO share responsibility for verifying the receipt of goods. Specifically, once an item arrives, the Executive Assistant verifies receipt of delivery by confirming that the delivery documents (i.e. packaging slip) matches the items received. After the Executive Assistant verifies that all items are accounted for, she notifies the CFO who conducts a cursory inventory check before he signs off to confirm delivery completion.

When invoices arrive, the Executive Assistant checks the invoice against applicable payment agreement (requisition note, internal purchase order, contract, etc.) and forwards the requisition and packaging slip to the Court Executive Officer who reviews the documents for accuracy (such as checking invoice against the packaging slip) before signing off on payment authorization. Although the Court indicated that all invoices were reviewed and approved for payment in this manner, we found in practice that the Court does not consistently follow these steps, as is discussed further in Section 11 of this report.

- ✓ ***Court Does Not Encumber Funds:*** With the Court not adopting the Phoenix-FI requisition practices, it lacks the data and documentary support to appropriately encumber funds for the Court's fiscal obligations made throughout the year. Encumbrances are a sound mechanism used to set aside resources and ensure funds are available to meet obligations, when they become due. While the Court does not typically make significant high-dollar purchases, it also must manage its limited funds well. This may be especially true as the Court prepares to move into a new Courthouse location in Fall 2011 and the need to make multiple high-dollar purchases, such as for additional furniture, computers or moving supplies may require the need to set-aside funds. However, the Court's current procurement processes cannot accommodate the need for encumbering funds for high-dollar purchases. Without properly documenting, tracking, and monitoring purchases and establishing encumbrances, it cannot be assured that funds will be available to pay for purchases executed.

## **Recommendation**

To ensure and document that court practices are fair, reasonable, transparent, and provide for the economical use of public funds, the Court should:

47. Formalize procurement processes by incorporating use of purchase orders and purchase requisitions through Phoenix-FI; in doing so, ensure applicable funds are encumbered as appropriate.
48. Ensure court procurement practices exhibit sound protocols for segregating requisition, approval, receiving, and invoice processing functions, such as the 3-point match among different Court personnel.
49. Ensure procurement staff obtains multiple quotes for purchases over \$500.

### Superior Court Response

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

47. **Court Response**—The Court agrees. We see the value of formalizing the procurement process for tracking purchases and encumbering funds to cover those purchases. For reasons stated, we intend to use the Phoenix-FI, “Virtual Buyer” Program. However, we are cognizant of the Virtual Buyer program limitations for transactions over \$5,000 in value. For those transactions that exceed the Virtual Buyer program limit, we intend to comply with the new AOC contract guidelines.
48. **Court Response**—The Court agrees to do so within the limits of the Phoenix-FI “Virtual Buyer” Program.
49. **Court Response**—The Court agrees to do so using Phoenix-FI “Virtual Buyer” Program.

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## 10. Contracts

During the time of audit fieldwork, the Court had in place six vendor or professional service contracts, which covered services such as janitorial services, maintenance for its case management system, and information technology services. In addition, the Court also had two Memoranda of Understanding (MOUs) in place with Mono County; one related to services for juvenile court proceedings, including the provision of a juvenile traffic hearing officer and juvenile dependency legal counsel, while the other is for bailiff services provided by the Mono Sheriff's Department. However, we noted that the Court did not have in place contracts for some services that should be covered under such agreements.

Table E: County-Provided Services, FY 2009-2010

County-provided Services	Fiscal Year 2009-10 Costs
Court Appointed Counsel <sup>1</sup>	\$14,859.00*
County Provided Services	\$7,473.50 *
Payroll/Benefits Administration	No Charge
Sheriff Perimeter Security	\$211,635.28*
Sheriff Bailiff Services	\$162,446.63*
<b>Total County Provided Services</b>	<b>\$399,841.54</b>

<sup>1</sup> Likely includes Juvenile Hearing Officer and Juvenile Dependency Legal Counsel Services

### 10.1 Services that Should be Under Contract Are Not

FIN Manual Section 7.01, 3.0 states that to protect its interests, trial courts “must execute a written contract when entering into agreements for services or complex procurements of goods”. However, the Court cites its small County population as the reason for not consistently negotiating service contracts. The Court advised that the pool of potential professional service contractors is limited.

Even in a small county, the Court has the responsibility to incorporate alternative contracting practices to effectively manage and procure services by ensuring value and protecting the public interest. Without formal agreements, the Court cannot be assured that it receives the most cost effective and efficient services available, or that it is guarded against disputes with services providers over service fee charges or scope of work to be performed.

- ✓ **Not All Contracts are In Place or are Current:** The Court has one long-term contract in place, with the ISD, Inc., which provides and maintains the case management system. The Court has in its files an unexecuted copy of the contract that was established in May 2001 to install the ICMS case management system, but the Court does not have a copy of the Software License and Support Services maintenance contract. The only document we could obtain related to this agreement is the annual pricing letter from ISD Inc. reflecting the increase in fees in accordance with the Consumer Price Index. Although the Court considers this notice an extension of the initial ISD, Inc. software license and support service maintenance agreement, without evidence of the terms of the agreement and appropriate

execution and approval of the contract the Court lacks the appropriate evidence against which to pay and cannot be assured that it is getting the services it is paying for or has the most favorable provisions. Similarly, the Court uses the same two or three contractors for professional services such as court reporters, mediators, and interpreters, without the benefit of a service contract or formal agreement. Also the Court's current janitorial service provider is operating under a contract which expired in 2008—the original contract, though expired, is missing evidence of liability insurance as well.

- ✓ ***Not All Needed MOUs are In Place or Current:*** The Court depends on the County for the following services: Sheriff/bailiff services, Juvenile Traffic Hearing Officer, Juvenile Dependency Legal Counsel, and Payroll/Benefits Administration. Although the Court has a MOU or other written contractual agreement in place for some of these services, it does not have an MOU in place with the County for service provided, such as for payroll and benefits administrative services. In fact, the Court relies on the County for human resources, payroll, and benefit processing, and on the AOC for inputting payroll cost information into Phoenix-FI; yet, the Court has not executed an agreement or MOU in place with the County addressing these services.

Moreover, not all agreements are up-to date. For example, the Mono County Sheriff's Office provides all security services for the Court. The existing MOU was initially negotiated and established for the period of August 1, 2005 through July 31, 2006; however, the MOU contains a clause which states if a successor MOU has not been adopted by August 1, 2006, then "...terms of this Memorandum of Understanding shall carry over for one additional year, or until a successor memorandum of understanding has been adopted." Although the Sheriff provides both perimeter and entrance screening services—which amounted to \$374,100 in Fiscal Year 2009-2010, the MOU did not cover these services.

An AOC Internal Services Audit issued in 2007 also cited similar issues regarding the Court establishing adequate MOUs with the County. The report explained that the MOU in place at the time had not been modified since 1999 and although that particular MOU mentioned the services provided, it did not clearly describe the services, costs of the services or the manner of payment.

Recent statutory changes include a realignment of court security funding from the State to counties; as a result, courts no longer fund court security and costs of security services may not need to be addressed in formal MOUs. However, under the realignment plan, the Mono Sheriff's Office would continue to be responsible for providing court security, while funding to pay for security will be provided directly to the Sheriff's Office rather than through the Court. Despite this change, trial courts may still be required to negotiate an MOU with counties detailing the security services the county will provide.

FIN Manual Section 7.02, 6.5 states: "GC 77212 requires the trial court to enter into a contract with the County to define the services the Court desires to receive from the County and the services the County agrees to provide to the Court." To ensure that level of services and rates are fully understood and delivered, all MOUs and agreements should be formal and up-to-date.

## Recommendations

To ensure the Court establishes the necessary written contracts when entering into agreements for services or complex procurements of goods and to ensure that level of services and rates are fully understood and delivered, the Court should:

50. Establish a formal MOU with the County that describes all Court and County provided services, including security services and personnel provided to the Court by the Sheriff's Department.
51. Establish formal contracts or alternative contracting practices with in-court service and other professional services providers as well as vendors.
52. Ensure all contracts are formally executed; ensure contract are re-negotiated and formally executed prior to current contract expiration.
53. Use FIN Manual policy and AOC assistance to ensure all contracts contain the appropriate elements of a contract.

## Superior Court Response

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

50. **Court Response**—The Court agrees to work with our County to establish agreements regarding services provided by the County to the Court. As part of effort to establish agreements with the County, the Court will reconfirm with the County the minimum amount needed to be maintained by the Court in the County fund designated for payment of Court staff payroll.
51. **Court Response**—The Court agrees, the Court is undertaking a review of all services and contracts. The court is establishing a shared depository of all known contracts and will establish policies and procedures that will define the responsibilities of the Court's fiscal staff and CEO in regards to contracting.
52. **Court Response**—The Court agrees. As previously mentioned, the Court will be establishing contract policies and procedures; in those policies and procedures contract term expiration tracking responsibility will be given to the Court fiscal staff and renegotiation/execution responsibility will be given to the CEO.
53. **Court Response**—The Court agrees. In the Court's contract policies and procedures, initial responsibility for ensuring all FIN manual contract elements are contained in a draft contract will be upon the CEO and review responsibility will be on the Court Fiscal Officer.

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## 11. Accounts Payable

During Fiscal Year 2009-2010, the Court expended nearly \$2.22 million on court operational activities and equipment. Next to salary and benefit costs totaling approximately \$1.2 million, the Court's largest operating expense category was contracted services for general consultants, administrative services, interpreters, reporters, and other court-ordered professional services totaling more than \$305,000. The other significant expenditure category was related to information technology at over \$93,000 for Fiscal Year 2009-2010.

The Court processes most expenditure payments through the Phoenix-FI system. The Court is considered a "self-input court" for accounts payable activities only, and relies on the AOC for additional assistance, such as journal entries. Other than salaries and benefits, court expenditures primarily include vendor invoices, travel reimbursements, in-court services, and jury payments. Our review of the Court's Accounts Payable practices discloses that the Court does not consistently follow its established, yet informal, procedures.

### 11.1 Court Accounts Payable Practices Could be Improved

While we noted some improvements in the Court's practices since the AOC's prior audit in 2006, the Court did not always follow FIN Manual guidelines or sound business practices when processing expenditures.

There exists a lack of appropriate segregation of duties given the Executive Assistant handles a considerable portion of the accounts payable process, including preparing the purchase order, verifying goods receipt, and matching the vendor invoice with PO and receiving records. These issues are discussed in more detail below.

With few exceptions, the Court's accounts payable processing is the same regardless of the type of transaction (vendor invoices, travel, in-court services, and jury). As part of this audit, we selected 39 expenditures from Fiscal Year 2008-2009 and Fiscal Year 2009-2010, and reviewed the corresponding invoices and underlying support. Our testing revealed the following inconsistencies:

- Court internal policy dictates that the CEO review and give signature authorization to all invoices/claims prior to payment; however, we found that a significant number of invoices (12 of 39 reviewed) bore no evidence of appropriate invoice payment authorization by the CEO.
- Court did not always exhibit proper segregation of duties; for instance, testing revealed one instance in which an employee procured and received goods, authorized payment, and approved their own reimbursement claim.
- Invoices/claims lacked sufficient supporting documentation for expenses claimed; for instance, nine of the applicable 30 vendor and in-court services invoices tested did not include all needed elements of a "three-point" match including two that bore no evidence the Court confirmed receipt of the good or service.

- Court infrequently used its internal and informal purchase order process for expenditures over \$500.00.
- We reviewed six invoices paid against existing contracts and MOUs, and found that two of six invoices reviewed did not adhere to contracted terms. In one case, although the consultant had multiple contracts with the Court outlining a variety of services to be provided, the invoiced services did not fall within the scope of any of these contracts. In the other case, a county invoice lacked documentation supporting hours billed by juvenile dependency counsel.

Sound internal controls require that no one person may order, receive, and authorize payment on goods or services procured for the Court. While the Court's expenditure processing procedures appear to have internal controls which prevent one person from procuring goods or services without being detected, we noted other areas that require improvement. For instance, although the Court asserts that the Accounting Technician reviews each invoice thoroughly prior to payment processing, evidence on the invoices reviewed does not demonstrate it. To ensure that the Court is paying for goods and services it has actually requested and received, we recommend the Court improve its consistency in documenting invoice review for payment authorization as well as documenting receipt of goods or services on applicable documents such as packing slips. Below, we present areas where the Court can tighten internal controls regarding various expenditure types:

- ✓ ***In-Court Services:*** We tested 15 in-court service claims—court interpreter fees and travel, psychological evaluation fees, investigative services, court reporter fees, and court transcripts—and found that invoices were not always reviewed and approved according to policy. We also discovered excessive travel expenses claimed by service provider without supporting receipts and issues of non-compliance with FIN Manual court transcript policy. Specifically, we found:
  - Five claims lacked appropriate payment authorization from CEO.
  - Five claims lacked documentation indicating services received.
  - One claim where services were verified as received and the invoice approved for payment by court staff that did not directly oversee delivery of services.
  - Five claims lacked appropriate supporting documents, such as a court order or travel receipts, for the claim.
  - One in-court service provider claimed an excessively high rate for airfare, approximately \$2,114, did not provide appropriate support or receipts, and the invoice was missing the approval to pay.

According to Government Code §69950, payments for court transcript claims should be on a fixed fee per 100-word (folio) basis. To verify the accuracy of reporter invoices, the Court Operations Manager reviews and initials each invoice confirming the number of pages (folios) invoiced and the reporter's billed rate. However, the Court does not have a process in place for assessing the reasonableness of the claimed folios when compared to the density or sparseness of the actual pages provided. We believe the Court could improve its process

of verifying the accuracy of reporter invoices by evaluating the number of folios invoiced for reasonableness instead of only verifying the number of pages submitted as part of the court transcripts delivered by the reporter.

Although the Court confirmed that the CEO reviews and approves all expenditure claims, we found that he did not review or approve in-court service claims; instead either the Court Operations Manager, a Judge, or applicable Court Clerk reviewed in-court service claims, verified service receipt and authorized payment. Our testing revealed only two of the 15 claims tested were reviewed and authorized by the CEO. While sound business practices suggest either the judge ordering the in-court service, or the Court Operations Manager would be in a better position than the CEO to verify appropriateness and accuracy of an in-court service claim, the CEO should ensure court staff is aware that it is his policy that in-court service claims must also have the CEO's signature for payment authorization.

- ✓ **Jury Services:** Though we selected three jury-related expenditures for testing, the Court could only locate one of the three jury services expenditure documents requested. In reviewing this jury service claim, our testing revealed the Court paid for an unallowable jury expense by providing meals to a non-sequestered jury—a disallowed expense pursuant to California Rules of Court, Rule 810.

We also noted that the Court paid jury mileage and per diem expenses when unwarranted. In this case, 13 jurors were selected for jury duty and one was subsequently released due to cause; in this case, only 12 jurors returned for a second day to commence the trial. However, the jury payroll report indicates that all 13 jurors were paid, resulting in the Court issuing a check in error amounting to \$15.68. While the jury assembly attendance sheet accurately reflected the attendance changes, this information was not updated in the Jury + jury attendance and payroll system.

- ✓ **Travel Claims:** Our review of travel claims revealed the Court did not consistently review and approve travel claims for payment, and we found multiple travel claims which lacked sufficient supporting documentation for claimed expenses. We reviewed six travel claims; of the six claims, we found three that did not exhibit appropriate signature payment authorizations from the CEO, and three that lacked necessary documentation to support the claim reimbursement request. To ensure court resources are used appropriately, the Court should improve their review of travel claims by consistently recording on claim documents that appropriate Court management has review and approved the claim for reimbursement.

## Recommendations

To ensure the Court consistently follows FIN Manual guidelines and sound business practices when processing expenditures, the Court should:

54. Follow accounts payable policies and procedures that are consistent with FIN Manual guidelines; this includes informal court policies requiring the CEO to review and sign invoices prior to payment.
55. Establish appropriate segregation of duties by ensuring no one person may order, verify receipt, and match vendor invoice to purchase agreement for any goods or services.

56. Ensure all invoices are sufficiently supported by approved requisitions, purchase orders, and verification of receipt.
57. Consistently follow FIN Manual Policy which prohibit invoice processing for unallowable services, and restrict court employees from verifying goods or service receipt and authorizing payment on their own claims.
58. Ensure court staff updates the Jury + attendance and payroll system to accurately reflect changes in juror attendance.

### Superior Court Response

Below we list the Court's responses to the specific recommendations shown above. The Court's full response to this finding and the report is located in Appendix C.

54. **Court Response**—The Court agrees. The audit identified cases where invoices were not reviewed by the CEO as a matter of practice (court reporter and interpreter invoices) and instances where the existing practice was to have CEO review, but CEO review did not occur. The CEO, in the short-term has disseminated a memo to all management staff that firmly reiterates the requirement of CEO sign-off on all court invoices. For the long-term, in the Court's policies and procedures to be developed, a clear statement of policy will be made regarding the requirement of CEO sign-off on all invoices.
55. **Court Response**—The Court agrees. The Court changed its practice to segregate these duties and will include this requirement and its new policies and procedures.
56. **Court Response**—The Court agrees. The Court will include this requirement and its new policies and procedures.
57. **Court Response**—The Court agrees. The Court will include this requirement and its new policies and procedures.
58. **Court Response**—The Court agrees. The court has already updated its Jury+ System.

## 12. Fixed Assets Management

While the Court reported fixed assets valued at \$529,140 in its Consolidated Annual Financial Report (CAFR) worksheets for Fiscal Year 2009-2010, we found the Court could improve the manner in which it records, tracks, and reports its fixed assets.

*Table F. Fixed Assets Management General Ledger Line Items*

G/L Account	Description	Sub-Account	Account Balance
922603	OFFICE FURNITURE – MINOR	\$ 1,069.32	
922610	COMPUTER ACCESSORIES	1,416.55	
922611	COMPUTER	1,003.74	
922699	MINOR EQUIPMENT – UNDER \$5,000	384.60	
<b>922600</b>	<b>MINOR EQUIPMENT – UNDER \$5,000</b>		<b>\$ 3,874.21</b>
	<b>TOTAL EQUIPMENT</b>		<b>\$ 3,874.21</b>

### 12.1 Fixed Asset Recording, Tracking, and Reporting Should Be Improved, Particularly as the Court Transitions to its New Court Facility

The Court does not maintain a fixed asset inventory list that identifies actual assets purchased, item description and location, purchase value and date, or useful life and depreciated value. A 2007 AOC Internal Services Audit also cited this issue, finding that the Court did not maintain a listing of fixed assets, did not track its fixed assets, nor inventoried its fixed assets in recent years, which indicated that the Court could not ensure its fixed assets were properly identified, recorded, effectively used, and safeguarded against loss or misuse.

To assist courts with maintaining an accurate fixed asset inventory, the AOC devised an Access database—the Asset Management Access Database—which is designed to not only record all essential information to record, track, and report fixed assets, but it is designed to be able to be uploaded into Phoenix-FI when the fixed asset module is ultimately implemented. The Court has opted not to utilize this database.

Instead, the Court records fixed asset expenditures of \$5,000 or more for purposes of CAFR reporting. However, the Court’s method of recording fixed assets does not follow fixed asset recording and management guidelines as set forth in FIN Manual 9.01 6.2.4. FIN Manual guidelines require the following information be maintained in the Court’s fixed asset management system: description of the fixed asset, date of acquisition, value of the fixed asset, estimated useful life, and if applicable the salvage value and the remaining balance. However, the Court does not maintain such an itemized and detailed tracking of its fixed assets. According to the CFO, since the AOC has no fixed asset module and no way to depreciate fixed assets, it is not feasible for the Court to keep a proper ledger of the assets. As of June 30, 2010, the Court’s recorded fixed assets totaled \$529,140—but without a verifiable fixed asset inventory, we could not validate this figure. Because the Court does not depreciate its assets, and includes assets dating back to 1999, it is possible that this \$529,140 is significantly overstated.

Without such an inventory, the Court also does not conduct an annual inventory of its assets in accordance with the FIN Manual. According to FIN Manual 9.01, 6.6, “The trial court shall conduct a physical inventory of all court assets and equipment on a periodic basis... The inventory count recorded at each unit or location shall be reconciled against the asset records.” While an annual inventory is recommended, an inventory must be performed no less than every three years. By ensuring it continues to regularly perform annual or periodic physical inventories, the Court will help to safeguard its assets against loss or misuse.

### Recommendations

To better ensure adequate safeguarding and reporting of assets, the Court:

59. Must conduct an inventory of fixed assets and develop a listing of fixed assets that accurately represents the assets to be reported on annual CAFR worksheets.
60. Must develop a list of fixed assets that includes, at a minimum, a description of the asset, purchase date, purchase price, useful life, asset identification number, and location of the fixed asset.
61. Must conduct physical inventories on a go forward basis—preferably on an annual basis in accordance with the FIN Manual.
62. Consider using the Access database information as a basis for reporting fixed assets on the CAFR worksheets; to do this, the Court must determine accurate dollar and useful life values for all items in the database in order to reflect depreciation.

### Superior Court Response

Below we list the Court’s responses to the specific recommendations shown above. The Court’s full response to this finding and the report is located in Appendix C.

59. **Court Response**—The Court agrees. The Court has already started this process with assets located in the old courthouse location. The Court will do the same for assets in the new courthouse location.
60. **Court Response**—The Court agrees. As previously mentioned, the Court has already started the inventory process, which includes the creation of an asset lists which meets the recommended criteria.
61. **Court Response**—The Court agrees. As previously stated, this process is already underway.
62. **Court Response**—The Court partially agrees. The audit report recommended Access database be used for reporting fixed assets. However, Access does not have any upload integration with Phoenix-FI. The Court prefers to use an Excel spreadsheet. An Excel spreadsheet allows for the calculation of depreciation, salvage value and other values.

### 13. Audits

There are many legal requirements and restrictions surrounding the use of public resources that can lead to audits of trial court operations and finances. Courts must, as part of its standard management practice, conduct operations and account for resources in a transparent manner that will withstand audit scrutiny. Moreover, courts must demonstrate accountability, efficient use of public resources, compliance with requirements, and timely correction of audit findings. In 2007, the AOC's Internal Audit Services (IAS) issued an audit report entitled "Audit of the Superior Court of California, County of Mono." The objectives of this prior audit included determining the extent to which the Court:

- Complied with the Trial Court Financial Policies and Procedures Manual;
- Designed and implemented an effective internal control structure over financial reporting and the safeguarding of assets and funds;
- Established internal controls to ensure compliance with laws and regulations over grants and contracts; and,
- Established internal controls to limit access to computer systems, records, and assets.

As a result, several observations were presented in 2007 to the Court that required management attention and correction. We found that many prior audit issues had been resolved both by management and the Court's transition onto the Phoenix-FI system. For instance, the Court has addressed the following audit recommendations:

- Requiring the Presiding Judge (now done by the CEO) to sign off on all manual checks issued by the Court;
- Allowing AOC Trial Court Administrative Services (TCAS) to absorb a portion of the accounting services workload;
- Improving security within court facility hallways, entrance and exit monitoring, and surveillance;
- Addressing a basic succession plan covering some key positions, such as the Assistant Accountant, Court Operations Manager, and Network Administrator; and,
- Obtaining an offsite and independent storage site for backups of system files.

However, our current audit found several instances in which prior findings were not entirely resolved. Many of these are described throughout this report and, thus, remain a concern in 2011 as well.

#### 13.1 Prior Audit Recommendations Have Not Been Fully Implemented

Specifically, we identified the following areas where the Court had not fully implemented corrective measures to address previously-identified concerns, including:

- Initiating steps to comply with TCFPPM 9.01 to track fixed assets (cost, depreciation, etc.);

- Adopting formal records retention policy practice;
- Documenting a formal Disaster Recovery Plan (current plan is informal); and,
- Establishing a formal MOU with the County that specifies both Court and County provided services.

The Court's initial response to the 2007 audit indicated it disagreed with a number of the above audit recommendations, which is likely the reason several recommendations remain uncorrected. Despite this, we believe the Court should continue working to correct the issues identified in this report, as well as those discussed in the 2007 audit report.

### **Recommendation**

To fully comply with the 2007 Internal Audit Services Report, the Court Should:

63. Ensure previously identified concerns noted in the 2007 audit report are fully addressed by taking appropriate corrective actions to fully implement prior audit recommendations.

### **Superior Court Response**

Below we list the Court's responses to the specific recommendation shown above. The Court's full response to this finding and the report is located in Appendix C.

63. **Court response**-The Court agrees to fully implement prior audit recommendations.

## 14. Records Retention

According to FIN Manual 12.01, 3.0-4.0, “it is the policy of the trial courts 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.” Courts are required to apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records. This policy applies to all trial court officials and employees who create, handle, file, and reproduce accounting and financial records in the course of their official responsibilities.

### 14.1 The Court Does Not Have a Formal Records Retention Practice

While the Court stated that it destroys case management system-generated records used to conduct the daily closeout and old copies of checks written from trust bank accounts approximately every three years, it does not have a prescribed formal process for identifying and systematically purging older court records (case files, fiscal and administrative records, etc). This issue was also cited in the 2007 AOC Internal Services Audit, which detailed that the Court did not have a formal records retention policy or procedures providing for the periodic purging and disposition of outdated records; and, it recommended that the Court adopt a formal records retention policy as well as related procedures for the orderly purging and destruction of outdated records. According to the Court, the last time court records were purged was in 2009, and that was limited to only infraction cases. Management also cited an earlier court practice of transferring older case file information to microfiche, last done approximately three to four years ago, and then destroying the hard copy; however, this practice is not memorialized in any court procedures, nor does the Court maintain a record/schedule of when records are or should be purged. In fact, court personnel believe the last time administrative records were purged was in 1998. According to Court management, the Court plans to purge and destroy old records before the Court moves into its new courthouse location.

All fiscal records and newer case files were housed in an on-site storage room at the Mammoth Lakes Courthouse. The storage room remained locked at all times; there was a video surveillance camera aimed at the door; however, all Court employees had access to this room. During our observations, we noted that some case files and other court documents were sometimes stored in the exhibit room at the Mammoth Lakes courthouse as well. Some case files were also stored inside the main office of the Mammoth Lakes courthouse, but these were typically active case files on calendar or files that Court Clerks need to process. Older case files are stored at the Bridgeport Courthouse; these files are stored in a locked vault or within locked filing cabinets located in the cashier’s office.

The CEO advised that they would like to identify possible locations for an off-site records storage facility, and that the new courthouse has a large, locked dedicated storage room to house current case files, fiscal records, and other court documents.

According to the CEO, as of October 2011 the storage limits at the new court facility have been reached. The Court still utilizes the storage space located at the previous courthouse facility;

however, the CEO advised that they are at risk of losing this storage space, as the building owners do not want to renegotiate a lease with the AOC for solely the storage space alone.

### **Recommendation**

To ensure the Court appropriately maintains and preserves its financial and accounting records, as well as sufficiently monitoring and documenting the disposal of court records, the Court should:

64. Establish a record retention practice that follows FIN Manual guidelines, including minimum length of time fiscal and administrative documents must be retained, appropriate record storage, notice of destruction process requirements, as well as the process for purging and destroying old records.

### **Superior Court Response**

Below we list the Court's responses to the specific recommendation shown above. The Court's full response to this finding and the report is located in Appendix C.

64. **Court Response**-The Court agrees. The development of a records retention policy is a high priority for our Court Operations Manager And CEO.

## 15. Domestic Violence

In June 2003, the California Legislature requested IAS to audit court-ordered fines and fees in specified domestic violence cases in California. As part of this effort, IAS agreed to test the assessment of fees and fines in domestic violence cases on an on-going basis. Associated with misdemeanor or felony domestic violence convictions are a number of fees and fines dictated by Penal Code (PC). Specifically, PC 1202.4 (b)(1) requires a mandatory state restitution fine of a minimum \$100 be assessed on misdemeanor convictions and a \$200 fine on felony convictions. Additionally, if the defendant was granted formal probation, the Court is required to assess a domestic violence fee of \$400 pursuant to PC 1203.097(a)(5).

In addition to the State-mandated restitution fine and domestic violence fee, the County Board of Supervisors adopted a \$250 domestic violence fee in January 2010. Specifically, Resolution R09-70 gives the Court authorization to impose an additional fee of \$250 for domestic violence crimes charged under PC 243 or PC 273.5, though the fee may be waived if the Court finds the defendant does not have the ability to pay. The Court Operations Manager issued a memo in December 2009 advising "...all courtroom clerks are directed to be prepared for the Court to impose [the] new \$250.00 fee..."; however, the Court Operations Manager advised that Court judges consider the new fee to be too high and they typically use judicial discretion in deciding whether to waive or assess the additional monies on domestic violence cases. Subsequently, our testing revealed that neither of the two applicable cases in 2010 exhibited the appropriate \$250 assessment.

During fiscal years 2009 and 2010, the Court reported 34 domestic violence cases. Of these, we selected seven to determine whether the Court appropriately assessed the mandatory state restitution fine and domestic violence fee. In only two instances did we find that the Court did not assess the prescribed fee and fine amounts. In one case, the case file included the appropriate ability to pay evaluation notes indicating the judge chose not to assess the fine based on financial hardship. In the other case, the judge assessed a domestic violence fee of \$200.00 rather than the prescribed \$400.00; while financial hardship was implied—as the defendant requested a waiver of court appointed counsel fees, which the judge waived—case records did not include a distinct finding of the defendant's inability to cover the reduced costs associated with domestic violence fines and fees. Nevertheless, we found no indication of systemic problems with the way the Court assesses state restitution fines or domestic violence fees and, as a result, our review of Court Administration did not identify any reportable issues.

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## 16. Exhibits

When exhibits are presented in criminal and civil cases, trial courts are responsible for properly handling, safeguarding, and transferring these exhibits as guided by statutes and rule of court. Trial court and security personnel assigned these responsibilities should exercise different levels of caution depending on the types of exhibits presented. Extra precautions should be taken when handling sensitive items, hazardous or toxic materials, and biological materials. Further, because exhibit rooms maintained at courts can house precious and sensitive case data, unique court evidence could be compromised, lost, or stolen without the proper controls in place—all of which could potentially impact the outcome of a case.

### 16.1 Controls Over Exhibits, including Exhibit Tracking, Change of Custody, and Exhibit Disposal, are Inadequate and Require Improvement

As of September 2011, the Mammoth Lakes courthouse moved into a new court facility. The Court asserts that since its move, it has improved its controls over exhibits. According to the CEO, the new facility has a secured, dedicated exhibit room with restricted employee access, and a specially locked door. Access to the exhibit closet is restricted to the Court Operations Manager. Incorporating this security measure addresses some of the exhibit security concerns revealed through our observations at the Court's former facility. Nevertheless, we also discovered other areas of improvement, such as the Court's practice of not tracking changes in custody. The Court should implement further controls to ensure it adequately secures and monitors all exhibits in the future.

During audit fieldwork, the Court maintained exhibits in three primary locations: a record storage room in the former Mammoth Lakes courthouse, a closet in judge's chambers at the Bridgeport courthouse, and—for small, paper-sized exhibits—in case files themselves. While the Court maintained most exhibits in locked rooms and maintained a list of exhibits accepted during a trial in the applicable case file, we found that the Court lacked appropriate oversight and sufficient controls over the handling of exhibits that remained with the Court. The lack of appropriate oversight and sufficient controls over the handling of exhibits was a repeat issue from the 2007 AOC Internal Services Audit. The 2007 audit detailed the Courts lack of written policies or procedures governing the operation of the Exhibit Room, that the Court did not segregate exhibits from other items in the storage room, and that the Court did not restrict exhibit room access to only those Court employees with job functions requiring such access. Issues surrounding Court management of exhibits are further discussed below.

Specifically, the Court did not record exhibits into its case management system or any other exhibit log, track changes in custody, maintain an inventory of exhibits in storage, conduct periodic inventory checks of exhibits, have a secured exhibit transfer procedure from the courtroom to their permanent exhibit storage area, or have a formal process in place to periodically dispose of formally closed case exhibits. The Court also lacked written, comprehensive policies and procedures for handling exhibits and to guide staff in accepting, storing, returning, and destroying exhibits, putting the Court at greater risk that alternative or inconsistent processes employed by staff may not adequately safeguard exhibits.

- ✓ ***Exhibit Tracking Requires Improvement:*** Court Clerks are responsible for safeguarding and storing exhibits during and after the trial. In doing so, clerks placed most exhibits into a box; a list of the exhibits was placed in the box and in the case file; the Court Clerk wrote the case name, case number, and exhibit number on the outside of the box; and the box was placed in the Mammoth Lakes storage room. This constitutes the primary control implemented by the Court to track exhibits in its custody. The Court did not maintain a comprehensive exhibit list, nor were exhibits recorded in the case management system. As a result, the Court could not identify the full universe of exhibits held by the Court, or identify missing exhibits, without manually reviewing every single case file for references to exhibits collected. Without a comprehensive log of all exhibits taken into custody at the time of the trial, the Court could not conduct an inventory audit of its exhibit rooms to ensure no exhibits have been tampered with, lost, or stolen. Without any tracking mechanism in place, the Court is at greater risk of exhibits being misplaced, lost, or stolen without the Court's knowledge.

To evaluate the Court's existing process for recording and tracking exhibits held by the Court, we selected a small sample of six exhibits stored in the Court's exhibit storage locations, and compared the contents with the list of exhibits maintained in the case file. Four of the six exhibits reviewed matched the description of exhibits found in the case file. For the other two cases, the case file did not accurately reflect the exhibits held by the Court. In one case, the Court held additional exhibits not listed in the case file, and in the other case the exhibits listed in the case file could not be verified or located with certainty—likely because some exhibits were not properly labeled and lacked a case number or exhibit list, and thus could not be matched to the case file.

For these reasons, we do not believe this to be an effective method of recording, tracking, and monitoring exhibits held in the Court's custody.

- ✓ ***Exhibit Change of Custody Process Is Vulnerable to Loss or Theft:*** During a trial, courtroom clerks secured general exhibits overnight in the locked courtroom, while sensitive exhibits would be stored in the exhibit room vault at the end of each trial day. When exhibits were admitted into evidence or identified, the courtroom clerks were responsible for preparing an exhibit log for the case file indicating all exhibits introduced during the trial. At the completion of trial, courtroom clerks transferred exhibits to storage, in either the exhibit room or the case file (paper exhibits only). Yet, although Court Clerks secured some exhibits in a locked exhibit room, we noted several weaknesses with the manner in which exhibits were secured during this transfer.

First, there was never a physical exchange of custody to an independent court employee responsible for the exhibit; that is, while during the trial the Court Clerk was accountable to ensure the integrity of the exhibit, no employee was charged with this responsibility once the exhibit was transferred to the exhibit room. As noted above, Court Clerks were responsible for logging all exhibits, transferring the exhibits from the courtroom to the exhibit storage room (filing exhibits in the case file), and putting a copy of the exhibit log into the case file. The Court did not document chain-of-custody when transferring exhibits to the permanent storage room. Instead, the Court Clerk simply dropped off the exhibit box in the exhibit room without having to log the transfer or check in with a separate clerk to verify the exhibits

admitted into the case and listed on the exhibit log matched what the clerk dropped off in the storage room. With this weakened chain-of-custody, it would be difficult for the Court to isolate the responsible party if a loss or theft is subsequently discovered.

Further weakening chain-of-custody protocols, we observed that the Mammoth Lakes exhibit room also housed a variety of other court records and was accessible to all court personnel, which made it even more difficult to ensure proper chain-of-custody over exhibits. While the former CEO issued a May 2008 memorandum dictating which employees "... may handle, move, remove or otherwise have any contact with ..." admitted exhibits, there were no physical restrictions that prevented any Court employee from accessing the exhibit storage area.

- ✓ ***The Court has no Systematic Exhibit Destruction Practice in Place:*** While exhibits could be released, returned, and disposed of as required by court order and statute, subject to California Rules of Court 2.400, the Court did not actively monitor exhibits to determine if they should be returned to the parties or may be eligible for destruction. Instead, the Court periodically, approximately once per year, destroyed or returned larger-sized (e.g. surf board, bicycles, etc.), formally closed case exhibits as part of an informal inventory review process. Combined with chain-of-custody concerns, the Court could not be assured that exhibits were indeed returned to the appropriate parties or adequately and safely destroyed. At a minimum, the Court should develop procedures to ensure exhibits are appropriately and timely destroyed and a manager or supervisor reviews the exhibits marked for disposal prior to the actual destruction.

According to the Court, it planned to inventory and purge applicable exhibits in preparation for the Court's move to its new courthouse. As a result, the Court recently issued Orders for Destruction for some of its exhibits—including sensitive exhibits—which will be collected from the Court and destroyed by the Mono County Sheriff's Department.

We recommend that the Court develop a practice of periodically researching exhibits stored in case files and in exhibit rooms, identifying old exhibits, and following standard protocols for disposing of those that are no longer needed.

## **Recommendation**

To better track and locate sensitive exhibits, and to increase the security of exhibits while they are transferred from courtroom clerks to the exhibit custodian, the Court should:

65. Develop formal procedures to record, monitor, and track court exhibits, changes in exhibit custody, and destruction or disposal of exhibits. This includes:
  - Developing a consolidated exhibit listing that incorporates information such as exhibit items, case number, disposition date, location, and other pertinent information.
  - Conducting inventory audits based on this record on an annual basis to ensure exhibits are properly accounted for.
  - Ceasing storage of exhibits in case files or in the judge's chambers at the Bridgeport court location.

- Establishing a change of custody procedure that requires Courtroom Clerks and the Court Services Supervisor to verify the specific exhibits being transferred for storage by signing and dating the exhibit list before filing the document.
- Assigning an individual to monitor destruction dates and prepare exhibits for disposal in accordance with statutes and California Rules of Court, and provide sufficient oversight as necessary.
- Reviewing and purging applicable exhibits following FIN Manual policy for exhibit destruction.

### **Superior Court Response**

Below we list the Court's responses to the specific recommendation shown above. The Court's full response to this finding and the report is located in Appendix C.

65. **Court Response**-The Court agrees with all the aforementioned actions in Recommendation No. 65. The development of a policy and procedures for exhibits' records, monitoring, exhibit custody tracking, and destruction or disposal will be a priority for the courts exhibits custodian, the Court Operations Manager, under the supervision of the CEO.

## 17. Facilities

The Trial Court Facilities Act of 2002 (SB 1732) established the governance structure and procedures for transferring responsibilities over trial court facilities from counties to the State. At the time of audit fieldwork, the Mono County Superior Court had the following two court locations:

- North County Branch– State Highway 395 North, Bridgeport, CA 93517
- South County Branch – 452 Old Mammoth Road, Sierra Center, 3<sup>rd</sup> Floor, Mammoth Lakes, CA 93546

According to the AOC’s Office of Court Construction and Management’s *Completed Transfer Agreements* report as of December 29, 2009, the Bridgeport courthouse is considered an historic site that also houses several county offices. The effective date of transfer for the Bridgeport location was December 15, 2009. The Court’s main courthouse in Mammoth Lakes was a privately-owned commercial building, which the Court vacated during its move to a newly constructed courthouse completed in the Fall of 2011. The Court broke ground on its new courthouse in May 2010; it is a state-owned, two-courtroom, 20,000 square-foot facility located in Mammoth Lakes.

*Table G. Fiscal Year 2009-2010 Facility-Related Expenses*

G/L Account	Description	Account Balance
935200	RENT/LEASE	\$ 13,370.10
935300	JANITORIAL SERVICES	\$ 8,475.00
935400	MAINTENANCE AND SUPPLIES	\$ 2,268.20
935700	OTHER FACILITY COSTS-GOODS	\$ 314.25
FACILITY OPERATION TOTAL		\$ 24,427.55

As shown in Table G, the Court spent slightly more than \$24,400 on facility related operations during Fiscal Year 2009-2010 per Phoenix-FI records. The vast majority of these expenditures related to the Court’s leased facilities; a high-level review of facility expenses revealed no issues. However, according to the CEO, facility related expenses will significantly increase with the move to the new courthouse location in Mammoth Lakes.

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## Appendix A: Phoenix-FI Account Detail, Fiscal Year 2009-2010

### Report Section 1: Accounts Related to Court Administration

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. Guidelines and requirements concerning court governance are specified in California Rules of Court (CRC) and the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), as established under Government Code Section 77009(i) and proceduralized under CRC 10.707. Yet, 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.

Table 1 reflects the Court's Fiscal Year 2009-2010 expenditures primarily reviewed in this section of the audit IAS considers these accounts primarily related with the Court's administrative decisions and governance responsibilities and associated with this section of the report.

Table 1. Court Administration

G/L Account	Description	Sub-Account	Account Balance
<b>Expenditures</b>			
<b>900300</b>	<b>SALARIES – PERMANENT</b>		<b>\$ 646,972.78</b>
<b>903300</b>	<b>TEMPORARY HELP</b>		<b>\$ 83,677.75</b>
906303	SALARIES – COMMISSIONERS	\$ 13,413.34	
906311	SALARIES – SUPERIOR COURT	9,507.87	
<b>906300</b>	<b>SALARIES - JUDICIAL OFFICERS</b>		<b>\$ 22,921.21</b>
<b>920500</b>	<b>DUES AND MEMBERSHIPS</b>		<b>\$ 360.00</b>
<b>933100</b>	<b>TRAINING</b>		<b>\$ 795.00</b>

### Report Section 2: Accounts Related to Fiscal Management and Reporting

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 generally account for approximately 75% or more 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 procedures for requesting, evaluating, and approving new and reclassified positions. In Tables 2 and 3 below are Fiscal Year 2009-2010 balances from the Court's general ledger that IAS considers primarily associated with fiscal management and reporting section of the audit report.

Table 2. Salary and Benefit Liabilities

G/L Account	Description	Amount Balance
375001	ACCRUED PAYROLL	\$ (41,715.68)

Table 3. Salary and Benefit Expenditures

G/L Account	Description	Sub-Account	Account Balance
<b>900300</b>	<b>SALARIES - PERMANENT</b>		<b>\$ 646,972.78</b>
<b>903300</b>	<b>TEMPORARY HELP</b>		<b>\$ 83,677.75</b>
906303	SALARIES – COMMISSIONERS	\$ 13,413.34	
906311	SALARIES - SUPERIOR COURT	9,507.87	
<b>906300</b>	<b>SALARIES - JUDICIAL OFFICERS</b>		<b>\$ 22,921.21</b>
<b>908300</b>	<b>OVERTIME</b>		<b>\$ 6,118.88</b>
	<b>SALARIES TOTAL</b>		<b>\$ 759,690.62</b>
910310	SOCIAL SECURITY INS & MED	\$ 2,318.50	
910302	MEDICARE TAX	\$ 11,470.79	
<b>910300</b>	<b>TAX</b>		<b>\$ 13,789.29</b>
910401	DENTAL INSURANCE	\$ 9,254.41	
910501	MEDICAL INSURANCE	84,128.73	
910502	FLEXIBLE BENEFITS	68,656.80	
910503	RETIREE BENEFITS	110,133.67	
<b>910400</b>	<b>HEALTH INSURANCE</b>		<b>\$ 272,173.61</b>
<b>910600</b>	<b>RETIREMENT</b>		<b>\$ 106,546.66</b>
<b>912500</b>	<b>WORKERS' COMPENSATION</b>		<b>\$ 36,025.27</b>
912701	DISABILITY INSURANCE – SD	\$ 11,061.56	
913301	UNEMPLOYMENT INSURANCE	2,636.47	
913501	LIFE INSURANCE	876.89	
913601	VISION CARE INSURANCE	2,624.63	
913699	OTHER INSURANCE	809.37	
<b>912700</b>	<b>OTHER INSURANCE</b>		<b>\$ 18,008.92</b>
<b>913700</b>	<b>SUPERIOR COURT JUDGES BENEFITS</b>		<b>\$ 1,516.05</b>
	<b>STAFF BENEFITS TOTAL</b>		<b>\$ 448,059.80</b>
	<b>PERSONAL SERVICES TOTAL</b>		<b>\$ 1,207,750.42</b>

**Report Section 3: Accounts Related to Fund Accounting**

According to FIN Manual 3.01, Section 3.0, trial courts shall establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the Court’s financial operations. Section 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 has been set up in Phoenix-FI to serve this purpose. Furthermore, the Judicial Council has approved a fund balance policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and provide uniform standards for fund balance reporting. Table 4 below, reflects the Court’s Fiscal Year 2009-2010 fund balances—additionally, there were no transfers in or out recorded in the system.

*Table 4. Fund Balances and Operating Transfers*

G/L Account	Description	Sub-Account	Account Balance *
552001	FUND BALANCE – RESTRICTED	\$ (336,446.00)	
553001	FUND BALANCE – UNRESTRICTED	\$ (2,160,371.26)	
	<b>TOTAL FUND BALANCE</b>		<b>\$ (2,496,817.26)</b>
<b>701100</b>	<b>OPERATING TRANSFERS IN</b>		<b>\$ (10,302.14)</b>
<b>701200</b>	<b>OPERATING TRANSFERS OUT</b>		<b>\$ 10,302.14</b>

\* Fund Balances shown are post-close/ending fund balance with FY 2009-2010 revenues and expenditures

**Report Section 4: Accounts Related to Accounting Principles and Practices**

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

In Tables 5 and 6 are Fiscal Year 2009-2010 balances from the Court’s general ledger that IAS has primarily associated with accounting principles and practices section of the audit report.

*Table 5. Court Accounts Receivables, Payables, and Other Current Liabilities*

G/L Account	Description	Sub-Account	Account Balance
130001	A/R - ACCRUED REVENUE	\$ 5,187.61	
131201	ACCOUNTS RECEIVABLE (CUSTOMER)	1,239.94	
131204	A/R - DUE FROM AOC (CUSTOMER)	28,357.67	
140001	A/R - DUE FROM OTHER FUNDS	29,486.50	
152000	A/R - DUE FROM STATE	3,661.76	
	<b>Total Receivables</b>		<b>\$ 67,933.48</b>
301001	A/P – GENERAL	\$ (4,113.73)	

311401	A/P - DUE TO OTHER FUNDS	(29,486.50)	
321501	A/P – DUE TO STATE	(19,076.00)	
321600	A/P - TC145 LIABILITY	(9,181.50)	
322001	A/P – DUE TO OTHER GOVERNMENTS	(88,441.04)	
330001	A/P - ACCRUED LIABILITIES	(36,992.01)	
<b>Total Accounts Payables</b>			<b>\$ (187,290.78)</b>
351001	LIABILITIES FOR DEPOSITS	\$ (195.56)	
353090	FUNDS HELD OUTSIDE OF THE AOC	(468,960.85)	
375001	ACCRUED PAYROLL	(41,715.68)	
<b>Total Current Liabilities</b>			<b>\$ (510,872.09)</b>

Table 6. Court Revenue Sources and Prior Year Adjustments

G/L Account	Description	Sub-Account	Account Balance
812110	TCTF-PROGRAM 45.10 – OPERATIONS	\$ (1,789,709.02)	
812140	TCTF-PROGRAM 45.10 – SMALL CLAIMS – SERVICE BY MAIL	(530.00)	
812141	TCTF-PROGRAM 45.10 – ADMIN CHARGE RETURNED CHECK	(451.00)	
812144	TCTF-PROGRAM 45.10 – CLERKS TRANSCRIPT ON APPEAL	(300.00)	
812146	TCTF-PROGRAM 45.10 – COPY PREPARATION	(2,364.50)	
812148	TCTF-PROGRAM 45.10 – MANUAL SEARCH OF RECORDS	(4,590.00)	
812149	TCIF-PROGRAM 45.10 – REIMBURSEMENT OF OTHER COSTS	(10.00)	
812155	TCTF-PROGRAM 45.10 – CONSERVATORSHIP INVESTIGATION	(34.00)	
812160	TCTF-PROGRAM 45.10 – MICROGRAPHICS	(277.00)	
<b>812100</b>	<b>TCTF - PGM 10 OPERATIONS</b>		<b>\$ (1,798,650.52)</b>
821120	OTHER COURT RETAINED LOCAL FEE	\$ (1,308.79)	
821121	LOCAL FEE 1	(41,358.37)	
<b>821000</b>	<b>LOCAL FEES REVENUE</b>		<b>\$ (42,667.16)</b>
<b>823000</b>	<b>OTHER - REVENUE</b>		<b>\$ (95.53)</b>
<b>825000</b>	<b>INTEREST INCOME</b>		<b>\$ (26,643.35)</b>
<b>SUB-TOTAL TRIAL COURTS REVENUE SOURCES</b>			<b>\$(1,868,056.56)</b>
832010	TCTF GENERAL MOU REIMBURSEMENTS	\$ (60,799.85)	
832011	TCTF-PGM 45.10- JURY	(8,499.50)	
832012	TCTF-PGM 45.10- CAC	(13,443.00)	
<b>832000</b>	<b>PROGRAM 45.10 - MOU/REIMBURSEMENTS</b>		<b>\$ (82,742.35)</b>
<b>833000</b>	<b>PROGRAM 45.25 – JUDGES SALARIES REIMBURSEMENTS</b>		<b>\$ (11,000.00)</b>

G/L Account	Description	Sub-Account	Account Balance
834000	PROGRAM 45.45 – COURT INTERPRETER REIMBURSEMENTS		\$ (40,098.18)
837000	IMPROVEMENT FUND – REIMBURSEMENTS		\$ (915.00)
838000	AOC GRANTS – REIMBURSEMENTS		\$ (101,959.46)
840000	COUNTY PROGRAM – RESTRICTED		\$ (35.84)
860000	REIMBURSEMENTS – OTHER		\$ (3,264.75)
<b>SUB-TOTAL TRIAL COURTS REIMBURSEMENTS</b>			<b>\$ (240,015.58)</b>
<b>REVENUE TOTAL</b>			<b>\$ (2,108,072.14)</b>

**Report Section 5: Accounts Related to Cash Collections**

The FIN Manual Section 10.02 was established to provide uniform guidelines for trial court employees to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders. Additionally, FIN 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts should institute procedures and internal controls that assure safe and secure collection, as well as accurate accounting of all payments.

In Table 7 below, are balances from the Court’s general ledger for Fiscal Year 2009-2010 that IAS considers to be primarily associated with this audit report section.

*Table 7. Cash Collections Accounts*

G/L Account	Description	Account Balance
11100	CASH-OPERATIONS ACCOUNT	\$ 206,718.57
111100	CASH-OPERATIONS CLEARING	(75,422.96)
114000	CASH-REVOLVING	50,000.00
117500	CASH CIVIL FILING FEES	9,181.50
119001	CASH ON HAND – CHANGE FUND	105.00
120001	CASH WITH COUNTY	923,311.11
120002	CASH OUTSIDE OF AOC	671,165.62
120050	SHORT TERM INVESTMENTS-LAIF	1,229,123.66
<b>Cash and Cash Equivalents</b>		<b>\$ 3,014,182.50</b>

**Report Section 6: Accounts Related to Information Systems**

Information systems used by the Court include the Integrated Case Management System (ICMS), by ISD, Inc. that has an integrated cashiering module, a court created DOS-based case management system and cashiering system, Jury Plus for jury attendance and payroll, and Phoenix-FI for the recording of financial transactions. In Table 8 are balances from the Court’s

general ledger that IAS considers to be primarily associated with the information systems section of the audit report.

Table 8. Information Technology General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
<b>943200</b>	<b>IT MAINTENANCE</b>		<b>\$ 3,004.54</b>
<b>943300</b>	<b>IT COMMERICAN CONTRACTS</b>		<b>\$ 83,896.21</b>
943501	IT REPAIRS & SUPPLIES	\$ 289.95	
943502	IT SOFTWARE & LICENSING FEES	839.40	
943503	COMPUTER SOFTWARE	54.50	
943506	SECURITY SOFTWARE	264.50	
<b>943500</b>	<b>IT REPAIRS/SUPPLIES/LICENCES</b>		<b>\$ 1,448.35</b>
<b>943700</b>	<b>IT OTHER</b>		<b>\$ 5,024.04</b>
<b>INFORMATION TECHNOLOGY (IT) TOTAL</b>			<b>\$ 93,373.14</b>

**Report Section 7: Accounts Related to Banking and Treasury**

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the Courts' control. FIN 13.01 establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. Currently, the Court deposits its operating funds in an AOC-established account, and its daily collections, including trust and civil filing fees, into local Union Bank accounts held outside of the AOC.

Table 9. Banking and Treasury General Ledger Line Items

G/L Account	Description	Account Balance
11100	CASH-OPERATIONS ACCOUNT	\$ 206,718.57
111100	CASH-OPERATIONS CLEARING	(75,422.96)
114000	CASH-REVOLVING	50,000.00
117500	CASH CIVIL FILING FEES	9,181.50
119001	CASH ON HAND – CHANGE FUND	105.00
120001	CASH WITH COUNTY	923,311.11
120002	CASH OUTSIDE OF AOC	671,165.62
120050	SHORT TERM INVESTMENTS-LAIF	1,229,123.66
<b>Cash and Cash Equivalents</b>		<b>\$ 3,014,182.50</b>
825000	INTEREST INCOME	\$ (26,643.35)
920302	BANK FEES	\$ 6,413.50

**Report Section 8: Accounts Related to Court Security**

Appropriate law enforcement services are essential to trial court operations and public safety. Like almost all other trial courts in the State, the Mono County Superior Court contracts with the County Sheriff for court security services. Table 10 presents balances from the Court’s general ledger that IAS considers to be associated with this section.

*Table 10. Court Security General Ledger Line Items*

G/L Account	Description	Sub-Account	Account Balance
934505	PERIMETER SECURITY – ENTRANCE	\$ 211,653.28	
934510	COURTROOM SECURITY – SHERIFF	162,446.63	
<b>934500</b>	<b>SECURITY</b>		<b>\$ 374,099.91</b>

**Report Section 9, 10, &11: Accounts Related to Procurement, Contracts, and Accounts Payable**

The FIN Manual provides uniform guidelines for trial courts to use in procuring necessary goods and services and documenting procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and documents approval by an authorized individual. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition 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.

Policy Number FIN 7.01 establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors as well as Memorandums of Understanding with other government entities. Not only should trial courts issue a contract when entering into agreements for services or complex procurements of goods, but also 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.

All trial court vendor, supplier, consultant, and contractor invoices and claims shall be routed to the trial court accounts payable department for processing. The accounts payable staff shall process the invoices and claims in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices and claims 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.

Table 11 provides balances from the Court’s general ledger that IAS considers to be primarily associated with procurement, contracting, and payable activity of the audit report sections.

Table 11. Procurement, Contracts, and Accounts Payable General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
920601	MISCELLANEOUS OFFICE SUPPLIES	\$ 12,710.07	
920602	PAPER PRODUCTS	988.15	
920606	TONER – PRINTER	374.06	
920608	TONER	2,418.35	
920613	RUBBER STAMP	430.51	
920614	BATTERIES	7.60	
920615	BOTTLED WATER	724.50	
920620	COLOR PAPER	112.88	
920622	COPY PAPER	3,955.18	
920628	BADGES/ID CARDS SUPPLY	187.66	
920699	OFFICE EXPENSE	1,604.14	
<b>920600</b>	<b>OFFICE EXPENSE</b>		<b>\$ 23,513.10</b>
<b>921500</b>	<b>ADVERTISING</b>		<b>\$ 880.50</b>
<b>921700</b>	<b>MEETINGS, CONFERENCES, EXHIBITS</b>		<b>\$ 4,280.22</b>
<b>922300</b>	<b>LIBRARY PURCHASES AND SUPPLIES</b>		<b>\$ 25,994.16</b>
922603	OFFICE FURNITURE – MINOR	\$ 1,069.32	
922610	COMPUTER ACCESSORIES	1,416.55	
922611	COMPUTER	1,003.74	
912699	MINOR EQUIPMENT – UNDER \$5,000	384.60	
<b>922600</b>	<b>MINOR EQUIPMENT – UNDER \$5,000</b>		<b>\$ 3,874.21</b>
<b>922700</b>	<b>EQUIPMENT RENTAL/LEASE</b>		<b>\$ 7,071.08</b>
<b>922800</b>	<b>EQUIPMENT MAINTENANCE</b>		<b>\$ 1,685.73</b>
<b>923900</b>	<b>GENERAL EXPENSE - SERVICE</b>		<b>\$ 1,561.68</b>
<b>924500</b>	<b>PRINTING</b>		<b>\$ 1,657.02</b>
<b>925100</b>	<b>TELECOMMUNICATIONS</b>		<b>\$ 43,294.68</b>
<b>926200</b>	<b>STAMPES, STAMPED ENVELOPE</b>		<b>\$ 472.68</b>
<b>926300</b>	<b>POSTAGE METER</b>		<b>\$ 20,579.41</b>
<b>928800</b>	<b>INSURANCE</b>		<b>\$ 5,438.60</b>
<b>929200</b>	<b>TRAVEL IN-STATE</b>		<b>\$ 6,985.86</b>
<b>933100</b>	<b>TRAINING</b>		<b>\$ 795.00</b>
<b>935200</b>	<b>RENT/LEASE</b>		<b>\$ 13,370.10</b>
<b>935300</b>	<b>JANITORIAL</b>		<b>\$ 8,475.00</b>
<b>935400</b>	<b>MAINTENANCE AND SUPPLIES</b>		<b>\$ 2,268.20</b>
<b>935700</b>	<b>OTHER FACILITY COSTS - GOODS</b>		<b>\$ 314.25</b>

G/L Account	Description	Sub-Account	Account Balance
<b>FACILITY OPERATION TOTAL</b>			<b>\$ 24,427.55</b>
938401	GENERAL CONSULTANTS & PROFESSIONALS	\$ 174,835.82	
938404	ADMINISTRATIVE SERVICE	14,125.00	
938421	GENERAL CONSULTANTS – MILEAGE	315.30	
938422	GENERAL CONSULTANT – MEALS	56.00	
<b>938300</b>	<b>GENERAL CONSULTANT &amp; PROFESSIONALS</b>		<b>\$ 189,332.12</b>
938502	COURT INTERPRETER TRAVEL	\$ 1,537.00	
938504	COURT INTERPRETER – CERTIFIED	1,624.00	
938506	COURT INTERPRETER – NON CERTIFIED	1,795.00	
938509	COURT INTERPRETER - MILEAGE	2,898.65	
<b>938500</b>	<b>COURT INTERPRETER SERVICES</b>		<b>\$ 7,854.65</b>
<b>938600</b>	<b>COURT REPORTER SERVICES</b>		<b>\$ 69,407.62</b>
<b>938700</b>	<b>COURT TRANSCRIPTS</b>		<b>\$ 13,381.70</b>
938801	DEPENDENCY COUNSEL CHARGES FOR CHILDREN	\$ 13,443.00	
938803	COURT-APPOINTED COUNSEL CHARGES	1,416.00	
<b>938800</b>	<b>COURT APPOINTED COUNSEL</b>		<b>\$ 14,859.00</b>
<b>938900</b>	<b>INVESTIGATIVE SERVICES</b>		<b>\$ 171.00</b>
<b>939000</b>	<b>COURT ORDERED PROFESSIONAL SERVICES</b>		<b>\$ 7,650.00</b>
<b>939100</b>	<b>MEDIATORS/ARBITRATORS</b>		<b>\$ 2,750.00</b>
<b>CONTRACTED SERVICES TOTAL</b>			<b>\$ 305,406.09</b>
<b>942100</b>	<b>COUNTY PROVIDED SERVICES TOTAL (EDP)</b>		<b>\$ 7,473.50</b>
<b>952300</b>	<b>VEHICLE OPERATIONS</b>		<b>\$ 4,850.10</b>
965101	JURORS - FEES	\$ 6,180.00	
965102	JURORS - MILEAGE	2,318.76	
965106	JURORS NON-SEQUESTERED MEALS	596.16	
<b>965100</b>	<b>JURY COSTS TOTAL</b>		<b>\$ 9,094.92</b>
<b>972100</b>	<b>JUDGEMENTS, SETTLEMENTS</b>		<b>\$ 42,455.75</b>
<b>999900</b>	<b>PRIOR YEAR EXPENSE ADJUSTMENT</b>		<b>\$ (2,852.52)</b>

**Report Section 12: Accounts Related to Fixed Assets Management**

FIN Manual Section 9.01 states that the trial court shall establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report court assets. The primary objectives of the system are to:

- Ensure that court assets are properly identified and recorded;

- Ensure that court assets are effectively utilized; and
- Safeguard court assets against loss or misuse.

Below, Table 12 provides balances from the Court’s general ledger that IAS considers to be primarily associated with fixed assets audit report section.

*Table 12. Fixed Assets Management General Ledger Line Items*

G/L Account	Description	Sub-Account	Account Balance
922603	OFFICE FURNITURE – MINOR	1,069.32	\$
922610	COMPUTER ACCESSORIES	1,416.55	
922611	COMPUTER	1,003.74	
922699	MINOR EQUIPMENT – UNDER \$5,000	384.60	
<b>922600</b>	<b>MINOR EQUIPMENT – UNDER \$5,000</b>		<b>\$ 3,874.21</b>
	<b>TOTAL EQUIPMENT</b>		<b>\$ 3,874.21</b>

PENDING

## Appendix B: Issues Control Log

### Appendix B

### Superior Court of California, County of Mono

### Issue Control Log

**Note:**

The Issue Control Log contains all 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 that are complete at the end of the audit are indicated by the 'C' in the column labeled C. Issues that remain open at the end of the audit have an 'I' for incomplete in the column labeled I and have an Estimated Completion Date.

Internal Audit Services will periodically contact the Court to monitor the status of the correction efforts indicated by the Court. Those issues with a "\_" in the Report No. column are only listed in this appendix. Additionally, there are issues that were not significant enough to be included in this report. They were discussed with the court management as 'informational' issues.

March 2012

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1</b>	<b>Court Administration</b>	<b>1.1</b>	<b>Certain Administrative Practices Related to CEO Compensation Should Be Improved</b>					
	Recommendation #2		The Court does not have a formally documented process for modifying CEO compensation or for conducting periodic performance evaluations.	I		Court Agrees	CEO	7-1-12
	#1		Personnel Action Forms prescribing changes to CEO compensation are approved and signed by the PJ.		C	Court Agrees	CEO	Already done
		<b>1.2</b>	<b>Improved Monitoring and Administration of Conflict of Interest Code is Required</b>					
	#4		The Court does not have a process in place to oversee and ensure the PJ appropriately files the Form 700 on an annual basis.		C	Court Agrees, process is created. Judges will provide Form 700 to Court	CEO	1-1-12
	#3		The Court does not require non-judicial employees to complete the Form 700 even though it may be appropriate.		C	Court Agrees, CEO and Court Operations Manager will complete FORM 700's	CEO	1-1-12
		<b>1.3</b>	<b>Certain Court Governance Practices Could Be Strengthened</b>					
	#5		The Presiding Judge has not formally delegated operational and administrative Court responsibilities to the CEO.		C	Court Agrees, PJ will sign a special matter order formalizing delegation	CEO	3-1-12
	#6		The Court does not have a formal process in place to track or monitor judicial leave/absences.		C	Court Agrees, has already instituted a tracking process	CEO	2-1-12
	#7		The Court has not established either a formal policy or informal protocols for the handling and overseeing of causes under submission.		C	Court Agrees, has already instituted a process for tracking cases under submission	CEO	2-1-12
<b>2</b>	<b>Fiscal Management and Reporting</b>	<b>2.1</b>	<b>The Court Does Not Benefit From Phoenix-FI's Full Functionality</b>					
	#8 & #10		The Court relies heavily on manual processes to record and track fiscal activity rather than utilizing Phoenix-FI or on the TCAS Division for assistance.	I		Court agrees to review Phoenix-FI to utilize components that do not increase cost or complexity	Court Fiscal Officer	10-1-12
	#9		The Court utilizes neither Phoenix-FI's purchasing and requisition module nor does it	I		Court agrees to review the Virtual Buyer Program and	Court Fiscal Officer and Court Executive	10-1-12

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			fully take advantage of the services provided through TCAS Division's Virtual Buyer Program.			utilize the program if possible.	Assistant	
	#10		The Court does not have desk manuals or other written procedures covering key fiscal and administrative processes, particularly those carried out through manual processes outside of Phoenix-FI.	I		Court Agrees, court is developing policies and procedures manual	Court Fiscal Officer and Court Executive Assistant	10-1-12
		2.2	<b>Audit Fieldwork Identified Limited Instances of Non-Rule 810 Allowable Expenditures by the Court</b>					
	#11		The Court expended court monies on activities that were either not consistent with Rule 810 or which exhibited questionable business purposes.	I		Court partially agrees and will receive reimbursement for questionable Rule 10.810 expenditure for retirement event on or before April 1, 2012	CEO	4-1-12
3	<b>Fund Accounting</b>	3.1	<b>Court Balances Currently Held in the County Treasury Were Incorrectly Categorized in the Court's Fiscal Records</b>					
	#12		The Court maintains too high a balance with the County to cover Court payroll obligations.	I		Court agrees to reconfirm with County minimum balance to be maintained in County payroll fund account	CEO and Court Fiscal Officer	4-1-12
	#13		Court Automation monies held by the County are not maintained in a designated special revenue fund in Phoenix-FI.		C	Court Agrees, have been transferred to appropriate fund	Court Fiscal Officer	1-1-12
	#14		Court Automation monies held with the County represent a revenue stream that has been left unused.		C	Monies were accruing appropriate interest and were being held by the Court for appropriate future expenditures. Monies have been transferred	Court Fiscal Officer	1-1-12
		3.2	<b>The Bank Account Used to Hold Bail Trust Deposits and Daily Fees, Fines, and Forfeitures Has Not Been Successfully Reconciled Since 2003</b>					
	#15		ICMS trust reports appear to reflect conflicting trust balances.	I		Court Agrees, and will work to correct conflicts with trust balances	Court Fiscal Officer	10-1-12
	#16		The bank account utilized for its criminal trust is commingled with daily collections.	I		Court agrees to reconciling but will maintain existing	Court Fiscal Officer	7-1-12

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						holding account		
	#17		The Court is not separately tracking criminal trust deposits in an account register and the Court does not have a trust account ledger for civil trust recorded in ICMS.	I		Court does partially agree; court will track criminal trust deposits. Court will be able to create trust account ledger once civil case data is migrated to ICMS	Court Fiscal Officer and Court Fiscal Officer	7-1-12
	#18		The Court does not reconcile its criminal trust balances or civil trust balances recorded in ICMS separately from its agency monies.	I		Court partially agrees; we do reconcile civil trust balances but not the stale criminal trust monies. We will identify, reconcile & escheat stale criminal trust monies.	Court Fiscal Officer and Court Fiscal Officer	7-1-12
	#19		The Court has not escheated stale trust monies in recent history.	I		Court Agrees, is in process of escheating stale trust monies	Court Fiscal Officer	3-1-12
	#20		The Court has not transferred all civil cases onto the new civil ICMS platform.	I		Court Agrees, in the process of doing so	CEO	3-1-12
	#21		The Court does not periodically audit the fiscal and accounting activities made to the Bail trust.	I		Court Agrees, in the process of doing so	Court Fiscal Officer	3-1-12
<b>4</b>	<b>Accounting Principles and Practices</b>							
			No issues identified warranting a response.					
<b>5</b>	<b>Cash Collections</b>	<b>5.1</b>	<b>Controls Over Cash Handling and Collection Processes are Good, but Could be Enhanced</b>					
	#22		The Court clerks at the Mammoth Lakes court location share one cash register for processing cash collections on civil cases.	I		Court Agrees, will eliminate shared register once civil data migration has been completed	CEO	7-1-12
	#23		The Court Fiscal Officer's access levels in the case management system are in conflict with assigned cash handling duties.		C	Court Agrees, access has been limited	CEO	Already done
	#24		The Court does not periodically review fine reductions or fee waivers for accuracy and appropriateness.	I		Court agrees, fine reductions practices and operations will be carefully reviewed and end of day fine reduction report will be created if possible.	CEO	4-1-12

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	#25		The Court does not exercise adequate controls preventing court management from voiding their own transactions.		C	Court agrees, CEO now reviews all voids	CEO	Already done
	#26		The Court does not have a formal process for checking out receipt books or a formal documented review process for ensuring all manual receipts are appropriate and accurately recorded in the case management system.		C	Court Agrees, process has been established	Court Executive Assistant	3-1-12
	#27		All Court employees with DMV access have not signed the annual DMV confidentiality statement and the Court does not periodically review DMV-generated system access or user activity reports.		C	Court Agrees, all staff have signed confidentiality statements. DMV user activity reports are being reviewed by CEO.	Court IT/Network Administrator	All employees have signed confidentiality statements-DMV access or user activity monitoring by 7-1-12
	#28		The Court has not changed safe combinations in recent memory.	I		Court Agrees, will get an estimate on the cost of changing combination.	Court Executive Assistant	3-1-12
		<b>5.2</b>	<b>Improvements Can Be Made to Enhance the Court's Delinquent Collections Program With Little Cost to the Court</b>					
	#29		The Court's newly established delinquent collections program focuses on overdue accounts from March 2009 and forward only.	I		Court Agrees, will work with County and AOC to establish program	Court Fiscal Officer	7-1-12
	#30		The Court has not utilized outside collections agencies and/or other courts throughout the state to augment Court resources while pursuing delinquent individuals.	I		Court Agrees, will use Franchise Tax Board	Court Fiscal Officer	7-1-12
	#31		The Court has not incorporated the Franchise Tax Board's tax intercept program into collecting monies on older cases.	I		Court Agrees, will investigate the use Franchise Tax Board	Court Fiscal Officer	7-1-12
	#32		The Court rarely applies the \$300 civil assessment to delinquent cases.		C	PJ discretion not to apply civil assessments	Presiding Judge	
		<b>5.3</b>	<b>Mail Opening Process Requires Increased Oversight</b>					
	#33		Court Clerks and the Executive Assistant individually open the mail assigned to them at their desks.	I		Court partially agrees, find means to increase oversight of mail processing	CEO	7-1-12

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	#34		Court Clerks are able to process mail payments at their discretion.	I		Court partially agrees, will find means to increase oversight of mail processing	CEO	7-1-12
<b>6</b>	<b>Information Systems</b>	<b>6.1</b>	<b>Certain Fine Distribution Calculations Were Incorrect</b>					
	#37 & #38		Judges waived statutorily mandatory fees and fines.		C	Judges have reaffirmed commitment to apply all statutorily mandated fees and fines	CEO	Already done
	#35-#37		The Court was unable to provide County Board Resolutions describing and authorizing collection and distribution of local penalties and assessments under GC 76000, and thus may be collecting and distributing monies incorrectly.	I		Court Agrees, will work with County to obtain Board resolution.	CEO and Court Fiscal Officer	7-1-12
	#35-#37		Some monies collected by the Court do not appear to be correctly reported in the month-end ICMS distribution report, potentially resulting in incorrect distributions.	I		Court Agrees, will work with ICMS vendor to correct distribution problems	CEO and Court Fiscal Officer	10-1-12
	#39		The County is not appropriately distributing monies collected for the Emergency Medical Air Transportation penalty (GC 76000.10(c)(1)).	I		Court agrees, has contacted County. Corrections have been made as of December 2011 distribution	CEO and Court Fiscal Officer	10-1-12
	#36		The 2 percent state automation calculations may not be applied appropriately.	I		Court agrees that may be a possibility, however, believes that current calculations are best means available given our case management system. We will work with case management vendor to correct calculations if possible	CEO and Court Fiscal Officer	10-1-12
	#36		Programming errors exist in ICMS's fine calculation tables.	I		Court Agrees; We will work with case management vendor to correct calculations tables.	CEO and Court Fiscal Officer	10-1-12

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>6.2</b>	<b>Broad User Access to Court Case Management Systems Increases Risk to the Court</b>					
	#40-#41		Employees responsible for operational activity in court information systems are granted system administrator roles that effectively allow the employee to perform conflicting functions.		C	Court Agrees, Court Operations Manager system administrator status has been removed	Court IT/Network Administrator	1-1-12
	#40-#41		Management personnel have full system access that allows them to void transactions, delete cases, and otherwise modify cases for which they have case management, cashiering, accounting or other operating responsibilities.		C	Court agrees, management personnel (Court Fiscal Officer and CEO) access rights have been limited	CEO	Already done
	#42		User profiles of former Court employees, which enable access to the Court's case management systems and Phoenix-FI, continue to remain in place and have not yet been eliminated.		C	Court partially agrees, retired annuitants and former CEO will retain access rights for reasons stated in response but with court staff supervision	CEO	1-1-12
		<b>6.3</b>	<b>Minor Improvements in the Court's Information System Are Required</b>					
	#43		The Court did not consistently ensure the physical security of its server room.		C	Court Agrees, moved to new courthouse with a new server room location that ensures physical security	Court IT/Network Administrator	Already done
	#44		The Court did not require periodic changes to network or system passwords.		C	Court Agrees, new IT infrastructure now requires periodic password changes	Court IT/Network Administrator	Already done
	#45		The Court did not have a formal disaster recovery plan to ensure its information systems would be protected in case of a disaster.	I		Court Agrees, Court IT network administrator will work with AOC to develop IT disaster recovery plan	Court IT/Network Administrator	10-1-12
<b>7</b>	<b>Banking and Treasury</b>	<b>7.1</b>	<b>Bank Account Reconciliation Practices Should Be Improved</b>					
	#46		The Court does not clearly indicate on its reconciliations who prepared or who reviewed the bank reconciliation.		C	Court Agrees, procedure has been implemented which requires identify of preparer and reviewer of bank	Court Fiscal Officer	Already done

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						reconciliations be stated on the reconciliation sheets		
<b>8</b>	<b>Court Security</b>		No issues identified in Report.					
<b>9</b>	<b>Procurement</b>	<b>9.1</b>	<b>Use of Informal Purchasing Processes Increase Risks to the Court</b>					
	#47		The Court does not submit purchase requisitions or issue purchases orders through Phoenix-FI and does not appropriately encumber funds for the Court's fiscal obligations.	I		Court agrees, we will use Phoenix Virtual Buyer Program if at all possible.	CEO And Court Fiscal Officer	7-1-12
	#48		The Court does not consistently ensure all invoices are appropriately reviewed and approved for payment or that procurement practices are appropriately segregated among different Court personnel	I		Court agrees, we will improve review of invoices and segregate procurement duties through use of Virtual Buyer program	CEO And Court Fiscal Officer	7-1-12
	#49		The Court does not obtain competitive bids or multiple quotes when a purchase is greater than \$500.	I		Court agrees, we will use of Virtual Buyer program to get bids or quotes	CEO And Court Fiscal Officer	7-1-12
<b>10</b>	<b>Contracts</b>	<b>10.1</b>	<b>Contracting Practices Could Be Improved</b>					
	#50		The Court does not have an executed agreement or MOU with the County for services it provides to the Court or one with the Sheriff's Department which details the security services and personnel provided to the Court.	I		Court Agrees; court will finalize MOU with County regarding security and personnel services provided to the court	CEO	5-1-12
	#51		The Court has not established formal contracts or alternative contracting practices for all of its professional service providers or vendors.	I		Court Agrees, we will establish policies and procedures that will formalize court contracting practices	CEO	7-1-12
	#52		Contracts are not formally executed or re-negotiated and formally executed prior to contract expiration.	I		Court Agrees, court will create inventory of all contracts with expiration date information for tracking of required renegotiation	CEO	7-1-12
	#53		Contracts did contain the appropriate elements of a contract.	I		Court Agrees, we'll take FIN Manual guidelines for	CEO	7-1-12

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						contract elements and establish policy & procedure		
<b>11</b>	<b>Accounts Payable</b>	<b>11.1</b>	<b>Court Accounts Payable Practices Could Be Improved</b>					
	#54		Invoices lacked evidence of appropriate invoice payment authorization by the CEO, as is stated Court practice.		C	Court Agrees, CEO reaffirmed requirement of CEO signoff on all invoices	CEO	1-1-12
	#55		A Court employee procured and received goods, authorized payment, and approved their own reimbursement claim	I		Court Agrees, use of Virtual Buyer program should eliminate this possibility concerning procurement. Court will also establish policy and procedure that will prohibit court employees from improving their own reimbursement claims	CEO	7-1-12
	#56-#57		Invoices/claims lacked sufficient supporting documentation for expenses claimed.	I		Court Agrees, court will sell as policy and procedures that will specify documentation needed for reimbursement claims	CEO	7-1-12
	#56-#57		Court infrequently uses its internal non-Phoenix-FI purchase order process for expenditures over \$500.	I		Court agrees. We will use of Phoenix Virtual Buyer program	CEO	7-1-12
	#56-#57		Invoices did not adhere to existing terms of contract or MOU.	I		Court Agrees, court will place responsibility upon CEO and Court Fiscal Officer in policy and procedure to ensure existing terms of contracts and MOU's are followed	CEO	7-1-12
	#54		Invoices were not always reviewed and approved according to Court policy.	I		Court Agrees, Court Agrees, CEO reaffirmed requirement of CEO signoff on all	CEO	7-1-12

FUNCTION	RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
					invoices		
#56-#57		Court does not assess the reasonableness of the claimed folios for Court Transcripts.		C	Court agrees, clerks responsible for case file now verify the word count & claimed folios	CEO and Court Operations Manager	2-1-12
#58		The Court paid for an unallowable jury expense and paid jury mileage and per diem expenses when unwarranted.		C	Court agrees and will improve review	CEO and Court Executive Assistant	1-1-12
#56-#57		The Court did not consistently review and approve travel claims for payment; travel claims lacked sufficient supporting documentation for claimed expenses.		C	Court agrees and will improve review	CEO And Court Fiscal Officer	1-1-12
<b>12</b>	<b>Fixed Assets Management</b>	<b>12.1</b>	<b>Fixed Asset Recording, Tracking, and Reporting Should Be Improved, Particularly as the Court Transitions to its New Court Facility</b>				
#59-#60 \$ #62		The Court does not maintain a fixed asset inventory list that identifies actual assets purchased, item description and location, purchase value and date, or useful life and depreciated value.	I		Court agrees, court has already created inventory list that meets auditor recommendations for assets located at old court courthouse location	Court Fiscal Officer & Court Fiscal Technician	8-1-12
#61		The Court does not conduct an annual inventory of its assets.	I		Court agrees, court will create policy and procedure that will require annual inventory of all court assets	Court Fiscal Officer & Court Fiscal Technician	8-1-12
<b>13</b>	<b>Audits</b>	<b>13.1</b>	<b>Prior Audit Recommendations Have Not Been Implemented</b>				
#63		The Court has not fully implemented corrective measures to address concerns previously identified in the AOC's 2007 audit report.	I		Court agrees, and will implement corrective measures agreed to in the 2007 audit response	CEO, Court Operations Manager & Court Fiscal Officer	1-1-13
<b>14</b>	<b>Records Retention</b>	<b>14.1</b>	<b>The Court Does Not Have a Formal Records Retention Policy</b>				
#64		The Court does not have a prescribed formal process for identifying and systematically purging older Court records.		C	Court agrees, Court will create record retention policy that will include procedure for periodic purging of court records	CEO & Court Operations Manager	1-1-13
<b>15</b>	<b>Domestic Violence</b>	<b>15.1</b>	<b>Domestic Violence Fees Were Not Always Assessed In Accordance with Statute</b>				
			No issues identified warranting a response.				

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
16	Exhibits	16.1	<b>Controls Over Exhibits, including Exhibit Tracking, Change of Custody, and Exhibit Disposal, are Inadequate and Require Improvement</b>					
	#65		The Court did not record exhibits into its case management system or any other exhibit log, track changes in custody, maintain an inventory of exhibits in storage, conduct periodic inventory checks of exhibits, have a secured exhibit transfer procedure from the Courtroom to their permanent exhibit storage area, or have a formal process in place to periodically dispose of stale exhibits.		C	Court agrees, Court will create comprehensive exhibits policy and procedure with exhibits management system that will comply with Audit Recommendations	CEO & Court Operations Manager	1-1-13
	#65		The Court lacked a written, comprehensive policies and procedures manual for handling exhibits.		C	Court agrees, as stated above Court will create exhibits policy and procedure	CEO & Court Operations Manager	1-1-13
17	Facilities							
			No issues identified warranting a response.					

I = Incomplete; Court response and/or corrective action plan does not fully address issue and thus, remains incomplete.  
 C = Complete; Court response and/or corrective action plan addresses issue and is considered completed.

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PENDING

**Appendix C: Court's Full Response**

PENDING

**SUPERIOR COURT OF CALIFORNIA-MONO COUNTY  
RESPONSE TO 2011 COURT AUDIT BY ADMINISTRATIVE  
OFFICE OF THE COURTS**

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**MARCH 2012**

## COURT RESPONSE -EXECUTIVE SUMMARY

The Mono County Superior Court (Court) appreciates the professionalism and collaborative spirit exhibited by the Sjoberg Evashenk Consulting (SEC) team that audited our Court on behalf of the Administrative Office of the Courts (AOC). Our Court understands that the goal of the audit is to promote our Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. Our Court has or intends to implement many of the audit recommendations made by the SEC team. First, it is important to note that the period of audit inquiry for Mono County Superior Court covers a span of time that includes the most challenging events a trial court can experience. In just the last three years Mono County Superior Court has experienced a turnover of long-standing court leadership and relocation of its primary court and administrative operations. Two and a-half years ago the only Superior Court CEO that our Court had ever had retired from his position after more than 20 years of service. A year and half ago, our Presiding Judge of over 15 years retired.

For the last three years Mono Superior Court has been planning and coordinating the construction of a new main courthouse. Construction was completed in August 2011 and the Court relocated primary courtroom operations and court administration to the new courthouse in September 2011. These challenges are not stated as excuses for audit findings. Challenges can be opportunities for change, which is clearly how our Court intends to proceed with the audit findings and recommendations that make sense for a court of our size and circumstances to implement.

There are findings and recommendations that merit an explanation in our response regarding our Court's practices and operations. We will detail those in our specific responses. There are recommendations based on findings made of the physical conditions that existed in our old courthouse location and do not exist in our new courthouse location. The SEC team has noted the Court's intention to implement certain recommendations once our Court relocated to the new courthouse. There are recommendations that would be worthy of consideration in a normal fiscal environment but may not be advisable with impending trial court budget reductions. Unfortunately, we are not in a normal fiscal environment. Consequently, recommendations that increase costs, add staffing or inject uncertainty in fiscal management would not be prudent to implement at this time. Finally, there are findings and recommendations regardless of the fiscal environment or other factors, may not be advisable for our Court given our unique circumstances, extremely small size and isolated location. In such cases, our Court intends to comply with AOC FIN Manual Policy and with new contract compliance guidelines established by the AOC. An example of our intention to comply is our commitment to use the virtual buyer program in the Phoenix system. Finally, it is important to note that the judgment of this Court regarding operations and fiscal management has been exceptionally successful. Despite all the aforementioned challenges, the Mono County Superior Court has accrued a very significant reserve. This reserve fund was purposely accrued over many fiscal years due to the prudent management and fiscal discipline of court leadership that goes back 20 years and more. The reserve fund was accrued to cover the substantial local trial court costs associated with the construction of a new main courthouse and to provide financial stability in the event of budget

reductions. Our Court runs a lean and efficient operation with a small but very trustworthy staff. We understand the importance of the duty we as a court have to provide accountability and safeguards for the branch funds and assets entrusted to us.

The SEC team noted what they believe to be significant issues identified during the audit, and recommended corrective action. Our Court will respond to each recommendation individually below. Before responding to the issues the SEC team believed were significant our Court would like to specifically respond to descriptions used in the audit findings. The SEC team repeatedly used the terms "manual" or "manually" to describe the Court's methods of calculating and tracking for fiscal management and asset management. The SEC team used these descriptions to contrast our methods with the "automated" means of fiscal and asset management that are available through the AOC Phoenix system. In most cases, however, our Court is using Excel spreadsheets to calculate, track and manage our fiscal and asset management responsibilities. These spreadsheets are often uploaded into the Phoenix system, which is a standard practice between this Court and the AOC. We do not want the mistaken impression created that we are using paper, pen and calculators as our primary means calculating and tracking our fiscal and asset management.

✓ **Court Process for Identifying, Recording and Monitoring Trust Monies Needs Significant Improvements**

The Court agrees that improvement is needed in identifying, reconciling and escheating stale criminal trust monies. The Court reconciles the current criminal trust monies, those held since 2003, and holds those current criminal trust fund monies in a holding account where stale criminal trust monies are also held. The Court does needs to properly deal with the stale criminal trust monies held in this holding account. However, audit recommendations went further and would have our Court create a redundant account for criminal trust funds. The current Court practice maintains and promotes efficiency because of the frequent transfer of criminal trust funds when they are applied to fines, fees and forfeitures. We do not intend to change your current practice of using a holding account.

✓ **Court Bank Account Management Practices Could Be Improved**

The Court generally agrees with the audit recommendations to improve account management practices. In fact, the Court has already implemented recommendations such as the sign-off identification of the staff preparing bank reconciliations and review of those reconciliations by another court employee who is not supervised by the preparer of the reconciliation.

✓ **Court Does Not Take Full Advantage of Available Automated Fiscal and Accounting Tools**

A very prominent theme in the SEC audit recommendations is promoting the Court to use all components of Phoenix-FI. We see the value of using the Phoenix system and intend to use it in order to meet legal mandates and to promote efficiency. However, in circumstances where using components of the Phoenix system is discretionary for local court, we need to consider our Court's size, staffing and the current budget instability. Phoenix-FI does offer the benefits of an automated fiscal system but the accompanying complexity may not be cost effective, particularly when the fund balances or transactions are at the significantly lower amounts and lesser volume of a small court like ours. However, the audit process has

brought to our attention a component of Phoenix that would be advisable for court to use, the "Virtual Buyer" program. The Court believes that the use of Phoenix Virtual Buyer program will significantly assist our court in meeting our fiscal control and reporting responsibilities in the areas of procurement and acquisitions.

✓ **Court Balances Currently Held in the County Treasury Were Incorrectly Categorized in the Court's Fiscal Records**

The auditors accurately identify three Court automation funds totaling a little over \$200,000 held by the Mono County (County) Treasury. The Court accepts the recommendation that these funds should be transferred to Trial Court Trust Fund accounts and has already done so. It is important to note, that these are long-standing automation funds existed prior to separation of our Superior Court from the County. The Court was well aware of the existence of these accounts. We maintained the automation funds in the County accounts for the purpose of holding these funds until they were needed for IT infrastructure expenditures for the new courthouse. The automation funds have been totally expended to cover new courthouse IT costs.

✓ **Procurement, Contracting, and Expenditure Practices Did Not Always Comply with Informal Court Policy or FIN Manual Guidelines**

The audit findings maintained that the Court does not consistently follow FIN Manual policies or the Court's own informal practices regarding procurement and expenditure processing. Specifically, the SEC team found that our Court did not document that we consistently obtained multiple quotes for bids for purchases over \$500 as required by the FIN manual. The Court does not dispute this finding. In regards to procurement of goods, the court expects the use of the Virtual Buyer program to help us comply with the multiple quote requirement. Unfortunately, obtaining multiple quotes for services, particularly highly specialized technical services, is very difficult in an extremely small and isolated mountain community. The auditors also found that Court internal policy requiring that the CEO review and sign-off on all invoices/claims prior to payment was not being consistently followed. This finding was a great benefit to the Court and has led to significant improvements being made in invoice authorizations. As stated previously, our Court intends to make use of the Phoenix Virtual Buyer program, which should remedy the findings in the audit and improve our overall future procurement and expenditure practices.

✓ **Court Should Improve Cash Controls to Safeguard Court and Public Assets**

The audit identified a number of day-to-day court operational practices and cashiering processes that needed to be improved to secure cash assets and protect access to case file information. Even though the SEC team characterized these points of improvement as minor, the Court agrees with the goal of improving security to access cash and case file information. The Court is in the process of implementing most of the recommendations made by the audit in this area.

✓ **Court Does Not Always Ensure Appropriate Calculation, Collection, and Distribution of Fees and Fines**

The SEC audit team found inaccuracies in our Court's calculation and distribution of fines and fees. As the SEC audit report correctly indicated these inaccuracies were also found in a

recent audit by the state Controller's Office. These inaccuracies are a serious problem that our Court has tried to work through unsuccessfully with ISD, the contractor providing our case management systems. We agree with the audit's recommendation that our efforts need to be escalated to seek assistance from the AOC. Our Court has already made an informal request to the AOC Audit Unit to assist us by providing an analysis of our Court's collection and distribution formulas and methodology. Our Court will take that analysis and seek assistance from consultants and other courts using ISD case management systems that have accurately calculated and distributed fines and fees.

✓ **Court Administration and Governance Practices Need Strengthening, Including Formalizing and Documenting Policies and Procedures and Increased Oversight**

The Court accepts the auditors' recommendations as positive steps that need to be taken. In 2012 our Court intended to revise its local rules and document policies and procedures. As part of that effort we will take the following steps. We will formalize the delegation of court administrative functions from the Presiding Judge (PJ) to the Court Executive Officer (CEO). We will also draft policies regarding PJ and CEO duties and CEO scope of authority. In addition, we will require the CEO position to file conflicts of interests and statements of economic interests. Also to be addressed will be CEO performance evaluations, PJ approval of CEO compensation, tracking judicial leave/absences, and monitoring causes under submission. The audit recommendations concerning conflicts of interest and filing economic interests statements for the CEO has prompted our Court to consider placing the same requirements on our Court Operations Manager and Court Fiscal Officer.

✓ **Information System Controls Do Not Adequately Secure Data and Prevent Inappropriate System Access**

The auditors identified information system practices and procedures that did not fully secure sensitive Court data and did not sufficiently protect Court information from inappropriate access. However, these information system practices and procedures were due to network design that existed in the old information system located in our old courthouse location. Nearly all the audit report recommendations in this area have been implemented as a result of the creation of a new information system for our new courthouse. Two recommendation points by the audit report merit specific Court response. The Court will continue to allow retired annuitants who work for the Court access to our information system; however, access is limited to when retired annuitants are on court site and under court staff supervision. The concern expressed by the auditors regarding the CEO and the Court Fiscal Officer having full case management system access was a revelation to the Court. Both the CEO and the Court Fiscal Officer were unaware of this access and have never used this access. The Court has reprogrammed its information systems to remove full access for both the CEO and the Court Fiscal Officer; both positions now only have read only access.

✓ **Significant Improvements Are Needed to Better Safeguard Exhibits**

The Court agrees with the auditors' finding that current practices and procedures concerning the storage, security and tracking of exhibits need improvement. The move to a new courthouse has allowed the Court to implement some of the most important recommendations made by the audit report. Specifically, the Court now has a secure exhibit storage location inaccessible to all persons except the Court's exhibit custodian. The Court

will implement the remaining recommendations concerning logging exhibits into our case management system, tracking changes in custody, maintaining a current inventory of exhibits in storage, and conducting periodic inventory checks of exhibits with intention of doing regular purges of old exhibits.

✓ **Fixed Asset Recording, Tracking, and Reporting Should Be Improved, Particularly as the Court Transitions to its New Court Facility**

As the audit report noted, our Court does track fixed asset expenditures of \$5,000 or more for CAFR reporting. However, the Court accepts that it will need to improve management of fixed asset reporting in order to comply with the FIN Manual. In addition, the Court sees an equally important reason to do so. Our new courthouse location has required the purchase of expensive furniture and equipment by both the AOC and our Court. Due diligence is required by our Court to record and track these new fixed assets.

✓ **The Court Does Not Have a Records Retention Policy**

Our Court has reviewed records and purged them as needed. We do agree that our Court needs to formalize this process into a record retention policy. We are currently working on the records retention policy. The move to a new courthouse has provided the opportunity to inventory all court records and determine procedure for purging and for documenting destruction.

The Court's response to the following specific recommendations made by the auditors is stated below:

- Cease comingling trust and agency monies and begin reconciling monies held in trust, and implement a process to identify and escheat stale trust monies.
  - **Court Response**-Court partially agrees. We will effectively reconcile monies held in criminal trust and document reconciliation efforts with our County to escheat stale criminal trust monies. We will also reconcile civil trust monies to identify stale monies and work with the AOC to escheat those monies. Once we have reconciled and escheated stale criminal trust monies, our Court is confident that we can accurately and consistently reconcile criminal trust monies without establishing a redundant account for criminal trust funds.
- Require that management and staff demonstrate proper segregation of duties by ensuring bank account reconciliations are completed and reviewed by different individuals.
  - **Court Response**-Court agrees to do so. Given the small size of management and fiscal staff, we may need the assistance of the AOC to identify procedures that will ensure proper segregation of duties.
- Identify manually managed fiscal and accounting activities, including reducing or eliminating external bank accounts and funds, and transition them to Phoenix-FI.
  - **Court Response**-Court agrees. The Court has transferred automation funds to Trial Court Trust Fund accounts. The Court will not eliminate any other external accounts, however, the Court will reconfirm with the County the minimum amount required to be held to cover court staff payroll. The Court

will not, at this time, consider expanding the use of the Phoenix-FI system for accounts management.

- Ensure the distribution formulas in the case management system are correct and accurate, ensure that all fee/fine revenue distributions comply with relevant laws, regulations, and guidance; if necessary, seek clarification and guidance from the AOC on configuring accurate distributions in the case management system.
  - **Court Response**-Court agrees. The Court will seek the assistance of the AOC Audit unit to do a fee/fine distribution analysis. Court will also work with its case management system vendor and other trial courts that use the same case management system to make programming changes that will ensure accurate distribution formulas.
- Implement stronger controls over cash handling practices by restricting access to cash drawers, periodically changing Court safe combinations, assigning two employees to open and process mail payments, and ensuring court management cannot sign-off and approve their own voided transactions.
  - **Court Response**-Court agrees to implement recommendations as practicable. In regards to approval of voided transactions, CEO will review and approve the all voided transactions on a monthly basis.
- Implement supervisory review of fine reductions and fee waivers to ensure they are supported by appropriate judicial orders and/or fee waiver applications.
  - **Court Response**-Court agrees. In regards to fine reductions, the Court will do a detailed review of current fine reduction/exoneration practices by clerks to assure that judicial orders supporting the specific amount of reduction or exoneration are in a case file. The court will also work with our case management system vendor to develop an “end of day fine reduction” report that will be reviewed by the Operations Manager and CEO. Fee waivers are an area where the audit has helped identify a need for greater supervisory review. Court staff will also provide to bench officers current and correct information regarding application of fines and fees.
- Establish formal policies and procedures for CEO compensation and performance evaluations; submissions of “Statement of Economic Interests” forms; tracking judicial leave and absences; and monitoring cases under submission to ensure compliance with California Rules of Court.
  - **Court Response**-Court agrees. Priority in the drafting court policies and procedures will be given to CEO compensation, performance evaluations, submission of "Statements of Economic Interest", tracking judicial leave and absences and monitoring cases under submission.
- Enhance controls over procurement, contracting, and accounts payable by ensuring personnel consistently conduct and document “3-point match” reviews, invoices are sufficiently and appropriately supported prior to payment, invoices are approved by appropriate court personnel, all Court-County services are memorialized in

memorandums of understanding, and all agreements with external service providers are memorialized in fully-developed contracts.

- **Court Response**-Court agrees. In regards to obtaining multiple quotes for purchases over \$5,000, our Court will do so to the extent that is practicable given our Court's size and unique community. The utilization of the Phoenix Virtual Buyer program should help in this regard.
- Enhance exhibit inventory controls as suggested in the FIN Manual by developing formal procedures to record, monitor, and track exhibits in the Court's custody; document changes in exhibit custody; and for the disposal of stale exhibits. This should include developing and maintaining a comprehensive inventory of exhibits, and conducting physical inventory audits of exhibits on a periodic basis.
  - **Court Response**-Court agrees and will establish formal procedures for exhibit inventory and management controls as outlined in the FIN Manual.
- Enhance system controls by disabling all former employee user profiles from all systems, limiting employee access to only those system functions that are necessary to perform their primary responsibilities, and implementing a policy which requires all Court employees to change their system passwords on a regular basis. This includes restricting case management system access to ensure Court employees who maintain or manage the Court's fiscal and accounting records do not have system access to case management functions
  - **Court Response**-Court agrees and has implemented all the audit recommendations with one exception. That exception is in regards to our former CEO. Our former CEO who needs system access in order to repair and reconfigure a 20-year-old DOS civil program he programmed. However, this access is provided only on-site and under the supervision of the courts IT/network administrator.
- Conduct an inventory of its fixed assets and develop a list of fixed assets, which includes at a minimum a description of the asset, purchase date, purchase price, useful life, asset identification number, and location of the fixed asset.
  - **Court Response**-Court agrees. The court has already begun the inventorying process with assets in our old court location that will be surplus.
- Establish a record retention policy which follows FIN Manual Policy, including minimum length of time fiscal and administrative documents must be retained, appropriate record storage, notice of destruction process requirements, as well as the process for purging and destroying old records.
  - **Court Response**-Court agrees and will be drafting records retention policy in accordance with FIN Manual.

## **1.1 Certain Administrative Practices Related CEO Compensation Should be Improved SEC Recommendations**

To tighten general court administrative practices, the Court should:

1. Ensure Personnel Action Forms prescribing changes to CEO compensation are approved and signed by the PJ before transmittal to the County.
  - **Court Response**-Court agrees, however, it is important to note that this is already the practice of the Court and the Mono County payroll office. The Mono County payroll office handles all payroll for the Court, and County current practice requires a signed judge's order before implementing any CEO compensation changes made in a Personnel Action Form.
2. Develop a formal written process for setting and approving changes in compensation, including performance evaluations, to ensure changes made to the compensation package are appropriate and authorized, and made in a fiscally responsible manner.
  - **Court Response**-Court agrees and will include the requirement and timing of CEO performance evaluation and changes in CEO compensation as part of comprehensive court policies and procedures.

## **1.2 Improved Monitoring and Administration of Conflict of Interest Code is Required SEC Recommendations**

To ensure compliance with statutes regarding potential conflicts of interests, we recommend that the Court:

3. Establish a Conflict of Interest Code that identifies each judicial officer and court employee that occupies a position that may place them in a position to participate in decisions that may have a material impact on their economic interests.
  - **Court Response**-Court agrees. In addition to the audit identified judicial officers and CEO, the Court intends to include the Court Operations Manager as an employees required to submit Form 700 to the CEO. This is done after reviewing the conflict of interest codes or policies of other similar sized courts.
4. Require each of the identified officials and employees to submit Form 700 to the CEO, who should make a copy for Court records and file original forms with the Fair Political Practices Commission.
  - **Court Response**-Court agrees implement the recommendations for the 2012 submission Form 700's.

### 1.3 Certain Court Governance Practices Could Be Strengthened

#### SEC Recommendations

In order to enhance various court governance practices, we recommend that the Court:

5. Memorialize the PJ's informal delegation of responsibility to perform PJ administrative duties to the CEO through judicial order or local rule of court.
  - **Court Response**-Court agrees. The court has already received assistance from the AOC Audit Unit with drafting a special matter order in conformance with California Rules of Court 10.603.
6. Establish a method to track leaves of absence for judges in a manner consistent with the FIN Manual and CRC.
  - **Court Response**-Court agrees. The court CEO and the Court Executive Assistant have established tracking system in conformity with FIN Manual.
7. Ensure the PJ has adequate information regarding cases under submission—including information necessary to identify any cases approaching the 30-, 60-, 90-day thresholds—by providing on a monthly basis the PJ with case management system reports showing all cases under submission.
  - **Court Response**-Court agrees, has created a submission report that identifies cases under submission and their timelines approaching 30, 60, 90 day thresholds that is provided to the PJ and CEO.

## 2. Fiscal Management

In the “Fiscal Management” section of the audit the SEC team strongly advocated for the Court to utilize more of the Phoenix-FI automated features and reports. This is an understandable recommendation given the branch's goal of establishing effective fiscal management tools and reports that are consistently used by all trial courts. At some point in the future we may consider implementing more features of Phoenix-FI. At this time, we do intend to begin utilizing the Phoenix Virtual Buyer program. Our Court also currently uses Phoenix-FI to take advantage of some of the automated processes by uploading Excel spreadsheets and utilizing Phoenix support staff in the areas of General Ledger. We also make use of Phoenix financial statements. We intend to expand our use of Phoenix-FI in the area of procurements and expenditures, using the Virtual Buyer program. During highly the volatile budget environment that trial courts are experiencing, a measured expansion of our Court's use of Phoenix-FI is prudent. It is important to note that the audit did not reveal any discrepancies or wrongdoing in our Court's fiscal management. In fact, as we have previously stated our fiscal management practices and methods have resulted in a significant reserve. This reserve will cover the extraordinary expenditures generated by new courthouse construction and will provide fiscal stability for our Court operations in the face of repeated Trial Court Trust Fund budget reductions. We are not maintaining that our current practices and methods of fiscal management cannot be improved.

## SEC Recommendations

8. Consider reducing the number of bank accounts and County funds outside of Phoenix-FI, and begin automating many of the manual accounting practices associated with these accounts through Phoenix-FI.
  - **Court Response**-Court partially agrees. The Court has closed two of the three county funds and has used the monies in the funds to augment general fund expenses related to technology for the new courthouse. Our court will also reconfirm with the County the amount the Court must maintain in a County payroll fund, and reduce the amount held in that County payroll account accordingly. Our Court will maintain all other funds in their current accounts.
9. Identify current accounts payable activities managed outside of Phoenix-FI and begin transitioning them to Phoenix-FI, where greater controls are in place to ensure compliance with FIN Manual guidelines.
  - **Court Response**-Court agrees to implement the Phoenix Virtual Buyer program, qualified by the assumption that it will not substantially increase complexity or the need for additional staff resources. Our Court's use of the Phoenix Virtual Buyer program to cover procurement and purchasing should make compliance with the FIN manual guidelines more practical given our Court's unique business environment for procurement of services. Our main courthouse is located in an extremely isolated mountain community, Mammoth Lakes, with a population of full-time residents of approximately 7,000. The largest population and business center near Mammoth Lakes is over 160 miles away, the Carson-Reno area, in the state of Nevada. We have a very limited number of service vendors in our area or service vendors outside our area who are willing to come to our area. The Court wishes to comply with the complete segregation of duties in the areas of accounts payable and purchasing. However, given that we only have four administrative/fiscal staff (CEO, Court Fiscal Officer, Executive Assistant and Fiscal Technician), complying with the ideal of segregation of duties with current staff is extremely difficult. We expect that the utilization of the Virtual Buyer program will help us achieve segregation of duties without hampering our productivity.
10. Develop policies and procedures covering key fiscal and administrative processes, particularly those carried out through manual processes outside Phoenix-FI.
  - **Court Response**-the Court agrees. Our Court will begin developing policies and procedures. We also intend to submit these policies and procedures for review by the AOC Audit Unit.

## 2.2 Audit Fieldwork Identified Limited Instances of Non-Rule 10.810 Allowable Expenditures by the Court

### Recommendation

11. Ensure Court operational monies are used for business related goods and services and fall under Rule 10.810 allowable costs; strive to eliminate all non-essential business expenses.

- **Court Response**-the Court appreciates the auditors finding that “Overall, we found the Court exercise sound business practice by restricting expenses to necessary court-related business.” However, good cause exists for two of the three instances that the audit contended that the Court expenditures were not consistent with Rule 10.810. The three instances noted were the purchase of bottled water, purchase of meals for a non-sequestered jury and expenditures for a presiding judge’s retirement event. There is good cause for the purchase of bottled water. Our community’s tap water has a high mineral and arsenic content that make it unpalatable and prompts health and safety notifications from our local community water district. There was good cause for the one instance or our court purchased meals for a non-sequestered jury. This once instance was an exception to our normal court practice, it was ordered by a visiting judge who believed that providing the meals would give the jury more time to reach a decision and save the Court the expense of an additional day of deliberations. Our Court’s practice is not to purchase meals from court funds for non-sequestered juries. Normally, when a non-sequestered jury is close to reaching decision and approaching dinnertime, our judges and/or the CEO will pay for meals for the jury out of their own pockets. The Court accepts that expenditures for the 2010 retirement event held to honor our former presiding judge were not essential business expenses. On or before April 1, 2012, the Court will be reimbursed for the all expenditures incurred for the retirement event. The decision to incur the expenditures was made by the Court Executive Officer (CEO). The Court Presiding Judge will implement a Special Matter Order that will delineate the duties delegated to the CEO in regards to expenditures of Court funds to assure adherence to Rule 10.810 and review and approval by the Presiding Judge.

## 3. Fund Accounting

The SEC team found that:

“With few exceptions, the Court records fiscal activity through appropriately segregated funds and accounts. All of the Court’s fund balances are reported and supported by underlying financial records and documentation.”

We appreciate that finding since our Court considers fund accounting a high priority and a strength of our Court's fiscal management. Our Court has patiently and diligently built up a reserve fund. It has been our Court's policy to conservatively marshal that reserve fund for known obligations and for unknown emergencies. That conservative approach has served our

Court well and is the reason we will continue to keep reserve fund balances that exceed the AOC recommended minimum emergency reserve fund amounts. Given the uncertainties of trial court budgets, it is not prudent to have a minimal fiscal safety net. We also believe that we have a special obligation to our employees to assure that they will be paid despite any budgetary crisis that may come. That is why we obligated an amount in reserve for that purpose with the County treasury since the County handles our payroll. We believe there is no better purpose for that money. However, as stated previously, in accordance with the audit recommendation we will reconfirm with the County the amounts the Court is required to maintain in the County payroll fund. Any monies that exceed the required amount will be transferred from the County payroll fund account to a Court controlled account.

### **3.1 Court Balances Currently Held in the County Treasury Were Incorrectly Categorized in the Court's Fiscal Records**

The auditors correctly identified over \$200,000 in two accounts held by the Mono County Treasury for funds identified as Justice Court automation and Superior Court automation. As is apparent, those funds were given to the County on behalf of the Justice Court and Superior Court before the point of court separation from the County. The funds were kept in their original County accounts with the intention to use at the appropriate time for new courthouse construction IT infrastructure. We agree that these automated funds should have been transferred to court held accounts and designated as "restricted statutory". The Court has done so and has expended all the automation funding for IT costs for the new courthouse.

#### **Recommendations**

To more accurately account for operating monies held in the County Treasury, and to put this money to better use, we recommend that the Court:

12. Work with the County to transfer all Court-owned money to a Court-owned account, with the exception of the minimal necessary to fund payroll obligations—such as maintaining a balance equivalent to two months worth of payroll with the County.
  - **Court Response**-Court agrees. The Court has transferred two of the three county funds to offset general fund expenses related to the new courthouse. Regarding the payroll fund; the Court's will reconfirm with the County the minimum amount the Court is required to maintain in the County payroll fund. As previously stated, any monies beyond the minimum amount will be transferred from the County payroll fund to a Court controlled fund account.
13. Establish a special revenue fund in Phoenix-FI for the Court's restricted automation monies.
  - **Court Response**-Court agrees. We have transferred the automation funds per auditors' recommendations.
14. Identify any operating expenditures planned by the Court which could be offset with Court Automation funds, and use these funds for such expenditures in lieu of expending general operating money.

- **Court Response**-Court agrees. It was our intention to use these funds for new courthouse IT cost. The funds have been expended for IT related costs for our new courthouse.

### **3.2 The Bank Account Used to Hold Bail Trust Deposits and Daily Fees, Fines, and Forfeitures, Has Not Been Successfully Reconciled Since 2003**

The audit does raise valid concerns about the manner in which our Court holds monies in trust, particularly criminal trust funds. As the audit as noted, our methods of handling civil trust monies is different from the manner in which we handle criminal trust monies. There is a good operational reason for the difference in the manner we handle trust monies. Monies held in civil trust accounts are usually held for long periods of time; therefore, our Court does use a separate civil trust account. Criminal trust monies are normally held for very short periods of time. Eighty percent of all criminal trust monies are eventually applied or adjudicated to fines, fees, forfeitures or refunds. This application or adjudication frequently occurs within a few days of the criminal trust monies being deposited. The Court considers it inefficient to put the funds in one account to eventually, often the next day, be swept into the holding account where the monies could already be located. Though it would be ideal to maintain a separate criminal trust account, given the small size of our two-person fiscal staff the Court has developed a manageable manner of holding criminal trust monies. In the future, when fiscal stability returns to trial court budgets, the Court will consider hiring additional staff which would allow us to adjust workloads for fiscal staff which would include management of criminal trust monies in a separate trust account. The Court understands that there is a risk involved, however, as the audit findings noted there were no inappropriate fiscal activities or potential fraud revealed in any of the fiscal activities of our Court. Given the small size of the fiscal staff and the manner in which trust funds are held, the CEO has a direct responsibility to monitor the management of trust fund accounts and all other fiscal activities of the Court. The Court does have a distribution account called the "holding account" and at this time we do not see the necessity to begin depositing all future fines, fees & forfeitures in the AOC's distribution account. There are some unidentified stale criminal trust funds that date back to 2003, but the Court knows that exact amount. Every other penny of monies in the criminal trust fund is tied to a case number, or interest earned. The Court does agree to identify stale criminal trust funds, determine the underlying case status, and work with our County to make an appropriate escheatment decision.

Regarding civil trust monies, the auditors correctly noted that the Court's ability to implement stronger controls has been hampered by limitations in our DOS-based civil case management system. This DOS civil case management program is a legacy we must continue to use for old civil cases that have not been transferred to the new civil case management system, identified in the audit report as ICMS, that the Court acquired last year. A high priority for the Court in 2012 is to migrate the civil case file data from the DOS-based case management system to the ICMS civil case management system. The Court has already retained a consultant to do this data migration and intends to have the migration completed by Spring 2012.

The auditors pointed out issues with the ICMS case management system that affects our Court's ability to manage and reconcile monies held in trust. However, these issues date back to 2003 when the Court changed from a DOS based criminal case management system to its current

ICMS criminal case management system. The Court is aware of these issues and has been working with the vendor of the ICMS, ISD Inc., and with consultants to rectify them.

### **SEC Recommendations**

15. Work with ISD Inc. to determine the cause of the variances between the ICMS trust reports and resolve any discrepancies.
  - **Court Response**-Court agrees. The Court is and will continue to work with ISD and consultants to find a solution to these discrepancies.
16. Cease comingling trust and agency monies. In doing this, we recommend that the Court consider the following steps:
  - Establish a new agency account and begin depositing non-trust daily collections in the new account; the AOC already has an account established for this purpose—the “Distribution Account”. In the future, this pass-through account should reconcile to zero monthly.
  - Deposit all future fees, fines, and forfeitures into the Distribution Account.
  - For existing fees, fines, and forfeitures in the Holding Account, proceed to distribute them through the standard revenue distribution process until no known fees, fines, and forfeitures remain in the Holding Account. The remaining balance will include all criminal trust monies as well as unreconciled balances, if any.
  - Open trust accounts with the AOC for civil and criminal trust deposits and migrate trust accounting onto Phoenix-FI, including deposits and refunds.
  - Identify all known criminal trust monies through ICMS reports, as well as all known civil trust monies, and transfer them to the new trust accounts in Phoenix-FI.
  - Finally, investigate funds remaining in the Holding Account, if any. These monies will represent unidentified and unreconciled monies that may require research to determine their origin.
    - **Court Response**-the Court agrees with the outcome stated in Recommendation 16, we need to reconcile our stale criminal trust fund monies. Our Court is able to accurately track and reconcile current criminal trust monies held in the Holding Account. We agree to consider expanding the Court’s use of Phoenix-FI. We will expand the use of Phoenix-FI as long as additional complexities, costs and staffing are not required. We agree that our current methods and practices need improvement to correctly reconcile stale criminal trust monies held in the distribution account labeled as "Holding Account". We will diligently work to identify the case information for stale criminal trust monies, determine case status and work closely with our county to appropriately escheat these monies. Operationally, it is more efficient for our Court to maintain the Holding Account.

17. Develop a trust account ledger for civil and criminal trust that includes the case number, deposit date, deposit check number, deposit amount, disbursement date, disbursement check number, and disbursement amount for each case. This should remain in place until the AOC's Trust Module in Phoenix-FI is completed.
  - **Court Response**-the Court already maintains account ledgers with all the above components for civil trust account and several such ledgers for the criminal trust monies.
18. Implement a true reconciliation process of criminal trust, as well as the civil trust now recorded in ICMS, that reconciles the bank statement balance, to the Court's fiscal records—manual trust account ledger and Phoenix-FI, and to trust balances reported in the Court's case management system. As part of the reconciliation process, the Court should implement a management review of the trust reconciliation.
  - **Court Response**-the Court agrees with the outcome recommended, the improved reconciliation of the criminal trust monies with management review of that reconciliation. Court agrees to use of the Phoenix-FI as long as additional complexities, costs and staffing are not required.
19. Given that the Court has not escheated stale trust monies in recent history, and given the challenges faced by the Court to identify trust deposits made prior to 2003 that may still be in the Court's custody, the Court should continue its process of identifying old and stale trust monies so they may begin escheating all applicable dollars identified.
  - **Court Response**-the Court agrees. As previously stated, the Court intends to identify all stale trust fund monies and implement an appropriate escheatment process in coordination with the appropriate authority, County for criminal trust monies or AOC for civil trust monies. The court has implemented an escheatment project and begun to identify stale trust fund monies.
20. Transfer all civil cases onto the new civil ICMS platform.
  - **Court Response**-the Court agrees. The Court has already hired an IT consultant specializing in data migration who is currently analyzing the old civil DOS case management system and the new civil ICMS case management system. We expect to have all civil case data in the DOS case management system migrated to ICMS by May 2012.
21. Periodically audit the fiscal and accounting activities made to the Bail trust, including reviewing any manual adjustments made to the trust ledger balance.
  - **Court Response**-the Court does and will continue to audit the fiscal and accounting activities of the criminal trust monies (Bail trust), including of any adjustments made to the trust ledger balance.

## 5. Cash Collections

### 5.1 Controls Over Cash Handling and Collection Processes are Good, but Could be Enhanced

We appreciate the auditors' findings that our cashiering processes are generally good and compliant with the FIN Manual. Nevertheless, we do recognize the need for improvement in some of our practices to decrease the risk of theft or wrongdoing. However, as the auditors aptly noted there were no identified instances of theft or wrongdoing on the part of court staff.

✓ ***Court Clerks at the Mammoth Lakes Court Location Share One Cash Register for Processing Cash Collections on Civil Cases:***

- **Court Response**-the audit report accurately describe one of the consequences of our outdated DOS civil case management system. Our Court is required to use a special DOS cashier program to process payments for civil cases still in our DOS case management program. Our Court has already stated our intention and concrete actions taken to migrate our civil case data out of the old DOS program. Once that is accomplished, we will be able to set up a new point of sale cashiering system that will allow us to assign cash registers to certain staff for defined shifts to handle customer transactions at the public counter.

✓ ***Court Fiscal Officer Access Levels in the Case Management System are in Conflict with Assigned Cash Handling Duties:***

- **Court Response**-the audit raises valid concerns with cash handling but is relying on statements of our practice or Court operations that require explanation in our response. Specifically, the auditors focused on the activities of the Court Fiscal Officer. The auditors described the Court Fiscal Officer as engaging in the following activities:
  - Handle and deposit daily collections, including trust
  - Update and manage the Court's fiscal records
  - Conduct monthly reconciliations of Court accounts and funds
  - Access to modify, add, or delete case information in the Court's case management system, ICMS

It is accurate to describe the Court Fiscal Officer as handling daily deposits, updating and managing Court fiscal records. The Court Fiscal Officer does participate in monthly reconciliations. The monthly reconciliation of court accounts and funds is done by the Courts fiscal technician and is then reviewed by the Court Fiscal Officer. The audit found that Court Fiscal Officer had access to modify case information in the Courts case management system. Actually, both the Court Fiscal Officer and the CEO had access to modify case information in the Courts case management system. However, this access was unbeknownst to both the Court Fiscal Officer and CEO. This complete access has been eliminated at the direction of the CEO. Both the Court Fiscal Officer and the CEO now only have limited access allowing them to view case file information. In regards to the

duties of daily deposits, updating and managing the Courts fiscal records; it would be ideal to segregate some of those duties to other positions. However there is only one other fiscal staff person, that would mean placing these duties on either the CEO or the Executive Assistant. Given the workload and duties of the CEO and Executive Assistant, adding any of these fiscal duties would be burdensome. The Court is well aware of the risk inherent in a lack of segregation of fiscal duties. Our Court's approach is to "trust but verify" for fiscal activities being accomplished with the small staff available. In regards to daily deposits, this verification is accomplished by the Court's long-standing practice for the CEO to receive all deposit slips for review and personally sign every and any check generated by the Court.

✓ ***Fine Reductions and Fee Waivers Are Not Closely Monitored:***

- **Court Response**-the Court agrees that it needs to more closely monitor fine reductions and fee waivers. Our Court will review operations and practices regarding fine reductions to assure proper documentation showing the judge's order reducing the fine and the entry in our case management system. In addition, our court will work with our case management system vendor to develop an end of day fine reduction report, that will identify by case number, clerk and if possible, the amount of reduction. This fine reduction report will be reviewed by both the Court Operations Manager and CEO. The Operations Manager and CEO will both randomly select a fine reduction transaction for their review to assure that proper court order documentation supports the fine reduction. The audit also accurately identified civil fee waivers as an area where better oversight and control is needed. The Court will improve the monitoring of civil fee waivers. The court will draft policies and procedures outlining the fee waiver process and train staff accordingly.

✓ ***Court Exercises Adequate Controls Preventing Court Clerks from Voiding their Own Transactions, but Does Not Do the Same for the Court Management:***

- **Court Response**-this is an example of how an audit can bring to light operational practices that need improvement. The auditors make a valid point in identifying the Court Operations Manager's ability to void all transactions for other staff and her own transactions without oversight. The Court has already implemented the following oversight step, the CEO receives on a monthly basis a case management system generated report of all voids made in the month which identifies the person requesting the void and the person who made the void. The CEO now carefully reviews all voided transactions of the Court Operations Manager. The CEO also randomly confirms with staff in reports as requesting transactions be voided that they actually made such a requests.

✓ ***Manual Receipts Not Monitored:***

- **Court Response**-the Court acknowledges that monitoring of manual receipts is a problem, a problem the Court has been aware of and intends to address. The first means of addressing this problem is to reduce the need for manual receipts. Manual receipts were frequently needed in our old court location due to our

computer case management systems being off-line. The IT infrastructure in our new courthouse is state-of-the-art and provides greater stability for our case management systems. This case management stability has nearly eliminated the instances of our case management system being off-line and reduced the need to fall back on issuing manual receipts. In any event, the Court will implement more formal checking out and checking in procedures for use of the manual receipt book when our case management system does go down at our Mammoth Lakes courthouse. The use of manual receipts at our Bridgeport branch location is a more challenging problem because there is no register connected to our cashiering system in place at the Bridgeport court office. This will be addressed once we migrate all our civil case data to our new ICMS case management system. This will allow us to create a new point of sale register system connected to our ICMS case management system that can be installed both at the Mammoth Lakes courthouse and at the Bridgeport court branch location. In any case, the Court will implement documented procedures for reviewing manual receipt entries at both the Mammoth Lakes and Bridgeport court locations.

✓ *DMV System Access Should Be More Closely Monitored:*

- **Court Response**-the Court agrees that this is an area where current court practice and policies need improvement. The Court will research software or IT options that allow monitoring of staff access to the DMV system. The Court has already received signed "Employee Security Statements" for the Court staff identified in the audit as not having statements on file.

✓ *Court Has Not Changed Safe Combinations in Recent Memory:*

- **Court Response**-the auditors are correct in finding that the combinations to our two court safes have not been changed. Changing the safe combination has not been a top priority for the Court given the circumstances. The existence of former full-time employees with knowledge of the safe combinations occurred for the first time a little over a year ago. Three former longtime employees have knowledge of the combinations, our former CEO, former assistant CEO and former Executive Assistant. Two of these three individuals, left court employment just a little over a year ago (the former CEO worked as a retired annuitant until September 2010). The former assistant CEO is still employed by the Court as a retired annuitant with duties that require her to have access to the safe. Nevertheless, it is advisable for the Court to change the combinations; we intend to do so sometime in the near future.

**SEC Recommendations**

22. Restrict access to the Civil cash register drawer no more than one cashier per day or per shift.

- **Court Response**-Court agrees with the audit report's recommendation that clerks should not be sharing a cash register. We intend to install a new point-of-sale cash register system that will allow us to assign cash registers in shifts. However, before we can install this new point-of-sale register system we need

take two important preliminary steps. First, our Court must eliminate our current dependency on a legacy DOS civil cash register program. This dependency will end once we migrate all our civil case data from our 20-year-old DOS civil program to our new ICMS civil program. As previously stated, the Court has retained a data migration consultant to do so. Second, our Court must work with the vendor of our new ICMS civil program to determine whether a point-of-sale cash register system will properly interface with our ICMS civil program.

23. Restrict the Court Fiscal Officer's access to add, delete, and/or modify case file information in the ICMS case management system; or, at a minimum, restrict the Court Fiscal Officer's access to cash handling by reassigning bank deposit responsibilities.
  - **Court Response**- the Court has rectified the situation by eliminating the Court Fiscal Officer's complete access to the ICMS case management system. The complete access of the Court Fiscal Officer to the case management system was something the Court was unaware of until discovered by the audit.
24. Implement regular supervisory review of fine reductions and fee waivers to ensure judicial orders match fine reduction amounts listed in the case management system and that fee waiver applications in the case file support waivers entered into the case management system.
  - **Court Response**-the Court agrees. In regards to review of fine reductions, the Court will do an operations/practice review and implement end of day fine reduction report for management review. The Court agrees that greater supervisor review of fee waivers is necessary. The Court will draft policy and procedures regarding fee waivers and training staff.
25. Institute a practice where the Court Executive Officer reviews and signs off on the voids the Court Operations Manager issues under her own transactions.
  - **Court Response**-the Court agrees and has already implemented a monthly CEO review of all void transactions done by the Court Operations Manager.
26. Implement a formal process for checking out receipt books and establish a formal or documented review process for ensuring all manual receipts are appropriate and accurately recorded in the case management system.
  - **Court Response**-the Court agrees. The process has been established to store receipt books in the court safe and only management personnel are authorized to remove the books which must be returned promptly.
27. Ensure all Court employees with DMV access sign the annual DMV confidentiality statement, and incorporate periodic reviews of DMV-generated system access or user activity reports to ensure access and activity are appropriate.
  - **Court Response**-the Court agrees. The court has already required all court employees with DMV access to sign the annual DMV confidentiality statement. The Court IT/Network Administrator will begin generating user activity reports for review by the CEO.

28. Implement a practice where safe combinations are periodically changed; require changes to safe combinations when employees who have safe access leave Court employment.
- **Court Response**-the Court agrees to research the cost of changing combinations. If cost is not unduly exorbitant and is able to be absorbed in current budget, combinations will be changed in this fiscal year. If cost is exorbitant, cost of combination changes will be built into next fiscal year's budget.

## **5.2 Improvements Can Be Made to Enhance the Court's Delinquent Collections Program with Little Cost to the Court**

The Court agrees generally with the findings and recommendations. In order to implement these recommendations we will need on-site training from the AOC, which the Court has requested and is still waiting to receive. It is important to note, even without training and implementing the recommendations of the audit, our Court's collection success rate of 49% is well above the AOC benchmark of 31%. Recommendation 32, applying the \$300 civil assessments on delinquent collections cases, is a decision made at the Presiding Judge level. Our Presiding Judge has decided not to apply civil assessments.

### **SEC Recommendations**

29. Include cases prior to 2009 in the Court's delinquent collections efforts.
- **Court Response**-the Court agrees, however, we will implement this recommendation to the extent possible with existing Court resources. We will also explore utilizing Franchise Tax Board, as explained below.
30. Collaborate with other Courts that have robust delinquent collection programs for them to conduct continuing collection efforts on Mono Court's cases in delinquent collections after the Court's initial identification and collection attempt.
- **Court Response**-the Court agrees. The Court will contact other courts with collection programs and determine what course to take in accomplishing this. The Court will contact Mono County officials to discuss a Court-County collections effort. The court will request the assistance from the AOC to develop a Court program in order to ensure that the steps taken will result in a successful adoption of a comprehensive collections program with cost offset component.
31. Consider using Franchise Tax Board's tax intercept program for older cases in collections.
- **Court Response**-the Court agrees. The Court will contact the Franchise Tax Board (FTB) and discuss involving the FTB in a collections program. The Court anticipates that the Court actions described in response to Recommendations 29, 30 and 31 will result in having an acceptable collections program by the end of the 2011-12 fiscal year.

32. Consider assessing the \$300 civil assessment on cases that go into delinquent collections status.
- **Court Response**-the Court agrees that this issue will remain under the Presiding Judge's discretion.

### **5.3 Mail Opening Process Requires Increased Oversight**

This is an occasion where a best practice required by the FIN Manual may not fit the day-to-day limitations of our court. We only have seven clerks permanently assigned to our Mammoth Lakes courthouse where mail is sorted. Unlike larger courts that can specialize their clerk positions into courtroom clerks and legal processing clerks, our clerks must do both. That means all our clerks must be able to answer the phones, serve the public at our counter, prepare case files for court and then do actual courtroom clerking. Whether dedicating two clerks completely to opening and sorting mail on a daily basis is justified depends on the exposure of risk caused by our current practice of allowing individual clerks to open mail at their desks at their convenience. We will look to improving oversight and timeliness of processing mail that does not cause interference with our staff productivity.

#### **SEC Recommendations**

33. Consider assigning two persons to open mail and process cash collections.
- **Court Response**-the Court agree to consider this recommendation. In order to make an informed decision, the Court will to determine the risk of the current practice by researching the amount of cash versus checks that are received by mail. Given the number of available staff in our small court it may not be cost effective if the amount of cash received by mail is insignificant when balanced against the cost of dedicating two persons to this function.
34. Ensure mail payments are processed in a more timely fashion, preferably processed the same day of receipt.
- **Court Response**-the Court sees this as a laudable outcome. We will find alternative means to improve the timeliness of processing mail, such as rotating the assignment of mail opening.

## **6. Information Systems**

### **6.1 Certain Fine Distribution Calculations Were Incorrect**

The inaccuracies of our Court's calculations, collections and distribution of fees and fines is of paramount concern to our Court. The audit report reiterated findings that were made in previous audits conducted by the State Controller's office. As the SEC audit report found, there were numerous reasons for inaccuracies in our revenue distribution calculations. These inaccuracies, as the SEC audit report warned, have resulted in our Court being assessed penalties by the State

Controller's Office. Some of the reasons for the inaccuracies in our fees and fines can be rectified internally, such as by better communication between staff and bench officers regarding changes in mandatory fees and fines. Some of the causes for the inaccuracies are systemic and difficult to discern. To help us in the effort to discern these reasons and solve them our Court intends to seek assistance from the AOC Audit Unit, fellow courts who use the same case management system as our Court and we will even retain consultants if necessary.

- ✓ ***Judges Waived Statutorily Mandatory Fees and Fines:*** This is a case where better communication between court staff and bench officers will eliminate misunderstandings of how to apply mandatory fees and fines. As part of our Court's internal review of the audit findings with our judges, both judges agreed that it is their intention to appropriately apply statutorily mandated fees and fines.
- ✓ ***The Court was Unable to Provide County Board Resolutions Describing and Authorizing Collection and Distribution of Local Penalties and Assessments Under GC 76000, and Thus May Be Collecting and Distributing Monies Incorrectly:*** As the audit report noted both the Court and County were asked by the audit team to provide a County Board resolution authorizing collection of local penalties and assessments pursuant to GC 76000 and were unable to do so. As recommended, the Court will work with the County to draft and pass a Board of Supervisors resolution authorizing collection of local penalties under GC 76000.
- ✓ ***Some Monies Collected By the Court Do Not Appear to Be Correctly Reported in the Month-End ICMS Distribution Report, Potentially Resulting in Incorrect Distributions:*** The auditors discovered several discrepancies in the way the Court reports month-end distributions on the ICMS case management Distribution Report. The auditors and the Court have been unable to determine the root cause for many of the erroneous distributions identified by the auditors. The Court agrees with the auditors' suspicion that the errors may be due to incorrect programming in ICMS. The Court accepts the auditors' recommendation to work with the AOC, the State Controller's Office, and case management system vendor (ISD) to rectify these matters.

#### **SEC Recommendations:**

35. Work with the AOC and State Controller's Office to gain the necessary training for staff responsible for overseeing revenue distribution, and ensure key personnel are familiar with legislative requirements.
  - **Court Response**-the Court agrees. As stated previously, the court will work with the AOC Audit unit to analyze revenue distributions to identify areas in need of correction. Court staff will then get technical assistance from fellow trial courts and case management system vendor to reconfigure case management system.
36. The Court should immediately work with its contractor and the AOC to resolve programming errors identified during this audit, and continue to review distributions for other discrepancies. As part of this review, the Court should ensure all local and state distributions are accurate.

- **Court Response**-the Court agrees, the court has already informally requested revenue distribution analysis from the AOC Audit unit.
37. The Court should ensure judges are aware of current legislation prior to issuing decisions, and that staff are both aware of mandatory fees, penalties, and assessments, and that they accurately record judicial orders in the case management system.
- **Court Response**-the Court agree. The Court CEO will provide on an annual basis all current schedules of fines, fees, penalties, and assessments to judges and all court staff. Familiarity with mandatory fees, penalties and assessments will be included as a component of clerk training and as discussion item for staff meetings held in January and July of each year.
38. Work with the bench to better ensure judges' orders reflect reduced or waived fine amounts, and ensure judges are aware of mandatory fees and fines, ICMS system limitations, and distribution errors caused when mandatory fees and fines are reduced or waived.
- **Court Response**-the Court agrees. Court CEO and Court Operations Manager will meet with judges January and July of each year to review of mandatory fees and fines, case management system limitations and distribution errors caused when mandatory fees/fines are reduced or waived.
39. The Court should notify the County that it began collecting EMAT monies pursuant to GC 76000.10(c)(1), and that these monies should be remitted to the State on the TC-31.
- **Court Response**-the Court agrees and has already notified the County that Emergency Medical Air Transportation (EMAT) regarding corrections and corrections have been made as of December 2011 distribution.

## **6.2 Broad User Access to Court Case Management Systems Increases Risk to the Court**

The auditors identified vulnerabilities in user access into our case management system. The auditors pointed out that our Court Operations Manager has administrative rights in our case management system and can independently change her level of access. This situation is the legacy of our Court's prior CEO, who also held the position of Court IT/Network Administrator. Our prior CEO decided to grant our Court Operations Manager administrative rights. Our Court now has an IT/network Administrator who will assume the role of administrator for our case management systems and restrict the access of the Court Operations Manager. The auditors also brought to our attention that the CEO and Court Fiscal Officer had full access rights to modify case information on our case management system. As previously stated, the CEO and the Court Fiscal Officer were unaware of their access rights and had never used them. The Court has limited the access rights of the CEO and Court Fiscal Officer pursuant to the auditors' recommendation.

## SEC Recommendations

40. Restrict ICMS case management system access to ensure Court employees who maintain or manage the Court's fiscal and accounting records do not have system access to case management functions.
- **Court Response**-the Court agrees and has already limited access to the court case management system to read only for the Court Fiscal Officer and CEO.
41. Ensure Court employees with add, modify and delete ICMS system access to cases do not have system access to perform cashiering functions.
- **Court Response**-the Court agrees to the point practicable, given our small staff. Given the size of our court staff, our deputy clerks need to be able to do both counter cashier work and legal processing duties. We can limit deputy clerk line staff abilities in ICMS, particularly in the areas of making additions and deletions.
42. Disable all former employee user profiles from all systems.
- **Court Response**-the Court partially agrees. The Court has or will disable all former employee user profiles from all systems except for the former employees still working as retired annuitants and Court's previous CEO user profile in the DOS-based civil program. The former CEO personally programed the DOS-based program and is the only individual who can fix or update the program. Until we are able to migrate our civil case data out of the DOS civil program into our new ICMS civil case management program, the former CEO needs to access the system. However, this access is only given on-site at the main courthouse under the supervision of our Court IT/Network Administrator.

### 6.3 Minor Improvements in the Court's Information System Are Required

The audit found weaknesses in our Court's information system relating to disaster recovery plans, server room access, and password change protocols. These weaknesses have all been remedied due to the move to the new courthouse. Our new courthouse server room is only accessible by access control card with access provided only to the Courts IT Network/Administrator and CEO. All court workstations in the new courthouse are on a new active directory system that requires periodic password changes. The Court is developing IT disaster recovery plans as part of a comprehensive effort to develop other plans for the new courthouse such as continuity of operations plan, disaster/emergency incidents plan and security/active shooter incident plan.

43. Restrict, particularly when moving to the new courthouse, the server room and all information system hardware from the public and all court personnel that do not require access.
- **Court Response**-the Court agrees and has already done so.

44. Implement a policy which requires all Court employees change their system passwords on a regular basis.

- **Court Response**-the Court agrees and has already done so.

45. Work with the AOC to develop a Disaster Recovery Plan for all Court information systems.

- **Court Response**-the Court agrees. The Court IT/Network Administrator will work with the AOC IT Unit to develop a disaster recovery plan.

## **7. Banking and Treasury**

### **7.1 Bank Account Reconciliation Practices Should Be Improved**

The audit report spent a good deal of time pointing out that the reconciliation of court held bank accounts were not initialed by the preparer. There is no question that our Court's well established practice is for our reconciliations to be prepared by our only Fiscal Technician and subsequently reviewed by our Court Fiscal Officer. The Court has segregated these duties as best as possible given the two-person fiscal staff.

#### **SEC Recommendation**

46. Require that the preparer initial or sign the bank account reconciliation upon completion and require management initial or sign each completed reconciliation to indicate the reconciliation was sufficiently reviewed and approved.

- **Court Response**-the Court agrees and has implemented an additional step in the bank reconciliation process to require two signatures on the face of the reconciliation; one for the preparer, Court Fiscal Technician, and one for the reviewer, Court Fiscal Officer.

## **8. Court Security**

The Court has no response to the security findings or recommendations.

## **9. Procurement**

We appreciate the auditors' recognition that even though we use informal processes, our Court “. . . exhibited many strong controls in place over its procurement process and generally complied with FIN Manual requirements and best practices . . .”. In any case, we do recognize that there is risk associated with our informal practices and processes. Our Court will formalize them and improve our procurement methods. Our Court will also review and commit to using the Phoenix-FI “Virtual Buyer” Program that has been successfully used in other small trial courts.

## 9.1 Use of Informal Purchasing Processes Increase Risks to the Court

### SEC Recommendation

47. Formalize procurement processes by incorporating use of purchase orders and purchase requisitions through Phoenix-FI; in doing so, ensure applicable funds are encumbered as appropriate.
  - **Court Response**-the Court agrees. We see the value of formalizing the procurement process for tracking purchases and encumbering funds to cover those purchases. For reasons stated, we intend to use the Phoenix-FI, “Virtual Buyer” Program. However, we are cognizant of the Virtual Buyer program limitations for transactions over \$5,000 in value. For those transactions that exceed the Virtual Buyer program limit, we intend to comply with the new AOC contract guidelines.
48. Ensure Court procurement practices exhibit sound protocols for segregating requisition, approval, receiving, and invoice processing functions, such as the 3-point match, among different Court personnel.
  - **Court Response**-the Court agrees to do so within the limits of the Phoenix-FI “Virtual Buyer” Program.
49. Ensure procurement staff obtains multiple quotes for purchases over \$500
  - **Court Response**-the Court agrees to do so using Phoenix-FI “Virtual Buyer” Program.

## 10. Contracts

The audit report discussed the Court’s lack of contracts or Memorandums of Understanding (MOU’s) for many services, particularly with the County. The Court a year ago was nearing negotiations with the County regarding a new MOU for bailiff and court screening services. At that time came the first indications that the Governor was going to transfer court security funds to the County. Therefore, the Court and the County suspended our negotiations until resolution of the Governor’s proposed transfer of court security funds to the County. The Court and County are currently in negotiations for a new MOU that will reflect the new relationship that transfer of the court security funds has created. The Court has never had any MOU with the County regarding the payroll/HR services provided by the County to the Court. This arrangement is a legacy of when the Court was part of County governance.

### Recommendation

50. Establish a formal MOUs with the County which describes all Court and County provided services and the Sheriff’s Department which details the security services and personnel services provided to the Court.
  - **Court Response**-the Court agrees to work with our County to establish agreements regarding services provided by the County to the Court. As part of effort to establish agreements with the County, the Court will reconfirm

with the County the minimum amount needed to be maintained by the Court in the County fund designated for payment of Court staff payroll.

51. Establish formal contracts or alternative contracting practices with in-court service and other professional services providers as well as vendors.
  - **Court Response**-the Court agrees, the Court is undertaking a review of all services and contracts. The court is establishing a shared depository of all known contracts and will establish policies and procedures that will define the responsibilities of the Court's fiscal staff and CEO in regards to contracting.
52. Ensure all contracts are formally executed; ensure contract are re-negotiated and formally executed prior to current contract expiration.
  - **Court Response**-the Court agrees. As previously mentioned, the Court will be establishing contract policies and procedures; in those policies and procedures contract term expiration tracking responsibility will be given to the Court fiscal staff and renegotiation/execution responsibility will be given to the CEO.
53. Use FIN Manual policy and AOC assistance to ensure all contracts contain the appropriate elements of a contract.
  - **Court Response**-the Court agrees. In the Court's contract policies and procedures, initial responsibility for ensuring all FIN manual contract elements are contained in a draft contract will be upon the CEO and review responsibility will be on the Court Fiscal Officer.

## 11. Accounts Payable

The audit report identified a number of areas that the Court appreciates were brought to the Court's attention. In particular, the fact that the Court's own practice of presenting all invoices and payments for CEO review was not being consistently followed by Court staff was important information for the CEO. In particular, Court staff not presenting for CEO review in-court services invoices and payments for court reporters and court interpreters was a very helpful revelation for the CEO.

### 11.1 Court Accounts Payable Practices Could be Improved

#### SEC Recommendation

54. Consistently follow accounts payable policies and procedures that are consistent with FIN Manual guidelines; this includes informal court policies requiring the CEO to review and sign invoices prior to payment.
  - **Court Response**-the Court agrees. The audit identified cases where invoices were not reviewed by the CEO as a matter of practice (court reporter and interpreter invoices) and instances where the existing practice was to have CEO review, but CEO review did not occur. The CEO, in the short-term has

disseminated a memo to all management staff that firmly reiterates the requirement of CEO sign-off on all court invoices. For the long-term, in the Court's policies and procedures to be developed, a clear statement of policy will be made regarding the requirement of CEO sign-off on all invoices.

55. Establish appropriate segregation of duties by ensuring no one person may order, verify receipt, and match vendor invoice to purchase agreement for any goods or services.
  - **Court Response**-the Court agrees. The Court changed its practice to segregate these duties and will include this requirement and its new policies and procedures.
56. Ensure all invoices are sufficiently supported by approved requisitions, purchase orders, and verification of receipt.
  - **Court Response**-the Court agrees. The Court will include this requirement and its new policies and procedures.
57. Consistently follow FIN Manual Policy which prohibit invoices processing for unallowable services, and restrict Court employees from verifying goods or service receipt and authorizing payment on their own claims.
  - **Court Response**-the Court agrees. The Court will include this requirement and its new policies and procedures.
58. Ensure Court staff updates the Jury + attendance and payroll system to accurately reflect changes in juror attendance.
  - **Court Response**-the Court agrees. The court has already updated its Jury+ System.

## 12. Fixed Assets Management

### SEC Recommendations

To better ensure adequate safeguarding and reporting of assets, the Court should:

59. Conduct an inventory of its fixed assets and develop a listing of fixed assets that accurately represents the Court assets to be reported on its annual CAFR worksheets.
  - **Court Response**-the Court agrees. The Court has already started this process with assets located in the old courthouse location. The Court will do the same for assets in the new courthouse location.
60. Develop a list of fixed assets, which includes at a minimum a description of the asset, purchase date, purchase price, useful life, asset identification number, and location of the fixed asset.
  - **Court Response**-the Court agrees. As previously mentioned, the Court has already started the inventory process, which includes the creation of an asset lists which meets the recommended criteria.

61. Conduct physical inventories on a go forward basis—preferably on an annual basis in accordance with the FIN Manual suggests.
  - **Court Response**-the Court agrees. As previously stated, this process is already underway.
62. Use the Access database information as a basis for reporting fixed assets on the CAFR worksheets; to do this, the Court must determine accurate dollar and useful life values for all items in the database in order to reflect depreciation.
  - **Court Response**-the Court partially agrees. The audit report recommended Access database be used for reporting fixed assets. However, Access does not have any upload integration with Phoenix-FI. The Court prefers to use an Excel spreadsheet. An Excel spreadsheet allows for the calculation of depreciation, salvage value and other values.

### 13. Audits

#### SEC Recommendations

63. Ensure previously identified concerns noted in the 2007 audit report are fully addressed by taking appropriate corrective actions to fully implement prior audit recommendations.
  - **Court Response**-the Court agrees to fully implement prior audit recommendations.

### 14. Records Retention

#### 14.1 The Court Does Not Have a Formal Records Retention Policy

#### SEC Recommendations

64. Establish a records retention policy which follows FIN Manual Policy, including minimum length of time that fiscal and administrative documents must be retained, appropriate records storage, notice of destruction process requirements, as well as the process for purging and destroying old records.
  - **Court Response**-the Court agrees. The development of a records retention policy is a high priority for our Court Operations Manager And CEO.

### 15. Domestic Violence

The audit report did not find any reportable issues.

## 16. Exhibits

The Court understands the importance of managing exhibits entrusted into the Court's care. Our previous courthouse location made the storage of exhibits a challenge because of the lack of available space. Our new courthouse location now provides a dedicated exhibit room with access limited to the exhibits custodian. We will complete drafting formal exhibit policies and procedures.

### 16.1 Controls Over Exhibits, including Exhibit Tracking, Change of Custody, and Exhibit Disposal, are Inadequate and Require Improvement

#### SEC Recommendation

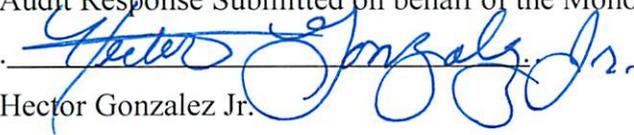
To better track and locate sensitive exhibits, and to increase the security of exhibits while they are transferred from courtroom clerks to the exhibit custodian, the Court should:

65. Develop formal procedures to record, monitor, and track court exhibits, changes in exhibit custody, and destruction or disposal of exhibits. This includes:
  - Developing a consolidated exhibit listing that incorporates information such as exhibit items, case number, disposition date, location, and other pertinent information.
  - Conducting inventory audits based on this record on an annual basis to ensure exhibits are properly accounted for.
  - Ceasing storage of exhibits in case files or in the judge's chambers at the Bridgeport court location.
  - Establishing a change of custody procedure, and require courtroom clerks and the Court Services Supervisor to verify the specific exhibits being transferred for storage, and sign/date the exhibit list before filing the document with the case file.
  - Assigning an individual to regularly monitor destruction dates and prepare exhibits for disposal in accordance with statutes and CRC, and provide sufficient oversight as necessary.
  - Reviewing and purging applicable exhibits following FIN Manual policies for exhibit destruction.
    - **Court Response**-the Court agrees with all the aforementioned actions in Recommendation No. 65. The development of a policy and procedures for exhibits' records, monitoring, exhibit custody tracking, and destruction or disposal will be a priority for the courts exhibits custodian, the Court Operations Manager, under the supervision of the CEO.

## 17. Facilities

The Court officially moved into its new courthouse location on September 6, 2011.

Audit Response Submitted on behalf of the Mono County Superior Court by:

A handwritten signature in blue ink, reading "Hector Gonzalez Jr.", written over a horizontal line.

Hector Gonzalez Jr.

CEO- Superior Court of California, for Mono County

March 9, 2012

