

AUDIT OF THE SUPERIOR COURT OF CALIFORNIA, COUNTY OF LASSEN

NOVEMBER 2010

Prepared by:



On Behalf Of:



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

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| Superior Court of California, County of Lassen |
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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 Lassen (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.

Operating with Fiscal Year 2008-2009 expenditures of more than \$4 million under the oversight of the Presiding Judge (PJ) and the Court Executive Officer (CEO), the Lassen County Superior Court is considered a small court that faces issues similar to other smaller courts across the State—recruiting qualified staff to fill shortages and having a limited number of employees to perform baseline operational activities. Yet, throughout the audit, SEC found several instances where the Court exhibited strong governance practices, and complied with statutes, Rules of Court, and internal policies and procedures. For instance:

- Court fiscal staff are knowledgeable of accounting principles, best practices, and FIN Manual requirements;
- Cash handling practices demonstrated many good controls such as endorsing checks immediately upon receipt, investigating daily collection discrepancies before final close-out, and securing unprocessed payments;
- In addition to restricting access to court information systems, the Court has a disaster recovery plan in place and backs-up systems regularly to an off-site location;
- The Court's appeals program has received the Ralph N. Kleps award; and,
- Procurement and accounts payable functions are appropriately segregated.

In light of the above, we found the Court to be proactive in working toward continual operational improvements. As in all organizations, however, we identified opportunities for improvement. Appendix D 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. Below, we highlight some of the more significant issues identified during the audit, which we believe require immediate corrective action.

- ***Courts Trust Fund Monies Are Not Reconciled***

The Court's funds held in trust accounts require attention as they are not reconciled and are co-mingled with daily collections. Until recently, the Court maintained two separate trust accounts. As of June 30, 2009 the primary account residing with the County Treasury reflected a fund balance of \$90,811.56; however, the Court has not reconciled trust monies in this fund to its CIBER case management system. The Court has fiduciary responsibility over its trust funds. Without appropriate oversight and reconciliation over the trust funds, the Court cannot ensure monies are being protected from the risk of error, loss, or theft; monies held in its trust funds will be sufficient to cover obligations; and monies owed to private parties are returned in an expedient manner. According to the Court, now that its old trust is reconciled, it has begun reconciling the trust funds held with the County.

- ***Cash Handling Controls Receipts Require Strengthening***

This audit identified instances where cash handling practices and procedures could be strengthened. First, individuals with access to the void function in the CIBER case management system can void their own transactions and cashiers have the ability to reduce fine amounts without approval of a supervisor. As such, there may be instances when supervisory or management personnel may void their own transactions. We also noted that while voided transactions are required to be appropriately documented, we found that neither clerks nor supervisors sign and date void receipts.

Further, all clerks have the ability to reduce fees and fines in CIBER without supervisory approval—a practice commonly needed by clerks to expeditiously process court-ordered reduced fines and fees. However, this creates an opportunity in which theft or loss may occur and go undetected by management; not only do CIBER’s system limitations prevent the Court from generating an exception report summarizing fees and fines reduced, but the Court also lacked a review or monitoring process that ensures fees and fines were appropriately reduced or waived.

Finally, while the Court has three manual receipt books issued by the County that are used when CIBER is unavailable or at the end of the day to process payments collected after the daily close-out process, we noted weaknesses that increase the opportunity for monies collected to be inaccurately or inappropriately reflected in the Court’s case management system. For example, the Court does not periodically review the manual receipt books to ensure all receipts were appropriately entered into the CMS. These current court protocols unnecessarily increase the risk of theft or that fraudulent activities could go undetected.

- ***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 CIBER case management system. This audit revealed several fine calculations that were incorrectly assessed and distributed, including (1) the 20 percent surcharge per PC 1465.7; (2) distributions related to Red Light-Traffic School Violations; (3) state Courthouse Construction Penalty distributions on Traffic School cases; (4) court distributions of fees and assessments pursuant to GC 70373 and PC 1465.8.

Additionally, the Court does not assess administrative screening fees pursuant to PC 1463.07—we found one instance in which the base fine was incorrectly distributed for a penal code violation. Given the state’s current financial crisis, it becomes increasingly important for courts to assess all applicable fees and fines as these monies are used to fund programs. In this case, these monies could be used to fund court operations.

- ***Procurement, Contracting, and Accounts Payable Practices Did Not Always Comply with FIN Manual Requirements***

First, FIN Manual 6.01 states that courts should obtain three written quotes for purchases greater than \$2,500, but of the 15 expenditures tested, we found that three of the

expenditures lacked evidence of undergoing sufficient competition during the procurement process.

Second, while the Court has limited reliance on the County for services, it does procure nearly \$112,000 of bailiff services from the County. To provide these services, the Court and County Sheriff's department operate under an informal agreement that does not clearly define statutory and Rule of Court-based legal obligations to assure the security of court staff and the public. Although the Court and the Sheriff appear to have an amicable working relationship, difficulties could arise in the future if one or both parties become dissatisfied without a formal agreement.

Finally, some expenditures tested lacked sufficient documentation to demonstrate goods and services were delivered and invoiced as required. While documentation for each of the 31 court expenditures we reviewed indicated appropriate court personnel had reviewed and approved the invoices, other evidence was missing to verify supporting documents agreed with amounts invoiced and to confirm goods/services were received as part of a "three-point match" as required by FIN Manual §8.01. This does not suggest that the goods and services were not received by the Court or that the purchases were inappropriate. Rather, the lack of evidence of the three-point match or the initials of the personnel performing the match prevents a third-party from verifying that adequate controls are in place and that appropriate segregation of duties were exercised by ensuring a different employee procures, receives, and processes payments for goods and services.

The results of this current audit should be used as an educational tool to assist the Court in understanding all of the statewide policy and procedural issues that it must address and implications of not complying with statewide policies and procedures. We believe the Court has embraced the audit process and is actively engaged in improving its operations and refining its practices—although some improvements and changes are needed.

While we made many recommendations throughout this report, we highlight the more significant recommendations below. 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.

To address these issues, the Court should:

- ✓ Properly segregate commingled funds and create at least two separate accounts/funds, one for daily collections of fees, fines, and forfeitures and others for funds held in trust.
- ✓ Develop a process to reconcile funds held in trust on a monthly basis. In addition, the Court should require the CEO or manager to review and approve trust reconciliations as well as include preparer and reviewer signatures to document the preparation, review, and approval process.
- ✓ Review CIBER's Voided Transaction Report monthly and select a random sample of voids to test to ensure voided transactions were appropriate and the person voiding the transaction was not the same person entering the transaction.

- ✓ Work with CIBER to determine the feasibility of developing fee and fine reduction reports that could be used by the Court to monitor fee and fine reductions.
- ✓ Regularly review manual receipt books to ensure receipts are accounted for and appropriately entered into the CMS.
- ✓ Ensure the distribution formulas in CIBER are correct to address the errors found and continue to 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 CIBER case management system.
- ✓ Solicit and formally document at least three quotes/bids from vendors when required by the FIN Manual. If the Court decides to sole-source a good or service, it should complete a sole-source justification form documenting the rationale for vendor selection. By soliciting multiple quotes and documenting its procurement process, the Court can illustrate a fair selection process to stakeholders and ensure the Court receives the best value for goods and services procured.
- ✓ Continue efforts to work with the County Sheriff's Office to develop a comprehensive MOU that fully describes the relationship between the two entities, including roles, responsibilities, billing rates, and services. This MOU should include a provision related to the formulation of a security/disaster plan for the Court's facilities.
- ✓ Document the receipt of goods and services with a date and signature of the staff receiving the good or service.

STATISTICS

In Fiscal Year 2008-2009, the Court operated from one location in Susanville with two judges and one part-time commissioner who handled nearly 12,900 case filings. At the end of January 2010, the Court's former presiding judge retired and, currently, the Court operates with only one judge. Further, the Court employed nearly 40 staff members and contracted out 6 other positions to fulfill its administrative and operational activities through the expenditure of approximately \$4 million for Fiscal Year 2008-2009. The table below contains other general court statistical information.

Table 1. General Court Statistics

| | Total |
|--|--------------|
| Number of Courtrooms | 3 |
| Number of Authorized Judgeships as of July 1, 2009 | 2.3 |
| Number of Authorized Subordinate Judicial Officers as of July 1, 2009 | .3 |
| Number of Full Time Equivalent Employees as of Pay Period Ending June 30, 2009 | 38.4 |
| Total Authorized Positions (FTE) as of June 30, 2009 (Schedule 7A Fiscal Year 2008-2009) | 38.4 |
| Number of Temporary Employees as of June 30, 2009 (Figures are for Part-Time Extra Help Staff) | 2 |
| Total Salaries for Temporary Employees (Fiscal Year 2008-2009, Figures are for Part-Time Extra Help Staff) | \$39,706 |
| Daily Average Revenues Collected (Fiscal Year 2008-2009) | \$7,390 |
| County Population (7/1/09 Estimate per California Department of Finance) | 35,482 |
| Number of Case Filings in Fiscal Year 2008-2009 | |
| Criminal Filings: | |
| • Felonies | 424 |
| • Non-Traffic Misdemeanors | 455 |
| • Non-Traffic Infractions | 66 |
| • Traffic Misdemeanors | 429 |
| • Traffic Infractions | 9,245 |
| Civil Filings: | |
| • Civil Unlimited | 332 |
| • Civil Limited | 744 |
| • Family Law – Marital | 164 |
| • Family Law – Petitions | 164 |
| • Probate | 86 |
| • Small Claims | 200 |
| Juvenile Filings: | |
| • Juvenile Delinquency – Original | 65 |
| • Juvenile Dependency – Original | 58 |
| • Juvenile Dependency/Delinquency – Subsequent | 24 |

Source: JBSIS did not reflect current statistical information; thus, statistics were self-reported to us 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 to be of a confidential or sensitive nature that would compromise the security of the Court or the safety of judicial branch personnel was omitted from this audit report.

The scope of audit work at the Lassen 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, exhibits, and appeals. Coverage of each area is based on initial scope coverage decisions. The period of our audit primarily focused on Fiscal Years 2005-2006 through 2008-2009, although more current data from 2009-2010 was reviewed as appropriate.

To evaluate the Court's fiscal and operational compliance with the FIN Manual as well as 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 as well as 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 manage fiscal operations as well as 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 CIBER 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 CIBER 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, as well as 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 Court Executive Officer 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.
- For a sample of higher risk exhibits, such as cash, weapons, and jewelry, we verified that a sample of exhibits was properly located as recorded/accounted for on tracking documents.
- Reviewed a small sample of domestic violence cases to determine if Domestic Violence Fees and Restitution Fines were assessed as required by statute.
- Identified and reviewed the civil and criminal appeals process employed at the Court to assess whether practices in place were reasonable and compliant with California Rules of Court as well as evaluated activities over tracking initial filings and key milestones, systems used to monitor dates, and types of reports used to manage timelines and certify records.
- 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.

TIMING AND REVIEWS WITH MANAGEMENT

The entrance meeting was held with the Court on December 29, 2009, and audit fieldwork commenced on February 8, 2010. Although fieldwork was formally completed in June 2010, preliminary results were discussed with court management during the course of the review at several intervals in between February and June 2010. Feedback and perspectives from responsible court officials were obtained throughout the course of this audit and were incorporated into this report.

A final review of audit results was held on September 8, 2010 with Lassen County Superior Court representatives:

- Rosemari Reed, Court Executive Officer; and,
- Helen Ashby, Administrative Services Manager.

Final management responses to our recommended actions were received on November 8, 2010 and can be found in Appendix D of this report.

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ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Considered a small court, Lassen County Superior Court has one main courthouse in Susanville, an annex building that houses court offices and a single courtroom, and a separate building to house its Access to Justice Center, in addition to a mobile access center to serve residents in outlying, rural areas. The Court employs approximately 40 staff, 6 contracted employees, two judicial officers (one remained vacant as of September 2010) as well as one part-time commissioner to provide services to the County's nearly 35,000 residents. With approximately 12,900 total case filings annually, court expenditures in Fiscal Year 2008-2009 were over \$4 million. The Court is overseen by a Presiding Judge (PJ) as well as 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 and 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.

Overall, we found the Lassen County Superior Court has established processes and procedures that contribute to an effective control environment and comply with the FIN Manual. For instance, the Court has an organizational chart and a strategic plan that were recently updated, a manual that describes court-specific policies and procedures related to personnel matters, and job descriptions for key staff, including the Court Executive Officer with delegated responsibility to manage the Court's fiscal operations. During the course of audit fieldwork, we also noted that the Court expanded its Conflict of Interest Policy to include additional court employees responsible for overseeing court expenditures and, in response to the April 2010 approval of CRC 10.603, established an Administrative Order documenting the process for setting and approving CEO compensation. As a result, our review of Court Administration, as specified above, did not identify any reportable issues.

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2. Fiscal Management

As detailed in Appendix B, the Court expended \$2.5 million in salaries and benefits for non-judicial staff during Fiscal Year 2008-2009, encompassing 63 percent of the Court's approximate \$4 million expenditures. The majority of court fiscal activities are generally overseen by the Administrative Services Manager with the daily activities carried out by a team of three staff who handle various aspects of fiscal operations, including recording fiscal transactions and activity, processing vendor payments and trust disbursements, preparing daily fee and fine deposits, and assisting with payroll activities. In 2000, the Court was no longer reliant on the County for fiscal and administrative support as it transitioned onto its own financial system. Then, in 2007, the Court transitioned onto the statewide financial system—Phoenix-FI. While the Court performs a wide variety of activities related to fiscal management and procurement, it also relies on AOC's Trial Court Administrative Services (TCAS) to provide assistance with certain services including performing bank reconciliations of some of the Court's AOC bank accounts, issuing vendor payments, and uploading journal entries as well as preparing the Court's Quarterly Financial Statement (QFS) reports and the Consolidated Annual Financial Report (CAFR) worksheets.

The Court's fiscal staff appears to be very knowledgeable of accounting principles, best practices, and the FIN Manual. The Court's Fiscal Year 2008-2009 QFS report and CAFR worksheets prepared through Phoenix and court processed transactions were accurate and appropriately supported by underlying financial records and documentation. As such, it appears the Court has the fiscal expertise to accurately record financials and create reliable financial reports. Furthermore, we found that the Court's processes and practices in recording financial transactions and preparing financial reports were generally in compliance with the FIN Manual provisions, approved alternative procedures, and California Rules of Court. Further, our review of the Court's fiscal management activities did not identify any reportable issues.

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3. Fund Accounting

At the end of Fiscal Year 2008-2009, the Court had combined balances from all its government operating funds totaling nearly \$1.9 million as recorded in Phoenix-FI as shown in Table 2—this includes approximately \$59,550 in restricted monies that can be used only for court automation purposes as designated by law in GC 68090.8.

Table 2. Court Fund Balances per Phoenix-FI Trial Balance, Fiscal Year 2008-2009

| G/L Account | Description | Account |
|-------------|-------------------------------------|--------------------------|
| 552001 | FUND BALANCE – RESTRICTED | \$ (664,002.54) |
| 553001 | FUND BALANCE – UNRESTRICTED | \$ (1,415,989.72) |
| | FUND BALANCES TOTAL | \$ (2,079,992.26) |
| | NET SOURCES & USES | \$ 226,099.37 |
| | ADJUSTED ENDING FUND BALANCE | \$ (1,853,892.89) |

Through our review, we found that the Court’s fiscal activity is generally accurately recorded and tracked through segregated funds and accounts as well as supported by underlying financial records and documentation. Further, the Court reserved \$374,932 of its fund balance for operating and emergency reserve, an amount equivalent to 9.6 percent of the Court’s Fiscal Year 2008-2009 Trial Court Trust Fund expenditures—thus, meeting the minimum 5 percent requirement prescribed in the Judicial Council’s Fund Balance Reserve Policy.

Yet, we noted that the Court’s funds held in trust accounts require attention as they are not reconciled and are commingled with daily collections.

3.1 Courts Trust Fund Monies Are Not Reconciled

When the Court migrated its financial accounting activities to the Phoenix-FI financial system in 2007, its trust holdings were not transferred over from the County Treasury. Rather, funds held in trust remain on deposit with the County Treasury and trust activities are recorded in the County’s Reflections fiscal system as well as the Court’s CIBER case management system. The Court does not record individual trust transactions in Phoenix-FI; instead, the Court records a lump sum for its funds held in trust in Phoenix-FI Fund 320001.

Until recently, the Court maintained two separate trust accounts. As of June 30, 2009, the primary account residing with the County Treasury reflected a fund balance of \$90,811.56. However, the Court commingled trust monies in this account with the Court’s daily collections including fees, fines, and forfeitures. Though the Court is able to identify its total monthly collections via its month-end balancing process, the monies related to trust cannot easily be identified or separated out when reviewing the fund balance. According to the Court, once it reconciles this trust to the CIBER case management system, the Court plans to create additional and separate trust accounts—enabling the Court to more easily reconcile trust on a monthly basis in the future. Conversely, the Court’s other trust account maintained with Plumas Bank holding \$16,890.40 in old trust monies was recently reconciled in January 2010 and transferred into the trust account with the County Treasury. According to the Court, now that its old trust is reconciled, it has begun reconciling the trust funds held with the County.

Though FIN Manual 2.02, §6.4.4 only requires bank accounts to be reconciled at least monthly, the Court also has fiduciary responsibility over its trust funds. Without appropriate oversight and reconciliation over the trust funds, the Court cannot ensure monies are being protected from the risk of error, loss, or theft; monies held in its trust funds will be sufficient to cover obligations; and monies owed to private parties are returned in an expedient manner.

Recommendations

To fulfill its fiduciary responsibility over monies held in trust, the Court should:

1. Properly segregate commingled funds and create at least two separate accounts/funds, one for daily collections of fees, fines, and forfeitures and others for funds held in trust.
2. Develop a process to reconcile funds held in trust on a monthly basis. In addition, the Court should require the CEO or manager to review and approve trust reconciliations as well as include preparer and reviewer signatures to document the preparation, review, and approval process.

Superior Court Response

1. The Court agrees that commingled funds should be properly segregated. The Court has established several new accounts with the county treasury: a) bail trust deposits for cases pending adjudication, b) jury fee deposits, c) fines and fees, and d) uniform civil fees.
Responsible Person: Administrative Services Manager, Helen Ashby
Completion Date: November 1, 2010
2. The Court agrees to develop and implement a process to reconcile funds held in trust on a monthly basis.
Responsible Person: Administrative Services Manager, Helen Ashby
Completion Date: December 31, 2010

4. Accounting Principles and Practices

Since migrating onto the Phoenix-FI system in 2007, the Court has received general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services (TCAS). 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 and expenditures associated with court operations.

Overall, the Court appeared to have appropriate processes in place to record and report financial activity in Phoenix-FI including accruals and grants. For instance, our testing of a sample of revenue and expenditure accruals for Fiscal Year 2008-2009 revealed that most revenues and expenditures were recorded in the proper period and accrued as required by FIN Manual 5.02. Though the Court did not accrue approximately \$4,100 of expenditures that were attributable to the prior fiscal year, these were past the identifiable timeframe. Specifically, it is the Court's policy to stop searching for expenditures to accrue after July 31. Given the total amount of accruals for the fiscal year, we did not believe these presented a significant issue. As such, we have no identifiable issues to report.

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5. Cash Collections

The Lassen County Superior Court operates one court location that collects court-ordered payments of fees, fines, and forfeitures for criminal, traffic, civil, family law, small claims, unlawful detainers, and probate cases. In addition, the Court has a mobile access center where the Court primarily collects payments of fees, fines, and forfeitures for traffic cases. The Court relies on one case management system—CIBER—to process and account for all cases. On average, the Court processes approximately 13,000 case filings annually and collects nearly \$2.7 million per year in fees and fines.

As such, trial courts are required to implement procedures and controls that assure safe and secure collection, and accurate accounting of all payments as well as follow FIN Manual Sections 10.01 and 10.02 that provide uniform guidelines related to cash collection, processing, and reporting. 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;
- 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 good controls over cash handling, such as endorsing checks immediately upon receipt, investigating daily collection discrepancies before final close-out, and securing unprocessed payments overnight in a safe. However, we also found instances where cash handling practices and procedures should be strengthened, including controls over the processing of voided transactions, fine reductions, and fee waivers; securing and reviewing the use of manual receipt books; reconciling change funds used by court cashiers; and monitoring mail opening processes. These current court protocols unnecessarily increase the risk of theft or that fraudulent activities could go undetected.

5.1 Controls over Voids, Fine Reductions, and Use of Manual Receipts Require Strengthening

Several control weaknesses in the Court's cashiering practices allow opportunities for cashiers to take monies from court customers while inappropriately modifying CIBER to reflect different amounts collected and concealing a theft. Although, it is important to note, we did not identify instances of theft or wrongdoing on the part of court personnel. Specifically, individuals with access to the void function in the CIBER case management system can void their own transactions and cashiers have the ability to reduce fine amounts without approval of a supervisor. Further, manual receipt books are not adequately secured or reviewed by court supervisors.

Voided Transactions

According to the Court, voids are not a regular occurrence with only approximately 6-8 voided transactions per month. The Court restricts the ability to void transactions to court supervisors, the Administrative Services Manager, and the Administrative Services Supervisor. Further, for all voided transactions, the Court's policy requires both the clerk and supervisor/manager to date,

sign, and record the reason for the void on the court copy of the receipt. Both are strong protocols designed to ensure only appropriate void transactions are approved. Despite these good controls, we found two instances that weaken their efficacy, as discussed below:

- Because court supervisors, the Administrative Services Manager, and the Administrative Services Supervisor are occasionally placed in the position of processing transactions in CIBER, the system allows these employees to void their own transactions. While it is the Court's internal policy to have a voided transaction processed by a different employee other than the person processing the original transaction, there may be instances when supervisory or management personnel may void their own transactions. CIBER has the ability to generate a report of all voided transactions; as such, we recommend that the Court implement a void review process in which voided transactions are processed and reviewed/approved by separate court employees to ensure sufficient segregation of duties between processing and voiding transactions.
- While voided transactions are required to be appropriately documented, we found that neither clerks nor supervisors sign and date void receipts. Thus, the Court should ensure staff is aware of the Court policy and that policy is being followed.

Modifications to Fee and Fine Amounts Due

All clerks have the ability to reduce fees and fines in CIBER without supervisory approval—a practice commonly needed by clerks to expeditiously process court-ordered reduced fines and fees. Though any fee and fine reduction should be supported by an underlying judicial order granting the reduced amounts, clerks have the ability to collect cash and modify amounts due. This creates an opportunity in which theft or loss may occur and go undetected by management, such as an employee stealing money and modifying case information to show a zero balance due. While the Court reviews fee waivers, suspended sentences, and DUI dismissals on a monthly basis, this does not allow the Court to verify fine and fee reductions. Additionally, according to the Court, a mitigating control in place is the fact that the courtroom clerks responsible for creating the minute orders do not also process the payments; rather, the clerks at the cashiering counter are tasked with this. However, this does not mitigate the risk of the clerk processing the payment to alter the fine or fee and, often, the defendants pay their fines and fees without attending court.

Not only do CIBER's system limitations prevent the Court from generating an exception report summarizing fees and fines reduced, but the Court also lacked a review or monitoring process that ensures fees and fines were appropriately reduced or waived. To mitigate these risks with the least impact to court operations, we recommend the Court work with CIBER to determine the cost benefit of developing an ad hoc report in CIBER to help the Court track fine and fee reductions. This would increase its ability to detect potential wrongdoing and also provide a potential deterrent as staff would be aware their activities are monitored.

Manual Receipts

While the Court has three manual receipt books issued by the County that are used when CIBER is unavailable or at the end of the day to process payments collected after the daily close-out process, we noted weaknesses that increase the opportunity for monies collected to be

inaccurately or inappropriately reflected in the Court's case management system, as discussed below:

- While the Court uses and maintains manual receipt books with sequential numbering, they were not stored in a secure location. When notified during our audit, the Court indicated as of April 2010 it began storing the manual receipt books in their respective safes.
- The Court does not periodically review the manual receipt books to ensure all receipts were appropriately entered into the CIBER CMS and no receipts are missing. According to the Court, its clerks' practice is to immediately enter manual receipts into the CMS when the system becomes available or the following day with the receipt copy attached to the CIBER receipt copy and included with the cashiers daily collection report stored in the Court's fiscal files. This process, however, is not regularly reviewed by supervisors or management.

When coupled with CIBER system users' ability to collect payments and reduce fine amounts in the system, there is an increased risk that an employee could receive a payment, reduce the fine amount in the CMS, issue a manual receipt, and pocket the payment without management's knowledge. As such, the Court should develop and implement a monthly review process of manual receipt books. This process would better enable the Court to ensure receipts were accounted for and appropriately entered into the CMS system. To aid in the process, the Court could require the white receipt generated from CIBER be attached to the manual receipt maintained in the book—rather than being thrown away. Again, when notified during our audit, the Court indicated it would begin attaching CIBER receipts to the manual receipt book, but did not indicate when this new process would be implemented.

Recommendation

To tighten controls surrounding cash collections and the recording of case information into CIBER, as well as deter and detect potentially inappropriate activities, the Court should:

3. Review CIBER's Voided Transaction Report monthly and select a random sample of voids to test to ensure voided transactions were appropriate and the person voiding the transaction was not the same person entering the transaction.
4. Work with CIBER to determine the feasibility of developing fee and fine reduction reports that could be used by the Court to monitor fee and fine reductions.
5. Regularly review manual receipt books to ensure receipts are accounted for and appropriately entered into the CMS.

Superior Court Response

3. The Court disagrees with the auditor's recommendation. As mentioned in the report, the Court does restrict the ability to void transactions to court supervisors and managers. A court supervisor may void a transaction if a request to void is made the same day the data entry/error is made. At that time, the supervisor reviews the reason for the void and both clerk and supervisor initial the void transaction receipt. Managers may void a transaction to correct an error on any date. This is for those rare instances required to correct a financial entry later in the month, when reconciling at month end, for example. Each

daily collection report is then reviewed by the administrative department, including all voided transactions, prior to making the deposit with the Treasurer's Office. The Court is researching the availability of a void transaction report in CIBER case management system.

Responsible Person: Court Operations Manager, Lynn Woods

Completion Date: January 31, 2011.

4. The Court agrees that monitoring fee and fine reductions would enhance staff accountability. As recommended in the report, the court will work with CIBER to determine the cost benefit of developing an ad hoc report in CIBER to track fine and fee reductions. Case Management System programming is charged by the hour and usually is quoted at \$1,000 to \$5,000. The court supervisor's currently conduct random sampling for monitoring fee waivers, suspended sentence, and DUI dismissals.

Responsible Person: Court Operations Manager, Lynn Woods

Completion Date: January 31, 2011

5. The Court agrees with the recommendation for manual receipt book review. The administrative department has started a monthly review of the manual receipt books, and written policies have been revised to include this process with the regular month-end reconciliation procedure.

Responsible Person: Helen Ashby, Administrative Services Manager
Completion Date: October 1, 2010

Auditor's Rebuttal

While court management disagrees with Recommendation No. 3, citing that the Court restricts the ability to void transactions to court supervisors and managers, the supervisors and managers are occasionally in the position to process payment transactions themselves. There are two ways to address the potential risk associated with the ability to inappropriately void transactions—first, preventive measures, such as system controls that restrict the ability of an individual to void a transaction they originated and, second, detective controls, such as an independent review of voided transactions to identify potentially inappropriate voids. We found that CIBER is currently unable to prevent court supervisors and managers from voiding their own transactions, and the court supervisors and managers responsible for reviewing voids are the same individuals with the ability to both initiate transactions and to void their own transactions. This creates an inherent risk that an inappropriately voided transaction could go undetected. Though voids are listed on daily collection reports, opportunity still exists whereby administrative staff could void a transaction without being detected since they are responsible for the final review of the daily collection reports. A periodic review of voided transactions, even on a sample basis, would be a good internal control practice and should not be a cumbersome task for the Court to accomplish.

5.2 Mail Opening Process Requires Increased Oversight

The FIN Manual requires mail to be opened by two individuals. Due to court staffing constraints, the Court developed an alternate procedure for its mail opening process and received AOC approval. Specifically, the Court's cash handling policy states "a designated staff member opens the mail in a general office area in plain view of other court staff, including a supervisor." However, during our observations, we noted that the mail opening process occurred in a filing

room; while the filing room is generally open to court employees, mail processing is not in plain sight of other court employees unless they actually enter the room. According to the Court, existing office space in the courthouse is insufficient to provide an open workspace that is in plain sight—an issue that will not be resolved until construction on the Court's new courthouse is completed in the winter of 2012. While the Court has developed an alternate procedure to meet the intent behind the FIN Manual requirements, the potential for employee theft remains and can be further reduced by relocating mail opening processes to a more open location.

Furthermore, we noted payments received through the mail are not always processed and deposited the same day. The Court's internal cash handling policy requires that "Payments received through the mail should be processed on the day they are received." To ensure efficient processing of payments and appropriate safeguarding of monies, the Court should be processing collections the same day as received. Since the Court can at times receive a large amount of mail payments in one day, it could distribute the traffic payments amongst various clerks rather than having one clerk responsible for processing all of them.

Recommendation

To strengthen controls surrounding payments received through the mail, the Court should:

6. Ensure staff follows the Court's internal cash handling policy for the opening of mail by requiring staff to open mail in an area in plain view of other court staff.
7. Process and deposit mail payments the same day as received.

Superior Court Response

6. The Court agrees that mail tasks should be conducted in an open office area. Unfortunately, due to the overcrowded office conditions, the mail clerk's desk was actually shoved into the filing room. This filing room contains all active files of all case types, making it a very busy room. Court staff continually enters this room throughout the day, and the mail clerk is in plain sight from a general work area and from within the filing room itself. Lassen Superior Court will be moving to a new courthouse in approximately 1-1/2 years.
7. The Court agrees and it is the Court's policy to open, process and deposit mail payments the same day as received. The Court does distribute traffic payments amongst other staff when needed and when possible, however, on extremely busy court days, with a small workforce, on occasion the days' receipts are not posted. The Court will more strictly enforce the cash handling policy to ensure funds not deposited the same day are placed in the safe by a supervisor.

Responsible Person: Court Operations Manager, Lynn Woods

Completion Date: November 30, 2010.

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6. Information Systems

The Court employs a variety of information technology (IT) systems to serve its needs, including CIBER (case management system with integrated cashiering function), Jury Plus (jury management system), and fiscal Phoenix-FI system. Additionally, the Court also operates its own technology department with one analyst responsible for overseeing all the Court's information technology needs, including disaster recovery, system access and security, network access, and security. During Fiscal Year 2008-2009, the Court spent approximately \$105,400 on technology related expenses, as detailed in Table 11 in Appendix B.

As part of our audit, we analyzed various technology 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 Department of Motor Vehicles system; and,
- Calculation and distribution of fees, fines, penalties, and assessments for a sample of criminal and traffic convictions.

Our review revealed that the Court had many controls in place over its automated systems. For instance, access to the server room was restricted via key lock to authorized employees only (all non-authorized individuals accessing the room must be accompanied by a member of the IT department or Court Security). Additionally, the server room temperature was maintained at a moderately cool temperature with a thermostat control unit remotely monitored by the analyst and the Court had a disaster recovery plan in place. System back-up tapes are stored off-site, and, the Analyst stated the Court performs random audits of failed user log-in attempts and user access.

However, we noted deficiencies related to the incorrect distribution and calculation of certain fines and fees.

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 CIBER case management system. Lassen County Superior Court is one of several courts that utilize the CIBER case management system. When legislation changes or modifications are needed, the Courts work together with the CIBER administrator to make adjustments to the system's assessment and distribution formulas and ensure consistency. Before changes are placed in the production environment in the CMS, they will first be verified in a test environment to ensure that calculations are accurate—each Court tests changes independently.

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

1. Driving Under the Influence pursuant to Vehicle Code VC 23152(a)
2. Trespassing pursuant to Penal Code PC602(m)
3. Possession of Marijuana pursuant to Health and Safety Code HS11357(b)
4. Fishing without a License pursuant to Fish and Game Code F&G 7145
5. Child Seat Restraint pursuant to Vehicle Code VC 27360.5
6. Speeding pursuant to Vehicle Code VC 22349(b)
7. Traffic School violation pursuant to Vehicle Code VC 22349(b)
8. Traffic School disposition for Red-Light violation pursuant to Vehicle Code VC 21453(c)

However, our review revealed some fine calculations were incorrectly assessed and distributed. Specifically, we identified distribution errors such as inaccurate distribution tables or missing assessments that were not manually input into the system as discussed below:

- 20 percent Surcharge per PC 1465.7 was Incorrectly Calculated
According to the CIBER Senior Systems Analyst, CIBER is programmed to truncate the 20 percent surcharge to a whole dollar amount for non-traffic school violations. For instance, for the penal code violation tested, the base fine was calculated as \$67.87; however, CIBER calculated the 20 percent surcharge as \$13 instead of the appropriate \$13.57, resulting in an under assessment of \$0.57. This appears to only be a problem for odd amount base fines which are not divisible by five. Overall, we found three instances where the 20 percent surcharge was inappropriately under assessed.
- Distributions related to Red Light-Traffic School Violations Are Incorrectly Calculated
We also found that the CMS is incorrectly distributing monies on red light violations. Our testing revealed that for traffic school cases, CIBER is incorrectly calculating the 30 percent red light violation fine per Penal Code 1463.11. Specifically, the CMS includes the 20 percent surcharge in the total amount used for calculating the 30 percent fine; however, the 30 percent does not apply to the 20 percent surcharge. As a result, too much money is being distributed into the red light bucket which could negatively affect either the City or County depending on the arresting agency. Since the violation we tested was the result of a City arrest, the 30 percent red light violation fee was distributed to the City. However, due to CIBER's current programming issues, the City ultimately received \$6 more than it was entitled.

Though we did not test a red light non-traffic school case, we discovered through discussions with Court and CIBER staff that the CMS is also incorrectly distributing monies for these case types though the inaccuracies are separate from those found with red light traffic school cases. Specifically, while CIBER appropriately deducts the 20 percent surcharge before calculating the 30 percent red light violation fee, it also incorrectly deducts the \$1 Courthouse Construction Fund and \$1 Criminal Justice Facilities monies. As a result, the 30 percent red light violation fine is shorted.

Additionally, for traffic school cases resulting from a city arrest, the Court should be reducing the city's portion of the base fine by 2 percent. And for red light traffic school cases, the city's portion of the base fine should also be reduced by 30 percent. Specifically, according to VC 42007(c) in the California State Controllers' Manual of Accounting and Audit Guidelines for Trial Courts, fees resulting from a city arrest should be "an amount equal to the amount that would have been deposited into the treasury of the appropriate city pursuant to PC 1463.001(b)(3) (i.e. net of 2% court automation)." However, CIBER is not programmed to reduce the city's portion of the base fine by 30 percent and 2 percent when applicable, and as a result, the City is receiving monies that should have been distributed to the county. In the red light traffic school case tested, we found that the City was over-distributed \$24.81.

- State Courthouse Construction Penalty Is Incorrectly Distributed on Traffic School Cases
For the two traffic school violations that we tested, the Court incorrectly distributed the state courthouse construction penalties to the County rather than the State. GC 70372(a) requires an additional penalty of \$5 per \$10 upon every fine, penalty, or forfeiture imposed and collected—which is to be distributed 100 percent to the State. However, we found that the Court distributed the \$5 per \$10 additional penalty into the County bucket that includes the traffic school penalty and base fine. Because of the systemic nature of this issue and thus money was under-remitted to the State, there could be penalties for the underpayment. According to the CEO, a ticket request has been submitted to CIBER to resolve the issue and is scheduled for completion by August 20, 2010.
- Court Did Not Always Distribute the Correct Fees and Assessments pursuant to GC 70373 and PC 1465.8
Two of the eight violations tested did not collect or distribute the correct fees and assessments related to GC 70373 and/or PC 1465.8. The criminal conviction assessments per GC 70373 (\$30 for misdemeanors/felonies and \$35 for infractions) took effect on all convictions after 1/1/2009. The DUI misdemeanor violation tested did not include the \$30 assessment though the conviction date was 3/2/2009. According to the Court, the conviction assessments passed under SB1407 were to be effective for convictions on or after 1/1/2009. However, beginning implementation using conviction dates was problematic for the CMS programmers and the CIBER user courts made a decision to use the citation date (if available) or filing date on criminal cases. Lassen County Superior Court began implementation using 1/1/2009 citation/filing dates according to the CEO. Since the violation we tested had a filing date of 10/16/2008, the \$30 was not assessed. Nevertheless, according to government code, it should have been assessed since the conviction date was after 1/1/2009.

Additionally, the fish and game violation tested did not distribute the correct court security fee per PC1465.8. Specifically, the court security fee increased from \$20 to \$30 in July 2009; however, only \$20 was distributed into the court security fee bucket rather than the increased amount of \$30. As a result, the extra \$10 was distributed throughout other buckets causing an overage for certain assessments. Similar to the criminal conviction assessments, the Court decided to use the citation/filing dates rather than the conviction dates to assess the court security fee. Lassen County Superior Court began implementation of the increased court security fee using 8/10/2009 citation/filing dates.

The fish and game violation we tested had a citation date of 7/19/2009 and therefore the full \$30 was not distributed into the court security fee bucket even though the Court collected the appropriate amount of bail to allow for the appropriate distribution.

- Court Does Not Assess Fees pursuant to PC 1463.07
The Court is not collecting administrative screening fees pursuant to Penal Code 1463.07. According to the California State Controllers' Manual of Accounting and Audit Guidelines for Trial Courts, the court shall collect "\$25 upon conviction from each person arrested and released on his/her own recognizance for a criminal offense other than an infraction." During our testing, we found that the Penal Code violation did not include the \$25 administrative screening fee though it was applicable. After discussing this issue with the Court, the Court confirmed that it has not been collecting this fee. Given the state's current financial crisis, it becomes increasingly important for Courts to assess all applicable fees and fines as these monies are used to fund programs. In this case, these monies could be used to fund court operations.
- Base Fine Incorrectly Distributed for Penal Code Violation
Additionally, we found that the base fine was inappropriately distributed for the penal code violation tested. Specifically, the penal code tested was a city arrest; as a result, 79 percent should have been distributed to the County and 21 percent to the City per PC 1463.002. However, the Court distributed the entire base fine to the County. According to the Court, the court clerk entering the violation into the CMS failed to input the arresting agency and location in the system. The Court indicated that, in the past, the CMS would issue a warning message to notify clerks data was not appropriately entered; however, when tested, the system did not generate the warning message. When notified, the Court subsequently issued a request to CIBER to reinstate the warning message. The Court indicated that the correction was implemented and tested in early July 2010.

Recommendation

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

8. Ensure the distribution formulas in CIBER are correct to address the errors noted above and continue to 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 CIBER case management system.

Superior Court Response

8. Court agrees to work with CIBER to ensure all fine and fee distributions comply with laws, rules, and regulations.

Responsible Person: Court Operations Manager, Lynn Woods
Completion Date: April 1, 2011

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. The Lassen County Superior Court had seven bank accounts—four established by the AOC with Bank of America and three local accounts established by the Court with Plumas Bank; all of which were reported to the AOC on the Schedule C “Annual Report of Trial Court Bank Accounts” pursuant to FIN Manual 13.01 §6.6. The four AOC established accounts were established for activities related to court operations, disbursement, uniform civil filing fee depository, and sweep accounts, while the three remaining local bank accounts held with Plumas Bank are for non-TCTF court operations. Table 3 summarizes bank balances as of June 30, 2009.

Table 3. Court’s Bank Account as of June 30, 2009

| # | Account Number | Purpose | Location | Balance per Bank 6/30/09 |
|---|----------------|-------------------------|---------------|--------------------------|
| 1 | XXXXXX-26170 | Operations | AOC Treasury | \$ 173,509.40 |
| 2 | XXXXXX-28720 | Disbursement (clearing) | AOC Treasury | \$ 0.00 |
| 3 | XXXXXX-26175 | Revolving (payroll) | AOC Treasury | \$ 104,016.71 |
| 4 | XXXXXX-20868 | UCF | AOC Treasury | \$ 20,702.40 |
| 5 | XXXXXX-3139 | NTCTF Operations | Plumas | \$ 100,000.00 |
| 6 | XXXXXX-1291 | NTCTF Savings | Plumas | \$ 453,196.08 |
| 7 | XXXXXX-1469 | NTCTF CD | Plumas | \$ 640,268.06 |
| | | | Total: | \$ 1,491,692.65 |

As with other courts throughout the State, the Court relies on the Trial Court Administrative Services (TCAS) to provide critical financial support and banking services for all AOC-established accounts, including monthly bank reconciliations between bank statements and general ledger information from the Phoenix-FI system for its operating and uniform civil filing fee accounts. The Court also relies on the TCAS to provide daily cash reports that allow the Court to regularly monitor account activity and the results of bank reconciliations performed by the TCAS.

At the same time, the Court is responsible for reconciling its payroll account as well as its three local bank accounts to its account activity in Phoenix-FI and for properly reporting account balances. Overall, we found the AOC employs sound methods in managing these accounts, including reconciling the Court’s bank accounts on a monthly basis, adequately controlling check stock and segregating duties of staff in managing and reconciling the accounts. Thus, we have no concerns or recommendations over the Court’s management and reconciliation of court bank accounts.

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8. Court Security

The Lassen County Sheriff's Office provides some security services at the Court's only courthouse in Susanville which is limited to bailiff-related functions when the Court is in session. Services for perimeter security, such as patrolling hallways and public areas as well as developing and maintaining court security plans, protocols, and policies are outsourced to private contractors. In addition, the Court has three court-employed Court Attendants who staff weapons screening stations and observe video surveillance in the security office. During Fiscal Year 2008-2009, the Court expended \$248,859 for security services as shown in Table 13 of Appendix B.

Given the nature of court business related to criminal activity and tension-filled family law actions, it is imperative that the Court ensure the safety of the public and court employees. Since separating from the County, the Court has implemented several strong security measures to improve the overall security of the courthouse and individuals doing business with the Court. This includes:

- Installing two weapon screening stations at public entrances to the main courthouse and annex building;
- Establishing a private entrance for in-custody inmates into the Annex building;
- Installing duress alarms at the public counters, Judge's chambers, clerk supervisor areas, family law offices, mediator's offices, and the Judge's benches and clerk's workstations in the courtrooms;
- Limiting access to restricted areas, such as courtrooms and court employee areas, by requiring key access;
- Installing cameras to aid in monitoring sensitive areas including courtrooms, public counters, jury assembly rooms, hallways, parking areas, and weapons screening areas;
- Implementing quarterly evacuation drills; and,
- Developing a comprehensive security plan as well as security policies and procedures, over weapons use and security, media relations for high-profile cases, emergency plan, and evacuation plan.

Our review also revealed limited resources continue to restrict the Court's ability to fully enhance all security areas—particularly for the courtrooms located within the courthouse itself. Due to the design of the historic courthouse with its narrow hallways, and limited space, the Court faces challenges in transporting in-custody inmates through the hallways of the courthouse, limiting access to the public and court staff, and securing inmates waiting to be seen by the judge. While it appears that the most significant security concerns currently faced by the Court will be mitigated when it completes construction of its new courthouse in 2012, using "Department 1" behind the historic courthouse will remain a more secure option for high-profile or high-risk court proceedings until construction is complete. Court management recognizes these opportunities and has indicated that it continues to look for ways to improve court security.

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9. Procurement

Since the Lassen County Superior Court's migration to the Phoenix-FI system in April 2007, the Court has undergone numerous changes related to its procurement and payables processes. Most notable among these, the Trial Court Administrative Services (TCAS) has assumed a significant role in the Court's procurement activities. For example, the TCAS is responsible for setting-up electronic requisitions and purchase orders in Phoenix-FI as well as cutting checks for the Court's expenditures. As such, the Court no longer has any reliance on the County for its procurement activities. While we found the Court generally employed good controls over its procurement process and complied with certain FIN Manual requirements, we noted that its competitive procurement practices could be improved.

9.1 Competitive Procurement Processes Were Not Always Used or Documented

Of the 15 expenditures tested, we found that three of the expenditures lacked evidence of undergoing sufficient competition during the procurement process. FIN Manual 6.01 state that courts should obtain three written quotes for purchases greater than \$2,500 and less than \$10,000, and a request for proposal or other type of formal bid should be issued to select a vendor for purchases over \$10,000. Yet, we found the Court did not always comply with these requirements.

For instance, the Court procured \$13,740 of mobile work stations from National Business Furniture without the use of a formal bid process. In another example, the Court procured more than \$22,000 in the purchase of a satellite from Mobile Satellite Technologies without undergoing a formal RFP process. According to the Court, it contacted several vendors during the procurement process; however, due to the unique requirements of the purchase (highly technical mobile access satellite and programming requirements) and the remote location of the satellite installation, only one vendor was willing to provide both the equipment and installation. However, documentation provided by the Court did not demonstrate the Court's efforts to obtain vendor recommendations from other cities and did not include evidence of quotes or bids from other vendors. As a result, we were unable to confirm that the Court contacted other vendors.

Recommendation

To ensure court purchases undergo appropriate competitive procurement processes and the Court receives the best price for goods and services, the Court should:

9. Solicit and formally document at least three quotes/bids from vendors when required by the FIN Manual. If the Court decides to sole-source a good or service, it should complete a sole-source justification form documenting the rationale for vendor selection. By soliciting multiple quotes and documenting its procurement process, the Court can illustrate a fair selection process to stakeholders and ensure the Court receives the best value for goods and services procured.

Superior Court Response

9. The Court agrees that improvements in documentation can be made; however, the court disagrees with the statement that the Court did not regularly comply with requirements as specified in the FIN Manual.

In the procurement of the mobile work stations the Court contacted a vendor in Susanville and a vendor in Redding; both declined to quote. The first did not have staff for installation and the second indicated it was not cost effective to travel to our remote location. National Business Furniture provided a competitive price (we had purchased mobile work stations previously from both of the other vendors) and was able and willing to deliver and install.

In the procurement of the replacement satellite for the court's Mobile Access Center, it was a timeliness issue. This vehicle is vital to the court's disaster recovery plan. The program manager contacted two other vendors and found that although the cost of the equipment would be slightly less, the court would have to pay additional fees for programming, installation and travel for the two other vendors. This would have increased the overall cost of replacement, had it been purchased from a vendor other than the original vendor of the product, Mobile Satellite Technologies.

10. Contracts

Currently, the Court has nine contracts in place for goods and services from external vendors mostly related to contracted security and mediator/investigation services; however, we found that services provided between the County and the Court were not memorialized in a written agreement as required by FIN Manuals 6.01 and 7.01 or without some form of written document with an external party, the Court cannot be assured or demonstrate that it received the best value for the goods and services in terms of quality, delivery, price, and performance. We tested four contracts and found they generally contained the appropriate elements detailing cost, schedule, terms and conditions, and scope, and were generally approved by the Court Executive Officer (CEO). However, for one of the four contracts, the Court was unable provide a signed copy of the contract although the Court asserted the CEO “accepted” the agreement and sent the signed copy to the company. Because the Court did not have a copy with the CEO’s signature on file, we were unable to determine if it was appropriately executed by the CEO. In the future, the Court should ensure a signed copy of executed contracts is maintained on file for all contracts.

10.1 Current MOU Does Not Address all County Provided Services

While the Court has limited reliance on the County for services, it does procure nearly \$112,000 of bailiff services from the County. To provide these services, the Court and County Sheriff’s department operate under an informal agreement that does not clearly define statutory and Rule of Court-based legal obligations to assure the security of court staff and the public. Rather, the Court relies on an informal arrangement made several years ago where the Sheriff invoices the Court for services rendered for two bailiffs regardless of the number of bailiffs working—although, while on-site, we noted five bailiffs were on duty at times. According to the CEO, the Court attempted to negotiate a contract with the County, but the County ultimately decided it did not wish to formalize the agreement. Although the Court and the Sheriff appear to have an amicable working relationship, difficulties could arise in the future if one or both parties become dissatisfied without a formal agreement.

Moreover, while charges for bailiff services appear to be reasonable, appropriate and Rule 810 allowable, the Court cannot be ensured it is being billed appropriately without a MOU stipulating agreed-upon services and rates and without documentation supporting the invoice. Additionally, FIN Manual 7.02, §6.5 states that “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.” Therefore, we encourage the Court to continue its efforts with the County to create a written agreement.

Recommendations

To strengthen the security at the Court’s facilities, the Court should consider the following:

10. Continue efforts to work with the County Sheriff’s Office to develop a comprehensive MOU that fully describes the relationship between the two entities, including roles, responsibilities, billing rates, and services.

Superior Court Response

10. The Court agrees to continue efforts to work with Lassen County Sheriff’s Office to develop a comprehensive MOU. This MOU, however, will not need to include a disaster

recovery plan. This Court currently has plans developed and on the website as required by Administrative Office of the Courts.

Responsible Person: Court Executive Officer, Rosemari Reed

Completion Date: December 31, 2011.

11. Accounts Payable

During Fiscal Year 2008-2009, the Court expended approximately \$4 million on court operational activities. Next to salary and benefit costs, the Court's largest operating expense category was contracted services for general consultants, administrative services, interpreters, reporters, and other court-ordered professional services totaling \$434,176. Other significant expenditure categories included court security totaling nearly \$248,859 and information technology totaling \$105,429.

As a "self input" court, the Lassen County Superior Court processes its own expenditures in Phoenix while the AOC's Trial Court Administrative Services is responsible for issuing checks. Our audit revealed that the Court generally utilizes good practices in place over its accounts payable functions, including appropriate segregation of duties, adequate levels of supervisory review, and proper document handling. However, the Court's process to document the receipt of goods and services could be improved.

11.1 Some Expenditures Tested Lacked Sufficient Documentation to Demonstrate Goods and Services were Delivered and Invoiced Costs were Supported

While documentation for each of the 31 court expenditures we reviewed indicated appropriate court personnel had reviewed and approved the invoices, other evidence was missing to verify supporting documents agreed with amounts invoiced and to confirm goods/services were received as part of a "three-point match" as required by FIN Manual §8.01. Specifically, we found several instances that suggest a more thorough "three-point match" review should be performed to ensure the procurement of services and goods are properly authorized, supported by approved purchase orders or contracts, and goods and services invoiced were delivered to the Court's satisfaction. Our expenditure testing revealed:

- Six of the 31 invoices tested did not contain sufficient and clear evidence demonstrating goods or services were delivered as ordered. While the Court asserted that court personnel confirmed the receipt of many of the items, this was not clearly documented in these six instances. FIN Manual 6.01, §6.8 states, "to assure the implementation of strong internal controls, the receipt of goods and performance of services must be acknowledged and documented." Confirmation of receipt requires that, at minimum, the individual responsible for overseeing the delivery of goods or services verify that they were satisfactorily received, and document their approval—by initialing the invoice as "Received" or by providing confirmation of receipt in writing—to ensure that accounting personnel have adequate support for all invoices they process.

This does not suggest that the goods and services were not received by the Court or that the purchases were inappropriate. Rather, the lack of evidence of the three-point match or the initials of the personnel performing the match prevents a third-party from verifying that adequate controls are in place and that appropriate segregation of duties were exercised by ensuring a different employee procures, receives, and processes payments for goods and services.

Recommendation

To ensure the Court is appropriately receiving and paying for goods and services at rates authorized, the Court should:

11. Document the receipt of goods and services with a signature and date of the staff receiving the good or service.

Superior Court Response

11. The Court disagrees with the assessment that there is a lack of evidence to support three-point match. Due to a less informal method than larger courts, it may have been more of a challenge to demonstrate this; however, the Court does believe it was shown that there is a receiving policy, practice, and procedure. The Court has produced evidence that items are requested via purchase requisitions, ordered by an administrative clerk, and checked in by another employee. The invoice is reviewed and matched to the purchase order if applicable, purchase requisition, and packing slip by a separate administrative clerk, coded and entered into the accounting system by that administrative clerk and then reviewed and approved for payment by the manager. Services that would not have a packing slip are verified by initials and date of a manager of the department receiving services such as the Family Court Services division for mediation services or the Criminal division for court interpreters. The practice regarding court services was recently implemented in 2010.

Auditor's Rebuttal

The Court's stated process does comply with appropriate procurement and accounts payable practices; however, we did not always find that the necessary documentation was in place to demonstrate that a three-point match had occurred. FIN Manual 6.01, §6.8 states, "to assure the implementation of strong internal controls, the receipt of goods and performance of services must be acknowledged and documented." It also states that "the person receiving the procured goods indicates his or her receipt and acceptance by signing and dating the accompanying packing slip or other similar documentation." While we did find evidence of purchase requisitions and invoices, the six invoices did not include signatures demonstrating that goods were received and that they were received by a separate individual not involved in the procurement or accounts payable process, thereby demonstrating appropriate segregation of duties. Appropriate documentation provides an audit trail that demonstrates proper internal controls are in place and are effective.

12. Fixed Assets Management

With a fixed assets valued at \$554,259 according to its Consolidated Annual Financial Report (CAFR) worksheets for Fiscal Year 2008-2009, the Court has many good controls in place over its fixed assets. For instance, the Court utilizes an Access database to record items with a value of \$100 or more. These items are assigned an inventory number, and other critical data is tracked in the database such as description, storage location, purchase price, and date of purchase. In addition, the Court conducts an annual inventory of these assets in accordance with FIN Manual 9.01 §6.2.2. However, we noted one area where the Court could improve its management and reporting of fixed assets.

12.1 Fixed Assets Reported on its CAFR Worksheets May be Overstated as They are Not Depreciated

Currently, the Court does not depreciate its fixed assets. Rather, once an item is sold or destroyed, the Court removes the item from its inventory list. When the Court transitioned from the County in 2000, the Court hired a private CPA firm to identify the Court's assets including fixed assets valued at \$5,000 or more with an anticipated useful life of at least a year and determined a fixed asset balance. Once a fixed assets balance was determined, the Court recorded this balance on its CAFR. Each year the Court carries over the prior year fixed asset balance and accounts for any additions (new purchases) or deletions (sold or destroyed assets). However, the Court may be overstating its fixed asset balance because it does not account for the depreciated asset values. Thus, the Court should identify the useful life of its current fixed assets and devise a depreciation schedule for those assets. The asset balance reported on its CAFR worksheets should reflect the Court's current fixed asset value minus depreciation.

Recommendations

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

12. 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.

Superior Court Response

12. The Court agrees and has worked with the AOC and the state regarding a fixed asset program for the Courts. At this time, neither the state nor the AOC has a program for use by the Courts. At fiscal year end, the Court will update its physical inventory and upon completion of this inventory will identify appropriate values and reflect an appropriate depreciation transaction to update its records.

Responsible Person: Administrative Services Manager, Helen Ashby

Completion Date: August 2011

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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 its operations and account for its resources in a transparent manner that will withstand external scrutiny. Moreover, Courts must demonstrate accountability, efficient use of public resources, compliance with requirements, and correction of audit findings in a timely fashion.

In December 2007, the AOC's Internal Audit Services issued a report to the Lassen County Superior Court that focused on its operational and financial readiness to transition onto the statewide Phoenix-FI system in areas such as:

- Court Administration
- Fiscal Management
- Cash Collections
- Information Systems
- Banking
- Procurement and Contracting
- Accounts Payable
- Fixed Assets
- Security

As a result, several observations were presented to the Court that required management attention and correction. Our review revealed that in most cases, the Court has addressed the audit issues and recommendations previously identified, and controls have generally improved as a result. For instance, in response to the audit, the Court:

- Appropriately reports all trust monies on the QFS report;
- Developed a comprehensive Court Security Plan;
- Improved procurement and accounts payable processes; and,
- Requires employees to complete DMV Information Security Statements and re-certify on an annual basis.

While the Court has been proactive in addressing most of the prior audit findings and recommendations, our current audit found that some issues still exist as described throughout this report, and remain a concern in 2010 as well.

For instance, our current audit revealed that the Court has not completely addressed two findings addressed in the prior audit report related to reconciliations of funds held in trust and using a memorandum of understanding (MOU) for county-provided services. Although the Court recently completed its reconciliation of the old trust monies residing in the Plumas bank account, the Court has not completely reconciled the majority of funds held in trust as discussed in Section 3.1 of this report. In addition, as discussed in Section 10.1 of this report, the Court still does not have an MOU in place for services provided by the County. As discussed throughout the report, the Court should continue its efforts to reconcile funds in trust and to work with the County on developing MOUs for all provided services that memorialize agreed-upon services, rates, cost, and schedule of services.

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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.” Moreover, 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.

Currently, the Court stores case files, financial records, and procurement documentation at the main courthouse in Susanville for the current fiscal year and the previous four fiscal years. In compliance with FIN Manual 12.01, the Court keeps financial and business records for at least five years, while case files are scanned and maintained electronically for an indefinite period of time. As such, we have no concerns or recommendations to report in this area.

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15. Domestic Violence

In June 2003, the Joint Legislative Audit Committee requested IAS conduct an audit of the court-ordered fines and fees in specified domestic violence cases in California. As part of the audit report issued in March 2004, 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) requires a mandatory state restitution fine of a minimum \$100 to be assessed on misdemeanor convictions and \$200 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.

According to its case management system records, the Court processed 149 domestic violence cases during Fiscal Year 2008-2009. We selected a sample of six of these cases to test whether case file information indicated that mandated fees and fines were properly assessed. Our review revealed the Court appropriately assessed domestic violence fees for all six cases tested. As such, we have no concerns or recommendations to report in this area.

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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. 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 weapons and ammunition, drugs and narcotics, money and other valuable 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 with potentially significant impacts to the outcome of a court case.

Overall, the Court's current procedures over the security, storage, and tracking of exhibits are sufficient. Court policy states that all exhibits that cannot be stored in a case file must be returned to the appropriate parties at the end of a case. According to the Court, the Court does not store large or high risk exhibits in its exhibit room except during a trial. At the completion of a trial, exhibits that "pose a security, storage, or safety problem" are returned to the offering party while the Court maintains a photograph of the exhibit in the case file. Our review revealed that all exhibits tested were easily located, the exhibit locker was well organized, and access to high risk exhibits was appropriately restricted. As such, we have no concerns or recommendations to report in this area.

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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. Currently, the Lassen County Superior Court has one main courthouse in Susanville, an annex building that houses court offices and a single courtroom, and a separate building to house its Access to Justice Center, in addition to a mobile access center to serve residents in outlying, rural areas. According to the AOC's Office of Court Construction and Management's *Completed Transfer Agreements* report as of December 29, 2009, the Lassen County courthouse is considered an historic site that also houses several county offices. As such, there currently is no agreement to transfer title of the historic courthouse to the State, although the courthouse annex was transferred to the State in June 2007.

As shown in Table 4, the Court spent over \$40,800 on facility related operations during Fiscal Year 2008-2009 per Phoenix-FI records; however, the vast majority of these expenditures related to the Court's rent/storage. A high-level review of facility expenses revealed no issues.

Table 4. Fiscal Year 2008-2009 Facility-Related Expenses

| G/L Account | Description | Account Balance |
|--------------------------|---------------------------------|-----------------|
| 935200 | RENT/STORAGE | \$ 30,939.10 |
| 935300 | JANITORIAL SERVICES | \$ 2,119.33 |
| 935400 | MAINTENANCE AND SUPPLIES | \$ 4,757.82 |
| 935700 | OTHER FACILITY COSTS – GOODS | \$ 1,861.08 |
| 935800 | OTHER FACILITY COSTS – SERVICES | \$ 1,161.62 |
| FACILITY OPERATION TOTAL | | \$ 40,838.95 |

Moreover, the Court broke ground on a new, state-owned courthouse in July 2010 that is scheduled for completion in the winter of 2012. The new three-courtroom, 42,300-square-foot courthouse will replace the historic courthouse, court annex, and Access to Justice Center. It will also provide enhanced security and additional space enabling the Court to improve access and services.

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18. Appeals

California Rules of Court (CRC) specify various guidelines and requirements related to handling appeals, including provisions related to processes for tracking, filing, and monitoring notice of appeals to ensure appropriate records are certified and submitted to the California Courts of Appeals in accordance with mandated timelines. In Fiscal Year 2008-2009, the Court processed 79 appeals with the majority related to criminal non-death penalty. Additionally, the Lassen County Superior Court processes appeals for three other courts—Plumas, Sierra, and Modoc County Superior Courts—and was awarded the Ralph N. Kleps Award in Fiscal Year 2006-2007 for its Four-Court Regional Appellate Division Program.

We selected seven appeals for our review that included cases from each of the four courts to assess whether the Court had a process in place to appropriately track appeal notices and certify records in a timely manner, and whether the process is followed. Overall, the Court's current process appears to be well managed, including the use of tickler calendars in the Court's case management system to track case progress and deadlines, production of quarterly reports, and the recording of key events. Currently, the Court Operations Manager oversees appeals and assigns clerks to process Juvenile, Criminal, and Civil appeals. The clerks responsible for processing appeals appeared knowledgeable and sensitive towards milestones and deadlines—this was reflected in our testing results that revealed appeals were submitted timely. As such, we have no concerns or recommendations to report in this area.

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Appendix A: Financial Statements

According to the Governmental Accounting Standards Board (GASB), the paramount objective of financial reporting is accountability. GASB identified and defined one component of accountability—namely fiscal accountability, which is defined as the responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year).

Focus on Accountability

Consistent with the mission statement of the Judicial Council, the *Strategic Plan for California's Judicial Branch 2006 – 2012* entitled *Justice in Focus* that established a guiding principle that “Accountability is a duty of public service” with a specific statement that “The Judicial Council continually monitors and evaluates the use of public funds.” As the plan states, “All public institutions, including the judicial branch, are increasingly challenged to evaluate and be accountable for their performance, and to ensure that public funds are used responsibly and effectively.” Two of the detailed policies include the following:

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

Toward this end, under the independence and accountability goal of *The Operational Plan for California's Judicial Branch, 2008 – 2011*, Objective 4 is to “Measure and regularly report branch performance—including branch progress toward infrastructure improvements to achieve benefits for the public.” The proposed desired outcome is “practices to increase perceived accountability.”

Lassen County Superior Court Financial Statements

To assist in the fiscal accountability requirements of the branch, the statewide fiscal infrastructure system, Phoenix-FI, was established and implemented at the Court in 2007 with fiscal data processed through the Trial Court Administrative Services in Sacramento. The fiscal data on the following pages are from this system and present the un-audited Fiscal Year 2008-2009 financial statements of the Trial Court Operations Fund for the Court. Specifically, the three financial statements are as follows:

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

While the Fiscal Year 2008-2009 information is summarized into a total funds column that does not include individual fund detail, total columns for each year are provided only for “information purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial information is un-audited, but is presumed to be presented, as required, on a modified accrual basis of accounting, recognizing increases and decreases in financial resources only to the extent that they

reflect near-term inflows or outflows of cash. There are three basic fund categories available for courts to use: Government, Proprietary and Fiduciary. The Lassen County Superior Court uses the following categories and types with the classifications.

Governmental Funds

General – Used as the primary operating fund to account for all financial resources except those required to be accounted for in a separate fund. Specifically, the Court operates two general funds—Operating Fund TCTF (110001) and Operating Fund NTCTF (120001).

Special Revenue – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received) or restricted in use. Court funds are as follows:

Special Revenue

1. Grand Jury (120005)
2. 2 percent Automation/Micrographics (180004)

Grants

1. 1058 Family Law Facilitator Program (1910581)
2. 1058 Child Support Commissioner Program (1910591)
3. Substance Abuse Focus Program (1910601)
4. Access to Visitation (1910611)

Fiduciary Funds

Trust – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”¹ Fiduciary funds include several different types including agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Court monies included here involve activities such as deposits for criminal bail trust, civil interpleader, and eminent domain cases and are all recorded in one Trust Fund (320001).

Agency – Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment, and remittance of resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held.

As a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. While this practice is appropriate for internal accounting purposes, GAAP expressly limits the use of fiduciary funds for external

¹ GASB Statement No. 34, paragraph 69.

financial reporting purposes to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide financial statements.² However, they are reported as part of the basic fund financial statements to ensure fiscal accountability.

Sometimes, a government entity such as the Lassen County Superior Court will hold escheat resources on behalf of another government. In that case, the use of an agency fund would be appropriate. The Court uses one agency fund—the Civil Filing Fees Fund (450000).

² GASB No. 34, paragraph 12.

Lassen Superior Court
 Trial Court Operations Fund
 Balance Sheet
 (Unaudited)

| For the month ended June | | | | | | | | |
|---|--------------------|-----------------|----------------|-----------------|-------------------|-----------------|--------------------------------------|--------------------------------------|
| Fiscal Year 2009/10 | | | | | | | | 2008/09 |
| | Governmental Funds | | | | Proprietary Funds | Fiduciary Funds | Total Funds (Info. Purposes Only) | Total Funds (Info. Purposes Only) |
| | General | Special Revenue | | Capital Project | | | | |
| | | Non-Grant | Grant | | | | | |
| ASSETS | | | | | | | | |
| Operations | 8,021 | 60,176 | 0 | | | | 68,197 | 105,807 |
| Payroll | 0 | | 0 | | | | 0 | 0 |
| Jury | | | | | | | | |
| Revolving | 105,000 | | | | | | 105,000 | 100,000 |
| Other | | | | | | | | |
| Distribution | | | | | | | | |
| Civil Filing Fees | | | | | | 30,500 | 30,500 | 20,702 |
| Trust | | | | | | | | |
| Credit Card | | | | | | | | |
| Cash on Hand | 1,350 | 0 | 0 | | | | 1,350 | 1,260 |
| Cash with County | 1,071,246 | 18,976 | 0 | | | 120,187 | 1,210,409 | 1,254,737 |
| Total Cash | 1,185,617 | 79,152 | 0 | | | 150,687 | 1,415,457 | 1,482,507 |
| Short Term Investment | 563 | 57 | | | | | 620 | 270,124 |
| Investment in Financial Institution | | | | | | 404,727 | 404,727 | 200,000 |
| Total Investments | 563 | 57 | | | | 404,727 | 405,347 | 470,124 |
| Accrued Revenue | 34 | 11 | | | | | 45 | 1,156 |
| Accounts Receivable - General | 68,075 | | 108,108 | | | | 176,184 | 0 |
| Dishonored Checks | | | | | | | | |
| Due From Employee | | | | | | | | |
| Civil Jury Fees | | | | | | | | |
| Trust | | | | | | | | |
| Due From Other Funds | 269,693 | | | | | | 269,693 | 109,165 |
| Due From Other Governments | 41,400 | | | | | | 41,400 | 22,000 |
| Due From Other Courts | | | | | | | | |
| Due From State | 73,130 | | 24,366 | | | | 97,496 | 233,071 |
| Trust Due To/From | | | | | | | | |
| Distribution Due To/From | | | | | | | | |
| Civil Filing Fee Due To/From | | | | | | | | |
| General Due To/From | | | | | | | | |
| Total Receivables | 452,333 | 11 | 132,474 | | | | 584,818 | 365,393 |
| Prepaid Expenses - General | 0 | | 0 | | | | 0 | 1,243 |
| Salary and Travel Advances | 0 | 0 | 0 | | | | 0 | 1,867 |
| Counties | | | | | | | | |
| Total Prepaid Expenses | 0 | 0 | 0 | | | | 0 | 3,110 |
| Other Assets | | | | | | | | |
| Total Other Assets | | | | | | | | |
| Total Assets | 1,638,514 | 79,220 | 132,474 | | | 555,414 | 2,405,622 | 2,321,133 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Accrued Liabilities | 31,695 | 65 | 1,986 | | | | 33,746 | 45,220 |
| Accounts Payable - General | 0 | 0 | 0 | | | | 0 | 4,763 |
| Due to Other Funds | 140,000 | | 129,693 | | | | 269,693 | 109,165 |
| Due to Other Courts | | | | | | | | |
| Due to State | 1,355 | | 796 | | | | 2,150 | 2,000 |
| TC145 Liability | | | | | | 30,500 | 30,500 | 20,702 |
| Due to Other Governments | | | | | | | | |
| AB145 Due to Other Government Agency | | | | | | | | |
| Due to Other Public Agencies | | | | | | | | |
| Sales and Use Tax | 0 | | | | | | 0 | 0 |
| Interest | | | | | | 0 | 0 | 0 |
| Miscellaneous Accts. Pay. and Accrued Liab. | | | | | | | | |
| Total Accounts Payable and Accrued Liab. | 173,049 | 65 | 132,474 | | | 30,500 | 336,088 | 181,851 |
| Civil | | | | | | | | |
| Criminal | | | | | | | | |
| Unreconciled - Civil and Criminal | | | | | | | | |
| Trust Held Outside of the AOC | | | | | | 120,187 | 120,187 | 78,163 |
| Trust Interest Payable | | | | | | | | |
| Miscellaneous Trust | | | | | | | | |
| Total Trust Deposits | | | | | | 120,187 | 120,187 | 78,163 |
| Accrued Payroll | | | | | | | | |
| Benefits Payable | 6,194 | | | | | 404,727 | 410,922 | 201,539 |
| Deferred Compensation Payable | 0 | | | | | | 0 | -3,723 |
| Deductions Payable | 0 | | | | | | 0 | -360 |
| Payroll Clearing | 0 | | 0 | | | | 0 | |
| Total Payroll Liabilities | 6,194 | | 0 | | | 404,727 | 410,922 | 197,456 |
| Revenue Collected in Advance | 0 | | 0 | | | | 0 | 0 |
| Liabilities For Deposits | 9,993 | | | | | | 9,993 | 9,770 |
| Jury Fees - Non-Interest | | | | | | | | |
| Fees - Partial Payment & Overpayment | | | | | | | | |
| Uncleared Collections | | | | | | | | 0 |
| Other Miscellaneous Liabilities | | | | | | | | |
| Total Other Liabilities | 9,993 | | 0 | | | | 9,993 | 9,770 |
| Total Liabilities | 189,237 | 65 | 132,474 | | | 555,414 | 877,190 | 467,240 |
| Fund Balance - Restricted | 342,792 | 79,127 | | | | | 421,919 | 664,003 |
| Fund Balance - Unrestricted | | | | | | | | |
| Designated | 1,431,974 | | | | | | 1,431,974 | 1,415,990 |
| Undesignated | 0 | 0 | 0 | | | | 0 | 0 |
| C/Y Excess (Deficit) of Rev. Over Expenses | -325,490 | 28 | 0 | | | | -325,461 | -226,099 |
| Total Fund Balance | 1,449,277 | 79,155 | 0 | | | | 1,528,431 | 1,853,893 |
| Total Liabilities and Fund Balance | 1,638,514 | 79,220 | 132,474 | | | 555,414 | 2,405,622 | 2,321,133 |

Source: Phoenix Financial System and 4th Quarterly Financial Statement Reports

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

| | For the month ended Jun | | | | | | | | | |
|---|-------------------------|-----------------|----------------|------------------|-------------------|------------------|--------------------------------------|----------------------------|--------------------------------------|--------------------------|
| | Fiscal Year 2009/10 | | | | | | | 2008/09 | | |
| | Governmental Funds | | | Capital Projects | Proprietary Funds | Fiduciary Funds | Total Funds (Info. Purposes Only) | Current Budget (Annual) | Total Funds (Info. Purposes Only) | Final Budget (Annual) |
| | General | Special Revenue | | | | | | | | |
| Non-Grant | | Grant | | | | | | | | |
| REVENUES | | | | | | | | | | |
| State Financing Sources | | | | | | | | | | |
| Trial Court Trust Fund | 2,735,182 | | | | | 2,735,182 | 2,714,697 | 2,880,200 | 2,993,198 | |
| Trial Court Improvement Fund | -1,287 | | | | | -1,287 | 2,384 | 48,723 | 73,979 | |
| Judicial Administration Efficiency & Mod Fund | 4,074 | | | | | 4,074 | 4,000 | 12,711 | 3,800 | |
| Judges' Compensation (45.25) | | | | | | | | | | |
| Court Interpreter (45.45) | 58,383 | | | | | 58,383 | 50,000 | 51,272 | 55,000 | |
| Civil Coordination Reimbursement (45.55) | | | | | | | | | | |
| MOU Reimbursements (45.10 and General) | 301,178 | | | | | 301,178 | 309,837 | 327,583 | 270,805 | |
| Other Miscellaneous | | | | | | | | 13,394 | | |
| | 3,097,530 | | | | | 3,097,530 | 3,080,918 | 3,333,883 | 3,396,782 | |
| Grants | | | | | | | | | | |
| AB 1058 Commissioner/Facilitator | | | 260,496 | | | 260,496 | 265,230 | 255,568 | 265,231 | |
| Other AOC Grants | | | 19,219 | | | 19,219 | 19,000 | 15,339 | 19,000 | |
| Non-AOC Grants | | | | | | | | 7,461 | 6,050 | |
| | | | 279,715 | | | 279,715 | 284,230 | 278,368 | 290,281 | |
| Other Financing Sources | | | | | | | | | | |
| Interest Income | 17,993 | 361 | | | | 18,354 | 35,500 | 37,766 | 25,350 | |
| Investment Income | | | | | | | | | | |
| Donations | | 1,750 | | | | 1,750 | 8,000 | 8,121 | 8,000 | |
| Local Fees | 27,047 | | | | | 27,047 | 33,600 | 37,406 | 29,000 | |
| Non-Fee Revenues | 60,709 | 8,301 | | | | 69,011 | 66,000 | 66,035 | 65,500 | |
| Enhanced Collections | 45,152 | | | | | 45,152 | | | | |
| Escheatment | 369 | | | | | 369 | | | | |
| Prior Year Revenue | | | | | | | | 3,874 | | |
| County Program - Restricted | 1,012 | | | | | 1,012 | 1,000 | 989 | 1,500 | |
| Reimbursement Other | 272 | | | | | 272 | | 13,783 | 13,650 | |
| Sale of Fixed Assets | | | | | | | | | | |
| Other Miscellaneous | 101 | | | | | 101 | | | | |
| | 152,655 | 10,412 | | | | 163,067 | 144,100 | 167,974 | 143,000 | |
| Total Revenues | 3,250,185 | 10,412 | 279,715 | | | 3,540,312 | 3,509,248 | 3,780,225 | 3,830,063 | |
| EXPENDITURES | | | | | | | | | | |
| Personal Services | | | | | | | | | | |
| Salaries - Permanent | 1,684,083 | | 145,945 | | | 1,830,028 | 1,872,818 | 1,751,579 | 1,812,863 | |
| Temp Help | 35,021 | | 1,153 | | | 36,174 | 27,617 | 39,706 | 50,041 | |
| Overtime | | | | | | | | | | |
| Staff Benefits | 721,165 | | 58,962 | | | 780,127 | 901,894 | 749,090 | 885,952 | |
| | 2,440,269 | | 206,060 | | | 2,646,329 | 2,802,329 | 2,540,375 | 2,748,856 | |
| Operating Expenses and Equipment | | | | | | | | | | |
| General Expense | 120,582 | 9,598 | 11,584 | | | 141,764 | 154,855 | 177,168 | 336,990 | |
| Printing | 5,570 | 130 | 163 | | | 5,863 | 12,200 | 11,381 | 9,925 | |
| Telecommunications | 34,023 | 0 | 786 | | | 34,809 | 38,200 | 39,027 | 31,775 | |
| Postage | 17,658 | | 436 | | | 18,094 | 35,900 | 25,441 | 24,885 | |
| Insurance | 8,587 | | | | | 8,587 | 6,100 | 6,151 | 4,275 | |
| In-State Travel | 11,382 | 156 | 1,731 | | | 13,268 | 28,000 | 31,124 | 22,091 | |
| Out-of-State Travel | 3,969 | | | | | 3,969 | 3,000 | 2,853 | 2,580 | |
| Training | 5,005 | 500 | 1,150 | | | 6,655 | 9,250 | 18,382 | 22,036 | |
| Security Services | 219,524 | | 25,146 | | | 244,670 | 253,783 | 248,859 | 251,289 | |
| Facility Operations | 46,532 | | 9,297 | | | 55,830 | 41,500 | 40,839 | 109,285 | |
| Utilities | 6,602 | | 3,878 | | | 10,480 | 13,700 | 11,860 | 14,470 | |
| Contracted Services | 427,790 | | 5,543 | | | 433,333 | 410,689 | 434,176 | 458,100 | |
| Consulting and Professional Services | 3,866 | | | | | 3,866 | 4,500 | 4,230 | 3,000 | |
| Information Technology | 81,391 | | | | | 81,391 | 61,600 | 105,429 | 105,650 | |
| Major Equipment | 7,887 | | | | | 7,887 | | 97,650 | 39,000 | |
| Other Items of Expense | 7,891 | | | | | 7,891 | 8,500 | 7,892 | 9,950 | |
| | 1,008,260 | 10,384 | 59,713 | | | 1,078,357 | 1,081,777 | 1,262,463 | 1,445,301 | |
| Special Items of Expense | | | | | | | | | | |
| Grand Jury | | | | | | | | | | |
| Jury Costs | 1,088 | | | | | 1,088 | 3,000 | 3,475 | 3,500 | |
| Judgements, Settlements and Claims | | | | | | | | 0 | | |
| Debt Service | | | | | | | | 0 | | |
| Other | 140,000 | | | | | 140,000 | 140,000 | 200,012 | | |
| Internal Cost Recovery | -40,775 | | 40,775 | | | 0 | | 0 | 0 | |
| Prior Year Expense Adjustment | | | | | | | | | | |
| | 100,312 | | 40,775 | | | 141,088 | 143,000 | 203,486 | 3,500 | |
| Total Expenditures | 3,548,841 | 10,384 | 306,549 | | | 3,865,774 | 4,027,106 | 4,006,324 | 4,197,657 | |
| Excess (Deficit) of Revenues Over Expenditures | -298,656 | 28 | -26,833 | | | -325,461 | -517,858 | -226,099 | -367,594 | |
| Operating Transfers In (Out) | 26,833 | | -26,833 | | | 0 | | 0 | -125,080 | |
| Fund Balance (Deficit) | | | | | | | | | | |
| Beginning Balance (Deficit) | 1,774,766 | 79,127 | 0 | | | 1,853,893 | 1,853,893 | 2,079,992 | 2,079,992 | |
| Ending Balance (Deficit) | 1,449,277 | 79,155 | 0 | | | 1,528,431 | 1,336,035 | 1,853,893 | 1,837,478 | |

Source: Phoenix Financial System and 4th Quarterly Financial Statement Reports

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Appendix B: Phoenix-FI Account Detail, Fiscal Year 2008-2009

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 §77009(f) and proceduralized under CRC 10.804. 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 5 reflects the Court's Fiscal Year 2008-2009 expenditures that IAS considers associated with the Court's administrative decisions and governance responsibilities.

Table 5. Court Administration

| G/L Account | Description | Sub-Account | Account Balance |
|---------------------|-------------------------------------|--------------|---------------------|
| Expenditures | | | |
| 906300 | SALARIES – JUDICIAL OFFICERS | | \$ 40,219.76 |
| 920500 | DUES AND MEMBERSHIPS | | \$ 570.00 |
| 933101 | TRAINING | \$ 16,271.00 | |
| 933103 | REGISTRATION FEES - TRAIN | 474.00 | |
| 933104 | TUITION AND REGISTRATION | 1,170.00 | |
| 933105 | TRAINING FACILITY RENTAL | 200.00 | |
| 933107 | TRAINING MEDIA | 12.95 | |
| 933108 | TRAINING SUPPLIES | 254.35 | |
| 933100 | TRAINING | | \$ 18,382.30 |
| TOTAL | | | \$ 59,172.06 |

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 account for more than half of many trial courts' budgets, courts must establish a position management system that includes, at a minimum, a current and updated position roster, a process for abolishing vacant positions, and procedures for requesting, evaluating, and approving new and reclassified positions. In Table 6 below are Fiscal Year 2008-2009 balances from the Court's general ledger that IAS considers associated with fiscal management and reporting.

Table 6. Salary and Benefit Expenditures

| G/L Account | Description | Sub-Account | Account Balance |
|-------------|--------------------------------|---------------|------------------------|
| 900300 | SALARIES – PERMANENT | | \$ 1,711,359.02 |
| 903300 | TEMPORARY HELP | | \$ 39,706.34 |
| 906300 | SALARIES – JUDICIAL OFFICERS | | \$ 40,219.76 |
| | SALARIES TOTAL | | \$ 1,791,285.12 |
| 910301 | SOCIAL SECURITY INS & MED | \$ 109,307.33 | |
| 910302 | MEDICARE TAX | 25,949.96 | |
| 910300 | TAX | | \$ 135,257.29 |
| 910401 | DENTAL INSURANCE | \$ 10,055.28 | |
| 910501 | MEDICAL INSURANCE | 203,371.40 | |
| 910503 | RETIREE BENEFIT | 8,275.00 | |
| 910400 | HEALTH INSURANCE | | \$ 221,701.68 |
| 910600 | RETIREMENT | | \$ 294,588.83 |
| 912400 | DEFERRED COMPENSATION | | \$ 62,201.34 |
| 912500 | WORKERS' COMPENSATION | | \$ 22,607.00 |
| 913301 | UNEMPLOYMENT INSURANCE | \$ 3,991.49 | |
| 913501 | LIFE INSURANCE | 3,084.68 | |
| 913502 | LONG-TERM DISABILITY | 2,111.68 | |
| 913601 | VISION CARE INSURANCE | 1,005.35 | |
| 913699 | OTHER INSURANCE | 2540.96 | |
| 912700 | OTHER INSURANCE | | \$ 12,734.16 |
| | STAFF BENEFITS TOTAL | | \$ 749,090.30 |
| | PERSONAL SERVICES TOTAL | | \$ 2,540,375.42 |

Report Section 3: Accounts Related to Fund Accounting

According to FIN Manual 3.01, §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 Courts’ 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 have been set up in Phoenix-FI to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and provide uniform standards for fund balance reporting. Table 7 below reflects the Court’s Fiscal Year 2008-2009 fund balances—additionally, there were no transfers in or out recorded in the system.

Table 7. Fund Balances and Operating Transfers

| G/L Account | Description | Account Balance |
|-------------|--------------------------------|--------------------------|
| 552001 | FUND BALANCE – RESTRICTED | \$ (664,002.54) |
| 553001 | FUND BALANCE – UNRESTRICTED | (1,415,989.72) |
| | FUND BALANCES | \$ (2,079,992.26) |
| 701100 | OPERATING TRANSFERS IN | \$ (26,750.45) |
| 701200 | OPERATING TRANSFERS OUT | \$ 26,750.45 |

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 8 and 9 are Fiscal Year 2008-2009 balances from the Court’s general ledger that IAS has associated with accounting principles and practices.

Table 8. Court Accounts Receivables, Payables, and Other Liabilities

| G/L Account | Description | Account Balance |
|-------------|----------------------------------|------------------------|
| 130001 | A/R - ACCRUED REVENUE | \$ 1,156.49 |
| 140001 | A/R - DUE FROM OTHER FUNDS | 109,164.91 |
| 150001 | A/R - DUE FROM OTHER GOVERNMENTS | 22,000.00 |
| 152000 | A/R - DUE FROM STATE | 233,071.23 |
| 171201 | PREPAID - TRAVEL ADVANCES | 1,866.50 |
| 172001 | PREPAID – EXPENSES | 1,243.04 |
| 201110 | INVESTMENTS IN FINANCIAL | 200,000.00 |
| | ACCOUNTS RECEIVABLES | \$ 568,502.17 |
| 301001 | A/P - GENERAL | \$ (4,763.33) |
| 311401 | A/P - DUE TO OTHER FUNDS | (109,164.91) |
| 321501 | A/P – DUE TO STATE | (2,000.00) |
| 321600 | A/P - TC145 LIABILITY | (20,702.40) |
| 330001 | A/P - ACCRUED LIABILITIES | (45,219.99) |
| | ACCOUNTS PAYABLE | \$ (181,850.63) |
| 351001 | LIABILITIES FOR DEPOSITS- | \$ (9,770.29) |
| 353090 | FUNDS HELD OUTSIDE OF THE | (78,163.01) |
| 374603 | UNION DUES | 360.36 |
| 374701 | HEALTH BENEFITS PAYABLE E | 84.79 |
| 374702 | BENEFITS PAYABLE-MEDICAL | (101.70) |
| 374703 | BENEFITS PAYABLE-DENTAL E | (1,235.72) |

| | | |
|------------------------------|---------------------------|------------------------|
| 374704 | BENEFITS PAYABLE-VISION E | (300.67) |
| 374705 | BENEFITS PAYABLE-LIFE EE | (8.00) |
| 374707 | BENEFITS PAYABLE-LTD EE A | (0.01) |
| 374708 | BENEFITS PAYABLE-STD | 22.29 |
| 374801 | DEFERRED COMPENSATION PAY | 3,722.85 |
| CURRENT LIABILITIES | | \$ (85,389.11) |
| 407002 | OPEB LIABILITY FUNDED | (200,000.00) |
| LONG TERM LIABILITIES | | \$ (200,000.00) |

Table 9. Court Revenue Sources and Prior Year Adjustments

| G/L Account | Description | Sub-Account | Account Balance |
|---|---|-------------------|--------------------------|
| 812110 | TCTF-PROGRAM 45.10 – OPERATIONS | \$ (2,839,983.00) | |
| 812140 | TCTF-PROGRAM 45.10 – SMALL CLAIMS – SERVICE | (570.00) | |
| 812144 | TCTF-PROGRAM 45.10 – CLERKS | (100.00) | |
| 812146 | TCTF-PROGRAM 45.10 – COPY PREPARATION | (4,202.00) | |
| 812147 | TCTF-PROGRAM 45.10-COMPAR | (2.00) | |
| 812148 | TCTF-PROGRAM 45.10 – MANUAL SEARCH OF RECORDS | (810.00) | |
| 812149 | TCTF-PROGRAM 45.10 – REIMBURSEMENTS OF OTHER | (1,905.00) | |
| 812151 | TCTF-10-CUSTODY/VISITATION | (765.00) | |
| 812152 | TCTF-PROGRAM 45.10-RETURN | (175.00) | |
| 812154 | TCTF-PROGRAM 45.10 – INFO PACKAGE FOR CONSERVATORSHIP | (20.00) | |
| 812158 | TCTF-10- CUSTODY/VISITATION | (510.00) | |
| 812159 | TCTF-10-CIVIL ASSESSMENT | (30,557.00) | |
| 812160 | TCTF-10 – MICROGRAPHICS | (601.00) | |
| 812100 | TCTF - PGM 10 OPERATIONS | | \$ (2,880,200.00) |
| 816000 | OTHER STATE RECEIPTS | | \$ (13,394.00) |
| 821121 | LOCAL FEE 1 | (100.00) | |
| 821161 | FC3112 CUSTODY INVESTIGAT | (13,527.02) | |
| 821181 | PC1205d INSTALLMENT FEE | (21,924.07) | |
| 821183 | PC1463.22a INSURANCE CONV | (1,855.00) | |
| 821000 | LOCAL FEES REVENUE | | \$ (37,406.09) |
| 822101 | NON-FEE REV 1 | (60,034.95) | |
| 822110 | NON-FEE REV 10 | (488.03) | |
| 822120 | CRC3.670f COURT CALL | (5,512.50) | |
| 822000 | LOCAL NON-FEES REVENUE | | \$ (66,035.48) |
| 823000 | OTHER - REVENUE | | \$ (8,121.00) |
| 825000 | INTEREST INCOME | | \$ (37,765.84) |
| SUB-TOTAL TRIAL COURTS REVENUE SOURCES | | | \$ (3,042,922.41) |
| 831010 | GF-AB2030/AB2695 SERVICE | \$ (4,230.00) | |

| G/L Account | Description | Sub-Account | Account Balance |
|--|---|-----------------|--------------------------|
| 831012 | GF-PRISONER HEARING COST | (127,232.70) | |
| 831000 | GENERAL FUND - MOU/REIMBURSEMENTS | | \$ (131,462.70) |
| 832010 | TCTF GENERAL MOU REIMBURSEMENTS | \$ (46,698.00) | |
| 832011 | TCTF-PGM 45.10- JURY | (3,474.55) | |
| 832012 | TCTF-PGM 45.10- CAC | (123,809.20) | |
| 832014 | TCTF-PGM 45.10- OTHER | (22,139.00) | |
| 832000 | PROGRAM 45.10 - MOU/REIMBURSEMENTS | | \$ (196,120.75) |
| 834000 | PROGRAM 45.45 – COURT INTERPRETER REIMBURSEMENTS | | \$ (51,272.00) |
| 836000 | MODERNIZATION FUND – REIMBURSEMENTS | | \$ (12,710.36) |
| 837000 | IMPROVEMENT FUND – REIMBURSEMENTS | | \$ (48,722.63) |
| 838010 | AB1058 GRANTS | \$ (255,567.79) | |
| 838020 | OTHER AOC GRANTS | \$ (15,339.21) | |
| 838000 | AOC GRANTS – REIMBURSEMENTS | | \$ (270,907.00) |
| 839000 | NON-AOC GRANTS | | \$ (7,460.50) |
| 840000 | COUNTY PROGRAM – RESTRICTED | | \$ (988.50) |
| 860000 | REIMBURSEMENTS – OTHER | | \$ (13,783.33) |
| SUB-TOTAL TRIAL COURTS REIMBURSEMENTS | | | \$ (733,428.17) |
| 890000 | PRIOR YEAR REVENUE | | \$ (3,874.11) |
| REVENUE TOTAL | | | \$ (3,780,224.69) |

Report Section 5: Accounts Related to Cash Collections

FIN Manual 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 10 below are balances from the Court's general ledger for Fiscal Year 2008-2009 that IAS considers to be associated with this section.

Table 10. Cash Collections Accounts

| G/L Account | Description | Account Balance |
|----------------------------------|-----------------------------|------------------------|
| 111000 | CASH-OPERATIONS ACCOUNT | \$ 184,884.93 |
| 111100 | CASH-OPERATIONS CLEARING | (79,077.84) |
| 114000 | CASH-REVOLVING | 100,000.00 |
| 117500 | CASH CIVIL FILING FEES | 20,702.40 |
| 119001 | CASH ON HAND | 1,260.46 |
| 120001 | CASH WITH COUNTY | 61,272.61 |
| 120002 | CASH OUTSIDE OF AOC | 1,193,464.14 |
| 120050 | SHORT TERM INVESTMENTS-LAIF | 270,123.76 |
| CASH AND CASH EQUIVALENTS | | \$ 1,752,630.46 |

Report Section 6: Accounts Related to Information Systems

Information systems used by the Court include the CIBER, Inc. case management system (CMS) that has an integrated cashiering module, Jury Plus for jury attendance and payroll, in addition to Phoenix-FI for the recording of financial transactions. In Table 11 are balances from the Court's general ledger that IAS considers to be associated with information systems.

Table 11. Information Technology General Ledger Line Items

| G/L Account | Description | Sub-Account | Account Balance |
|--|-------------------------------------|--------------|----------------------|
| 943201 | IT MAINTENANCE | \$ 7,729.76 | |
| 943203 | IT MAINTENANCE - SOFTWARE | 3,000.00 | |
| 943200 | IT MAINTENANCE | | \$ 10,729.76 |
| 943300 | IT COMMERCIAL CONTRACTS | | \$ 43,239.03 |
| 943501 | IT REPAIRS & SUPPLIES | \$ 17,655.82 | |
| 943502 | IT SOFTWARE & LICENSING FEES | 24,391.02 | |
| 943503 | COMPUTER SOFTWARE | 3,360.47 | |
| 943506 | SECURITY SOFTWARE | 2,525.79 | |
| 943509 | MAINFRAME ACCESSORIES AND | 3,370.88 | |
| 943500 | IT REPAIRS/SUPPLIES/LICENSES | | \$ 51,303.98 |
| 943700 | IT OTHER | | \$ 156.55 |
| INFORMATION TECHNOLOGY (IT) TOTAL | | | \$ 105,429.32 |

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's operating funds are deposited in an AOC-established account. The Court's daily collections and AB 145 monies are deposited into the County Treasury; although after the month-end distribution process, the Court's AB 145 monies are deposited into an AOC-established account. Lastly, the Court uses three external bank accounts to hold its Non-Trial Court Trust Fund monies.

Table 12. Banking and Treasury General Ledger Line Items

| G/L Account | Description | Account Balance |
|-------------|--------------------------|-----------------|
| 111000 | CASH-OPERATIONS ACCOUNT | \$ 184,884.93 |
| 111100 | CASH-OPERATIONS CLEARING | (79,077.84) |
| 114000 | CASH-REVOLVING | 100,000.00 |
| 117500 | CASH CIVIL FILING FEES | 20,702.40 |
| 119001 | CASH ON HAND | 1,260.46 |

| G/L Account | Description | Account Balance |
|----------------------------------|---------------------------|------------------------|
| 120001 | CASH WITH COUNTY | 61,272.61 |
| 120002 | CASH OUTSIDE OF AOC | 1,193,464.14 |
| 120050 | SHORT TERM INVEMENTS-LAIF | 270,123.76 |
| Cash and Cash Equivalents | | \$ 1,752,630.46 |
| 825000 | INTEREST INCOME | \$ (37,765.84) |
| Revenues | | \$ (37,765.84) |
| 920302 | BANK FEES | \$ 6,610.98 |
| Expenditures | | \$ 6,610.98 |

Report Section 8: Accounts Related to Court Security

Appropriate law enforcement services are essential to trial court operations and public safety. The Court’s primary security members are employees and contracted staff. Specifically, the Court has four security officers and three court attendants. However, the Lassen County Superior Court does contract with the County Sheriff’s for in-court bailiff services. Table 13 presents balances from the Court’s general ledger that IAS considers to be associated with this section.

Table 13. Court Security General Ledger Line Items

| G/L Account | Description | Sub-Account | Account Balance |
|-----------------------|---------------------------------|---------------|----------------------|
| 934504 | PERIMETER SEC-CONTRCT (OTHER) | \$ 135,913.68 | |
| 934510 | COURTROOM SECURITY – SHERIFF | \$ 111,745.00 | |
| 934512 | ALARM SERVICE | \$ 1,200.00 | |
| 934500 | SECURITY | | \$ 248,858.68 |
| 941100 | SHERIFF – REIMBURSEMENTS | | \$ 4,230.00 |
| TOTAL SECURITY | | | \$ 253,088.68 |

Report Section 9: Accounts Related to Procurement

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 18 provides balances from the Court's general ledger that IAS considers to be associated with procurement activity, contracts, and accounts payable.

In Table 14, we list Fiscal Year 2008-2009 balances from the Court's general ledger that IAS considers to be associated with accounts payable activity. Several of the amounts are similar to the contract and procurement sections.

Table 14. Procurement, Contracts, and Accounts Payable General Ledger Line Items

| G/L Account | Description | Sub-Account | Account Balance |
|-------------|---------------------------------|-------------|-----------------|
| 920200 | LABORATORY EXPENSES | | \$ 413.00 |
| 920300 | FEES/PERMITS | | \$ 6,872.75 |
| 920300 | DUES AND MEMBERSHIPS | | \$ 570.00 |
| 920600 | OFFICE EXPENSE | | \$ 45,082.70 |
| 921500 | ADVERTISING | | \$ 12,894.94 |
| 921700 | MEETING, CONFERENCES, EX | | \$ 14,865.66 |
| 922300 | LIBRARY PURCHASES AND SUPPLIES | | \$ 28,468.83 |
| 922600 | MINOR EQUIPMENT – UNDER \$5,000 | | \$ 49,294.49 |
| 922700 | EQUIPMENT RENTAL/LEASE | | \$ 1,633.00 |
| 922800 | EQUIPMENT MAINTENANCE | | \$ 11,515.03 |
| 922900 | EQUIPMENT REPAIRS | | \$ 3,478.39 |
| 923900 | GENERAL EXPENSE - SERVICE | | \$ 2,078.73 |
| | GENERAL EXPENSE TOTAL | | \$ 177,167.52 |
| 924500 | PRINTING TOTAL | | \$ 11,381.26 |
| 925100 | TELECOMMUNICATIONS TOTAL | | \$ 39,026.95 |
| 926100 | POSTAGE TOTAL | | \$ 25,440.63 |
| 928800 | INSURANCE TOTAL | | \$ 6,151.16 |
| 929200 | TRAVEL IN-STATE | | \$ 31,124.16 |
| 931100 | TRAVEL OUT OF STATE | | \$ 2,852.66 |
| 933100 | TRAINING TOTAL | | \$ 18,382.30 |

| G/L Account | Description | Sub-Account | Account Balance |
|---|-------------------------------------|-------------|----------------------|
| 935200 | RENT/LEASE | | \$ 30,939.10 |
| 935300 | JANITORIAL TOTAL | | \$ 2,119.33 |
| 935400 | MAINTENANCE AND SUPPLIES TOTAL | | \$ 4,757.82 |
| 935700 | OTHER FACILITY COSTS - GOODS | | \$ 1,861.08 |
| 935800 | OTHER FACILITY COSTS - SERVICES | | \$ 1,161.62 |
| FACILITY OPERATION TOTAL | | | \$ 40,838.95 |
| 936100 | UTILITIES TOTAL | | \$ 11,860.42 |
| 938300 | GENERAL CONSULTANT & PROFESSIONALS | | \$ 84,526.31 |
| 938500 | COURT INTERPRETER SERVICES | | \$ 31,475.95 |
| 938600 | COURT REPORTER SERVICES | | \$ 41,987.61 |
| 938700 | COURT TRANSCRIPTS | | \$ 29,288.20 |
| 938800 | COURT APPOINTED COUNSEL | | \$ 123,809.57 |
| 938900 | INVESTIGATIVE SERVICES | | 160.00 |
| 939000 | COURT ORDERED PROFESSIONAL SERVICES | | \$ 61,600.97 |
| 939100 | MEDIATORS/ARBITRATORS | | \$ 55,124.76 |
| 939400 | LEGAL SERVICES | | \$ 6,203.00 |
| CONTRACTED SERVICES TOTAL | | | \$ 434,176.37 |
| 952000 | UNIFORM ALLOWANCE | | \$ 561.96 |
| 952400 | VEHICLE OPERATIONS | | \$ 7,329.79 |
| 965100 | JURY COSTS TOTAL | | \$ 3,474.55 |
| 939000 | INTEREST EXPENSE | \$ 11.55 | |
| 939100 | OTHER POSTEMPLOYMENT BENEFITS | 200,000.00 | |
| OTHER – SPECIAL ITEMS OF EXPENSE | | | \$ 200,011.55 |

Report Section 12: Accounts Related to Fixed Assets Management

FIN Manual 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.

Table 15 on the following page, provides balances from the Court's general ledger that IAS considers to be associated with fixed assets.

Table 15. Fixed Assets Management General Ledger Line Items

| G/L Account | Description | Sub-Account | Account Balance |
|---------------|---------------------------------------|-------------|---------------------|
| 945205 | MAJOR EQUIPMENT-VEHICLE | \$ 0.40 | |
| 946601 | MAJOR EQUIPMENT - IT | 97,650.01 | |
| 945200 | MAJOR EQUIPMENT – OVER \$5,000 | | \$ 97,650.41 |

Appendix C: Issues Control Log

Appendix C

**Superior Court of California,
County of Lassen**

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.

November 2010

| FUNCTION | | RPT NO. | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
|----------|-------------------------------------|---------|---|---|---|---|---------------------------------|------------------------------|
| 1 | Court Administration | | No issues identified warranting a response. | | | | | |
| 2 | Fiscal Management and Reporting | | No issues identified warranting a response. | | | | | |
| 3 | Fund Accounting | 3.1 | Court Trust Fund Monies are Not Reconciled | | | | | |
| | | | Court trust funds are commingled with daily collections. | | C | The Court agrees and has established several new accounts with the county treasury: a) bail trust deposits for cases pending adjudication, b) jury fee deposits, c) fines and fees, and d) uniform civil fees. | Administrative Services Manager | Completed - November 1, 2010 |
| | | | The Court does not have a process in place to reconcile funds held in trust on a monthly basis. | I | | The Court agrees to develop and implement a process to reconcile funds held in trust on a monthly basis. | Administrative Services Manager | December 31, 2010 |
| 4 | Accounting Principles and Practices | | No issues identified warranting a response. | | | | | |
| 5 | Cash Collections | 5.1 | Controls over Voids, Fine Reductions, Fee Waiver Processes, and Use of Manual Receipts Require Strengthening | | | | | |
| | | | The Court does not have a proper void review process in place. | I | | The Court disagrees with recommendation. Each daily collection report is reviewed by the administrative department, including all voided transactions. The Court is researching the availability of a void transaction report in CIBER. | Court Operations Manager | January 31, 2011 |
| | | | Court staff processing payments have the ability to reduce fines and waive civil fees without any oversight. | I | | The Court agrees and will work with CIBER to determine the cost benefit of developing an ad hoc report in CIBER to track fine and fee reductions. | Court Operations Manager | January 31, 2011 |

| FUNCTION | | RPT NO. | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
|----------|-----------------------------|------------|---|---|---|--|---------------------------------|-------------------------------------|
| | | | Manual receipt books are not reviewed by court supervisors. | | C | The Court agrees and has started a monthly review of the manual receipt books, and written policies have been revised to include this process with the month-end reconciliation procedure. | Administrative Services Manager | Completed - October 1, 2010 |
| | | 5.2 | Mail Opening Process Requires Increased Oversight | | | | | |
| | | | Mail opening process occurs in a remote location. | I | | The Court agrees but due to the overcrowded office conditions, the mail clerk's desk was shoved into the filing room. Court staff continually enters this room throughout the day, and the mail clerk is in plain sight from a general work area. Lassen Superior Court will be moving to a new courthouse in approximately 1-1/2 years. | Not specified in response | With construction of new courthouse |
| | | | Mail payments are not always processed the same day. | I | | The Court agrees. On extremely busy court days, with a small workforce, on occasion the days' receipts are not posted. The Court will more strictly enforce the cash handling policy to ensure funds not deposited the same day are placed in the safe by a supervisor. | Court Operations Manager | November 30, 2010 |
| 6 | Information Systems | 6.1 | Certain Fine Distribution Calculations Were Incorrect | | | | | |
| | | | Our review revealed some fine calculations were incorrectly assessed and distributed. | I | | Court agrees to work with CIBER to ensure all fine and fee distributions comply with laws, rules, and regulations. | Court Operations Manager | April 1, 2011 |
| 7 | Banking and Treasury | | | | | | | |
| | | | No issues identified warranting a response. | | | | | |

| FUNCTION | | RPT NO. | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
|----------|------------------|---------|---|---|---|--|---------------------------|---------------------------|
| 8 | Court Security | | No issues identified warranting a response. | | | | | |
| 9 | Procurement | 9.1 | Competitive Procurement Processes Were Not Always Used or Documented | | | | | |
| | | | Some expenditures lacked evidence of sufficient competition. | I | | The Court agrees that improvements in documentation can be made. In the procurement of the mobile work stations the court contacted a vendor in Susanville and a vendor in Redding; both declined to quote. In the procurement of the replacement satellite for the court's Mobile Access Center, it was a timeliness and cost issue. | Not specified in response | N/A |
| 10 | Contracts | 10.1 | Current MOU Does Not Address all County Provided Services | | | | | |
| | | | Court does not have a formal, documented agreement in place for court security provided by the County Sheriff's Department. | I | | The Court agrees to continue efforts to work with Lassen County Sheriff's Office to develop a comprehensive MOU. | Court Executive Officer | December 31, 2011 |
| 11 | Accounts Payable | 11.1 | Some Expenditures Tested Lacked Sufficient Documentation to Demonstrate Goods and Services were Delivered and Invoiced Costs were Supported | | | | | |
| | | | Several expenditures tested lacked evidence of receipt, such as the initials of the division manager/supervisor overseeing the services or receiving the goods. | I | | The Court disagrees. Due to a less informal method than larger courts, it may have been more of a challenge to demonstrate this; however, the Court does believe it was shown that there is a receiving policy, practice, and procedure. The Court has produced evidence that items are requested via purchase requisitions, ordered by an administrative clerk, and checked in by another employee. | Not specified in response | N/A |

| FUNCTION | | RPT NO. | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
|----------|-------------------------|---------|--|---|---|--|---------------------------------|---------------------------|
| 12 | Fixed Assets Management | 12.1 | Fixed Assets Reported on its CAFR Worksheets may be Overstated as They are not Depreciated | | | | | |
| | | | The Court does not have a process in place to depreciate its fixed assets and may have overstated its fixed assets balance on its CAFR worksheets as a result. | I | | The Court agrees. At fiscal year end, the Court will update its physical inventory and upon completion of this inventory will identify appropriate values and reflect an appropriate depreciation transaction to update its records. | Administrative Services Manager | August 2011 |
| 13 | Audits | | | | | | | |
| | | | No issues identified warranting a response. | | | | | |
| 14 | Record Retention | | | | | | | |
| | | | No issues identified warranting a response. | | | | | |
| 15 | Domestic Violence | | | | | | | |
| | | | No issues identified warranting a response. | | | | | |
| 16 | Exhibits | | | | | | | |
| | | | No issues identified warranting a response. | | | | | |
| 17 | Facilities | | | | | | | |
| | | | No issues identified warranting a response. | | | | | |
| 18 | Appeals | | | | | | | |
| | | | 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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Appendix D: Court's Full Response

ISSUES AND MANAGEMENT RESPONSES

1. **Court Administration**
2. **Fiscal Management**
3. **Fund Accounting**

3.1 Courts Trust Fund Monies Are Not Reconciled

Responses:

1. The Court agrees that commingled funds should be properly segregated. The Court has established several new accounts with the County Treasury: a) bail trust deposits for cases pending adjudication, b) jury fee deposits, c) fines and fees, and d) uniform civil fees.

Responsible Person: Administrative Services Manager, Helen Ashby

Completion Date: November 1, 2010

2. The Court agrees to develop and implement a process to reconcile funds held in trust on a monthly basis.

Responsible Person: Administrative Services Manager, Helen Ashby

Completion Date: December 31, 2010

4. **Accounting Principles and Practices**

5. **Cash Collections**

5.1 **Controls over Voids, Fine Reductions, and use of Manual Receipts Require Strengthening**

Responses:

3. The Court disagrees with the auditor's recommendation. As mentioned in the report, the Court does restrict the ability to void transactions to court supervisors and managers. A court supervisor may void a transaction if a request to void is made the same day the data entry/error is made. At that time, the supervisor reviews the reason for the void and both clerk and supervisor initial the void transaction receipt. Managers may void a transaction to correct an error on any date. This is for those rare instances required to correct a financial entry later in the month, when reconciling at month end, for example. Each daily collection report is then reviewed by the administrative department, including all voided transactions, prior to making the deposit with the Treasurer's Office. The Court is researching the availability of a void transaction report in CIBER case management system.

Responsible Person: Court Operations Manager, Lynn Woods

Completion Date: January 31, 2011.

4. The Court agrees that monitoring fee and fine reductions would enhance staff accountability. As recommended in the report, the Court will work with CIBER to determine the cost benefit of developing an ad hoc report in CIBER to track fine and fee reductions. Case Management System programming is charged by the hour and usually is quoted at \$1,000 to \$5,000. The court supervisor's currently conduct random sampling for monitoring fee waivers, suspended sentence, and DUI dismissals.

Responsible Person: Court Operations Manager, Lynn Woods
Completion Date: January 31, 2012

5. The Court agrees with the recommendation for manual receipt book review. The administrative department has started a monthly review of the manual receipt books, and written policies have been revised to include this process with the regular month-end reconciliation procedure.

Responsible Person: Helen Ashby, Administrative Services Manager
Completion Date: October 1, 2010

5.2 Mail Opening Process Requires Increased Oversight

Responses:

6. The Court agrees that mail tasks should be conducted in an open office area. Unfortunately, due to the overcrowded office conditions, the mail clerk's desk was actually shoved into the filing room. This filing room contains all active files of all case types, making it a very busy room. Court staff continually enters this room throughout the day, and the mail clerk is in plain sight from a general work area and from within the filing room itself. Lassen Superior Court will be moving to a new courthouse in approximately 1-1/2 years.

7. The Court agrees and it is the Court's policy to open, process and deposit mail payments the same day as received. The Court does distribute traffic payments amongst other staff when needed and when possible, however, on extremely busy court days, with a small workforce, on occasion the days' receipts are not posted. The Court will more strictly enforce the cash handling policy to ensure funds not deposited the same day are placed in the safe by a supervisor.

Responsible Person: Court Operations Manager, Lynn Woods
Completion Date: November 30, 2010.

6. Information Systems

6.1 Certain Fine Distribution Calculations Were Incorrect

Responses:

8. Court agrees to work with CIBER to ensure all fine and fee distributions comply with laws, rules, and regulations.

Responsible Person: Court Operations Manager, Lynn Woods
Completion Date: April 1, 2011

7. Banking and Treasury

8. Court Security

9. Procurement

9.1 Competitive Procurement Processes Were Not Always Used or Documented

Responses:

9. The Court agrees that improvements in documentation can be made; however, the Court disagrees with the statement that the Court did not regularly comply with requirements as specified in the FIN Manual.

In the procurement of the mobile work stations the Court contacted a vendor in Susanville and a vendor in Redding; both declined to quote. The first did not have staff for installation and the second indicated it was not cost effective to travel to our remote location. National Business Furniture provided a competitive price (we had purchased mobile work stations previously from both of the other vendors) and was able and willing to deliver and install.

In the procurement of the replacement satellite for the Court's Mobile Access Center, it was a timeliness issue. This vehicle is vital to the Court's disaster recovery plan. The program manager contacted two other vendors and found that although the cost of the equipment would be slightly less, the Court would have to pay additional fees for programming, installation and travel for the two other vendors. This would have increased the overall cost of replacement, had it been purchased from a vendor other than the original vendor of the product, Mobile Satellite Technologies.

10. Contracts

10.1.1 Current MOU Does Not Address all County Provided Services

Responses:

10. The Court agrees to continue efforts to work with Lassen County Sheriff's Office to develop a comprehensive MOU. This MOU, however, will not need to include a disaster recovery plan. This Court currently has plans developed and on the website as required by Administrative Office of the Courts.

Responsible Person: Court Executive Officer, Rosemary Reed

Completion Date: December 31, 2011.

11. Accounts Payable

11.1.1 Some Expenditures Tested Lacked Sufficient Documentation to Demonstrate Good and Services were Delivered and Invoiced Costs were Supported.

Responses:

11. The Court disagrees with the assessment that there is a lack of evidence to support three-point match. Due to a less informal method than larger courts, it may have been more of a challenge to demonstrate this; however, the Court does believe it was shown that there is a receiving policy, practice, and procedure. The Court has produced evidence that items are requested via purchase requisitions, ordered by an administrative clerk, and checked in by another employee. The invoice is reviewed and matched to the purchase order if applicable, purchase requisition, and packing slip by a separate administrative clerk, coded and entered into the accounting system by that administrative clerk and then reviewed and approved for payment by the manager. Services that would not have a packing slip are verified by initials and date of a manager of the department receiving services such as the Family Court Services division for mediation services or the Criminal division for court interpreters. The practice regarding court services was recently implemented in 2010.

12. Fixed Assets Management

12.1.1 Fixed Assets Reported on its CAFR Worksheets may be Overstated as They are not Depreciated.

13. Responses:

12. The Court agrees and has worked with the AOC and the state regarding a fixed asset program for the Courts. At this time, neither the state nor the AOC has a program for use by the Courts. At fiscal year end, the Court will update its physical inventory and upon completion of this inventory will identify appropriate values and reflect an appropriate depreciation transaction to update its records.

*Responsible Person: Administrative Services Manager, Helen Ashby
Completion Date: August 2011*

14. Audits

15. Records Retention

16. Domestic Violence

17. Exhibits

18. Facilities

19. Appeals