



Audit of the  
Superior Court Of California,  
County of San Francisco

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**REPORT OF  
INTERNAL AUDIT SERVICES  
MAY 2010**



ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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

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

**Superior Court of California, County of San Francisco**

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## MANAGEMENT SUMMARY

### Introduction

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

The audit of the Superior Court of California, County of San Francisco (Court) was initiated by IAS of the Administrative Office of the Courts (AOC) in September 2008. Depending on the size of the court, the audit process typically involves three or four cycles, or audits, encompassing the following primary areas:

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

During audits, we plan on covering all four of the above areas. The audit process involves the review of compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS conducted its first audit of the Court in FY 2004—2005. We followed up on issues identified in the prior audit to determine whether they have been resolved.

Compliance with the Financial Integrity and State Manager's Accountability Act known as FISMA is also an integral part of the audit process. The primary thrust of a FISMA review is to evaluate the Court's internal control structure and processes. While we do not believe that the FISMA applies to the judicial branch, we do believe that it represents good public policy and we conduct internal audits incorporating FISMA concepts relating to internal control. Audits performed by IAS are specifically designed to identify instances of non-compliance with the FIN Manual and FISMA. We did note instances of non-compliance that are highlighted in the **Audit Issues Overview** below. However, we would be remiss in not commenting that our review noted numerous examples in which the Court was not in compliance with the FIN Manual and FISMA. Specifically, we identified areas of non-compliance or concern including:

- An organizational structure that provides for an effective segregation of duties to properly safeguard assets, including money from its collection to deposit.
- A well documented system of authorization and recordkeeping for revenues and expenditures that provides effective accounting control.
- Management controls to monitor personnel in the performance of their duties and responsibilities.

- The ability to attract and retain quality personnel at all court locations that are knowledgeable and motivated to take accountability and responsibility for the performance of their duties.

We believe that in the performance of our internal audit, we have provided the Court with a review that also accomplishes what FISMA requires. It is important to note those areas of noncompliance reported below and in the body of this report that the Court should actively monitor these issues brought up within this internal audit.

### **Audit Issues Overview**

This internal audit identified 307 audit points of interest that were consolidated into 34 reportable issues included in this report. All issues were responded to by the Court, but IAS has not tested the implementation of all corrective measures to verify their correction. There were also some audit points of interest that were not significant enough in our opinion to be included in the report that were verbally discussed with court management. While the audit identified 34 reportable issues, there were 26 conditions significant enough to bring to the attention of court management. These 26 conditions included eight issues which were noted in IAS's audit report of FY 2004-05 which the Court has not corrected. Specifically, the Court needs to implement corrective action on these eight repeat conditions and the other 18 conditions brought to management's attention to improve and refine several procedures and practices in order to fully comply with statewide policies and procedures and/or best practices. All 26 issues are reported on in the following Issues & Management Responses section of the report.

The 2009 audit began in the late third quarter of fiscal year 2008-09 by Internal Audit Services (IAS) and concentrated on certain cash handling procedures at all four court locations. The cash review was not completed and presented to Court management until the second quarter of fiscal year 2009-10. During our review of cash handling, IAS identified several repeat cash handling conditions previously noted in our prior audit of FY 2004-05. The first of these repeat issues and other cash related practices and procedures are in section 5.0 of this report and include:

- Cash handling and related daily balancing procedures-repeat condition (5.1). This primarily represents procedures which vary by division and location without appropriate supervisor review and approval of cashier closeout.
- Void transaction approval and mail payments (5.2). This primarily represents inappropriate processing of void transactions. Voids were noted as being processed without appropriate review and approval, and without appropriate documentation (including the reason for the void).

The Court has implemented a court-wide cash handling, balancing, and closeout policy and is piloting some corrective actions in the Civil Division. A supervisor is now approving voids, reviewing for valid reasons, and monitoring the monthly void reports. Other cash area issues addressed by the Court included the implementation of an appropriate mail payments

handling process, and instituting proper controls over judges and block stamps to prevent unauthorized use.

The Court and County in October 2005 in accordance with SB 940 proposed the implementation a comprehensive collection unit for the collection of delinquent court ordered debt. In 2006, a memorandum of understanding was entered into to initiate this program. The program has underachieved during the last few years to the extent that it is significantly (approximately 10%) under the suggested benchmark collection performance rate of 34%. The use of private collection agencies on the statewide master contract and the use of the Franchise Tax Board would significantly increase collections and revenue to the Court, County and State. The Court in response to the above has procured the services of two outside collections agencies as of March 2010 and will be implementing the other recommendations. (5.5) Additionally, the Court's distribution tables which calculate fines, fees, and penalty assessments were reviewed and determined to contain errors that resulted in incorrect distributions and will result in penalties even if corrected immediately. The calculation and application errors include the 2% automation, traffic school fee, child seat traffic school, and base fines inconsistent with the Uniform Bail and Penalty Schedule. The Court agreed and immediately initiated corrective action. (5.7)

In IAS's review of procurement (9.0), contracts (10.0) and accounts payable (11.0), IAS noted transactions such as:

- Lack of presiding judge approval for international and out-of-state travel was and is a repeat condition from the prior audit. This issue on expense claims includes the lack of appropriate documentation to support the expense claim reimbursements. (11.1)
- Unallowable expenditures (\$1,364) and lack of forms and receipts for a travel expense reclassification transaction of \$4,615 were cited. (11.2)
- Numerous contract exceptions were noted with contracts lacking competitive bids and documentation missing from accounting and procurement files. (10.1) The Court responded to each issue and is emphasizing to staff better procurement practices. The contract review of twenty-seven contractual payments disclosed 16 (59%) with exceptions including:
  - Two contracts (\$108,500 and \$33,394) where documentation requested by IAS was not provided by the court.
  - One invoice for \$73,783 where a "travel charge" for \$4,392 had no supporting documentation.
  - Lack of approval documentation for a sole source procurement.

The Court currently has several memorandums of understanding for services being provided by the County. These agreements are outdated and lack the required statutory requirements including detail of costs, scope of work, and indirect cost methodology. In one situation, the Court utilized a County agreement and used its own purchase order on a payment of \$344,451. IAS noted that the Court was not a party to the contract. (10.2)

At the Court's request, IAS conducted a special review of both the Indigent Defense Fund and civil grand jury expenditures and determined that the Court needs to enhance the Court/County Memorandum of Understanding (MOU) to ensure that Court services, and associated costs, it performs for the County are included in the MOU and that they are billed and collected from the County. The Court has performed indigent defense work for the County dating prior to trial court funding. Over the last several years while the agreement calls for County repayment, the Court has incurred hundreds of thousands of dollars in costs and has not billed the County. (19.1) Similarly, the Court incurs significant costs for civil grand jury services without an agreement in place. While the cost of selection is a court operational expense, other administrative costs are a county expense. The Court during the two years reviewed by IAS incurred in excess of \$200,000 and has not billed the County. The Court agreed with the issues and will attempt to recover costs from the County while evaluating continuation of the services. (10.4).

The Court has also continued a unique relationship with the County whereby the Court never closes the criminal division located at the Hall of Justice. Bail and bond payments can be made because of this at any time during the day or night (24/7). The Court spent approximately \$730,000 in base salaries alone in fiscal year 2008-2009 to perform this work. IAS does not believe that the program is cost-effective and other processes should be put in place to collect bail amounts. Additionally, there appear to be unallowable costs that the Court should not bear or that the County should be billed. This issue was identified in the last audit also. While the Court agrees with the analysis and has tried to transfer this function to the Sheriff, this is a change that affects many entities and wanted to proceed slowly. On Feb. 7, 2010, the Sheriff now performs this function. It should also be noted that in performing this function for the Sheriff, IAS noted that the Court lacked significant internal controls necessary to properly collect, control, and account for the collections when utilizing a 24/7 program. (18.1 and 18.2)

The Court needs to continue to strengthen the accounting, reporting and monitoring of grant revenue and expenditures as noted in issue 4.1 of this report. Issues noted included:

- the Court being late in submitting its requests for reimbursements for various grants resulting in cash flow issues;
- the Court reported grant revenue and associated expenditures in the wrong fiscal years;
- the Court reported grant revenue in one year and the associated expenditures in another;
- timesheets supporting expenditures were not submitted timely nor properly approved by the appropriate supervisor; and
- expenditures should be reviewed to ensure that they are allowable grant expenditures.

The Court agrees with the issues and recommendations but notes that it makes every effort to comply. It cites an antiquated county payroll system which impedes its efforts in this area. IAS has noted in section 2 of this report numerous issues concerning the Court's accounting for payroll and payroll related expenditures. Many of the issues cited deal with controls and

accounting practices that the Court needs to improve upon. This area includes ensuring proper reconciliation practices, proper review of reporting of payroll, and timely identification of errors. IAS noted in one example where the Court incurred the cost for local judicial benefits of \$241,620 but did not seek reimbursement from the County. The Court is now seeking the reimbursement.

Fixed assets management at the court is inadequate and lacked physical inventories - repeat condition (12.1). Examples of issues in this area include:

- The Court has disposed of old computers utilizing a computer recycling firm without deleting the files on the computer's hard drives nor recording the computers and other IT equipment handed over to the recycling firm.
- The lack of the maintenance of a list of all court owned computer software to ensure that the court is complying with licensee conditions.
- There is no documentation of the executive officer's approval of the disposal of the IT equipment.

The Court agrees that it's fixed asset management needs improvement and as the asset management module of Phoenix is delayed, it intends to look into implementing a process as time and resources permit.

Information system issues are discussed in section 6.0 of this report. The Court has passed these issues and recommendations to the Court's IT Committee for review and the physical improvements and security issues will be discussed with the AOC who has responsibility for the facilities. The Court's logical security controls for its network and court-owned case management systems (Traffic and Civil) lack consistency and are not properly documented. The Court has some policies and procedures for end-users and for systems administration staff, but these are overly individualized to suit each system's capabilities and limitations. The Court lacks the following password and remote access logical controls.

- Password syntax restrictions
- Re-use limitation on passwords
- Password configuration protocols
- Use of authentication devices for remote access.

The Court's business continuity and disaster recovery planning is neither comprehensive nor complete. The Court has some written procedures to recover certain IT equipment, emergency contacts, and chain of command in emergency situations and the current development of the planning is its only formalized documentation. Physical security controls in the Court's computer room that houses its servers and other sensitive computer equipment are inadequate. Examples of issues here are:

- Computer room is located directly above the building's boiler room.
- Computer room visitors are not required to sign an entry log.
- Court has no smoke or water detectors and the emergency cut-off is manual.

- Court has no fire suppression equipment installed.
- Flood alarms are not installed in the computer room.

Court physical security concerns - repeat condition. (8.1) This area continues to contain concerns that include:

- not having a court security plan;
- issues of security over court facility entry and exit points;
- security over the judges' parking lot; and
- security cameras installed at the Youth Guidance Center are unreliable.

## STATISTICS

The Superior Court of California, County of San Francisco (Court) operates four courthouses in the City and County of San Francisco including; the Civic Center Courthouse at 400 McAllister Street, the Polk Street Annex at 575 Polk Street, the Hall of Justice at 850 Bryant Street and, the Youth Guidance Center at 375 Woodside Avenue. The Court has 52 judges and 12 subordinate judicial officers who handled approximately 207,573 cases in FY 2007-08. Further, the Court employed 587 fulltime equivalent staff to fulfill its administrative and operational activities, with total trial court expenditures of more than \$87.9 million for the fiscal year ended June 30, 2008.

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

The charts that follow contain general Court statistical information.

	Civic Center Courthouse	Hall of Justice	Youth Guidance Center	Polk Street Annex	Total
Number of Authorized Judgeships as of June 30, 2008	28	21	2	1	52
Number of Authorized Subordinate Judicial Officers as of June 30, 2008	9	2	1	0	12
Number of Actual Full Time Equivalent (FTE) Employees as of June 30, 2008	443	173	19	8	643
Number of Authorized FTE as of June 30, 2008	404	156	19	8	587

Source: Court-provided as of 12/01/09

County Population Source: California Department of Finance	845,559 estimated as of January 1, 2009
Number of Full Time Employees as of June 30, 2008	587
Total Salaries for Permanent Employees for FY 2007-2008 Source: Court-provided	\$44,473,365
Number of Temporary Employees as of June 30, 2008	58
Total Salaries for Temporary Employees for FY 2007-2008 Source: Court-provided	\$1,384,540
FY 2008-2009 Daily Average Revenues Collected: Source: Court-provided	\$54,000
<b>Number of Case Filings in FY 2007—2008:</b>	
<b>Criminal Filings:</b>	
▪ Felonies	6,970
▪ Non-Traffic Misdemeanors	4,391
▪ Non-Traffic Infractions	43,510
▪ Traffic Misdemeanors	3,649
▪ Traffic Infractions	113,781
<b>Civil Filings:*</b>	
▪ Civil Unlimited	5,393
▪ Family Law (Marital)	3,101
▪ Family Law Petitions	6,462
▪ Probate	1,165
▪ Limited Civil	10,746
▪ Small Claims	3,817
<b>Juvenile Filings:*</b>	
▪ Juvenile Delinquency –Original	862
▪ Juvenile Delinquency –Subsequent	442
▪ Juvenile Dependency –Original	438
▪ Juvenile Dependency –Subsequent	539
Source: Judicial Council of California's 2008 Court Statistics Report * According to the Court, civil and juvenile filings were under-reported.	

## FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has identified accountability as the paramount objective of financial reporting. The GASB has further identified two essential components of accountability, fiscal and operational. **Fiscal accountability** 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 moneys in the short term (usually one budgetary cycle or one year).

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

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the statewide fiscal infrastructure process, Phoenix Financial System, was established and the Court implemented this on April 1, 2006. Fiscal data is processed through the shared services center in San Francisco for the Court using Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Trial

Court Operations Fund for the Superior Court of California, County of San Francisco (Court) for the last two fiscal years. The three schedules are:

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

Fiscal year 2007 – 2008 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for “information purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

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

- **Governmental**
  - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
  - **Special Revenue** – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received). Funds included here are:
    - Special Revenue**
      1. Donations (120002)
      2. Small Claims Advisory (120003)
      3. Enhanced Collections (120007)
      4. Children’s Waiting Room (180005)
    - 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)
      5. Self-Help Centers (1910631)
      6. Drug Court Discretionary Grant (1930041)
      7. Comprehensive Drug Court – CDCI (1970011)
      8. Proposition 36 Fund (1970021)
      9. Foundation of CA State BAR (1970031)
      10. Safe Start Strategic Plan (1970091)
      11. Juvenile Justice Crime Prevention (1970101)
      12. COPS Program (1970111)
      13. S.F Mayor’s Office of Criminal Justice General Fund (1970121)
      14. Behavioral Health Court (1970151)

- **Fiduciary**

- **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”<sup>1</sup> Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is: Trust - 320001.
- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government’s own programs, such funds are specifically excluded from the government-wide financial statements.<sup>2</sup> **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:

Civil Filing Fees Fund - 450000.

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

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

**SAN FRANCISCO SUPERIOR COURT  
 TRIAL COURT OPERATIONS FUND  
 BALANCE SHEET  
 AS OF JUNE 30  
 (UNAUDITED)**

	2008					2007
	Governmental Funds			Fiduciary Funds	TOTAL FUNDS (Info. Purposes Only)	TOTAL FUNDS (Info. Purposes Only)
	General	Special Revenue	Grant			
<b>ASSETS</b>						
Cash - Operations	\$ 11,518,005	\$ 239,613	\$ (2,251,095)	\$ -	\$ 9,506,523	\$ 6,864,609
Cash - Civil Filing Fees	-	-	-	2,830,263	2,830,263	3,004,352
Cash - Revolving	250	-	-	-	250	250
Cash - Trust	-	-	-	8,108,639	8,108,639	10,317,896
Cash on Hand	1,400	-	-	-	1,400	100
Cash Distribution Account	-	-	-	-	-	-
Cash - Payroll	-	-	-	-	-	-
Cash With County	(440,545)	(25,255)	(99,055)	-	(564,855)	6,409,505
<b>Total Cash and Cash Equivalents</b>	<b>\$ 11,079,110</b>	<b>\$ 214,358</b>	<b>\$ (2,350,150)</b>	<b>\$ 10,938,902</b>	<b>\$ 19,882,220</b>	<b>\$ 26,596,712</b>
A/R - Accrued Revenue	\$ 17,564	\$ 253	\$ -	\$ 14,534	\$ 32,351	\$ 83,719
A/R - General	-	-	-	-	-	15,393
A/R Due From Employee	-	-	-	-	-	-
A/R - Due From Other Courts	-	-	-	-	-	-
A/R - Due From Other Funds	1,331	-	-	-	1,331	2,104
A/R - Due From Other Govts	77,039	60,776	1,002,615	-	1,140,430	1,183,853
A/R - Due From State	3,233,939	29,245	1,685,078	-	4,948,262	2,253,968
Prepaid Expense	-	-	-	-	-	-
Prepaid County	-	-	-	-	-	(2,189,106)
<b>Total Receivables</b>	<b>\$ 3,329,873</b>	<b>\$ 90,274</b>	<b>\$ 2,687,693</b>	<b>\$ 14,534</b>	<b>\$ 6,122,374</b>	<b>\$ 1,349,931</b>
<b>Total Assets</b>	<b>\$ 14,408,983</b>	<b>\$ 304,632</b>	<b>\$ 337,543</b>	<b>\$ 10,953,436</b>	<b>\$ 26,004,594</b>	<b>\$ 27,946,643</b>
<b>LIABILITIES AND FUND BALANCES</b>						
A/P - Due to Other Governments	\$ 3,794,099	\$ 56,849	\$ -	\$ -	\$ 3,850,948	\$ 60
A/P - General	51,342	-	-	-	51,342	-
A/P - Due to Other Funds	-	-	-	1,331	1,331	2,104
A/P - Due to Courts	1,744	-	-	-	1,744	-
A/P - Due to State	672	-	-	-	672	-
A/P - TC145 Liability	-	-	-	2,830,263	2,830,263	3,004,353
A/P - Sales/Use/Withholding Taxes	132	-	-	-	132	104
A/P - Accrued Liabilities	1,051,538	14,030	366,956	-	1,432,524	5,108,026
<b>Total Accounts Payable</b>	<b>\$ 4,899,527</b>	<b>\$ 70,879</b>	<b>\$ 366,956</b>	<b>\$ 2,831,594</b>	<b>\$ 8,168,956</b>	<b>\$ 8,114,647</b>
Retirement Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Liabilities For Deposits	32,000	-	-	70	32,070	1,042
Reimbursements Collected	35,895	-	15,800	-	51,695	293,272
Accrued Payroll	199,324	758	826	-	200,908	-
Partial Payment of Fees	-	-	-	22,915	22,915	15,096
Overpayment of Fees	-	-	-	16,559	16,559	9,173
Jury Fees - Non Interest	-	-	-	381,300	381,300	220,630
Civil Trust - Court Reporter	-	-	-	122,858	122,858	67,213
Criminal- General	-	-	-	-	-	-
Civil Trusts	-	-	-	7,167,881	7,167,881	9,724,151
Trust Held Outside	-	-	-	-	-	-
Due To Other Government Agencies	-	-	-	-	-	-
Uncleared Collections	-	-	-	-	-	4,210
Trust Interest Payable	-	-	-	410,259	410,259	321,521
<b>Total Other Liabilities</b>	<b>\$ 267,219</b>	<b>\$ 758</b>	<b>\$ 16,626</b>	<b>\$ 8,121,842</b>	<b>\$ 8,406,445</b>	<b>\$ 10,656,308</b>
<b>Total Liabilities</b>	<b>\$ 5,166,746</b>	<b>\$ 71,637</b>	<b>\$ 383,582</b>	<b>\$ 10,953,436</b>	<b>\$ 16,575,401</b>	<b>\$ 18,770,955</b>
<b>Fund Balance - Restricted</b>						
Contractual	\$ 35,000	\$ 232,995	\$ (46,039)	\$ -	\$ 221,956	\$ 43,624
Statutory	230,880	-	-	-	230,880	494,732
<b>Fund Balance - Unrestricted</b>						
Designated	8,976,358	-	-	-	8,976,358	6,730,212
Undesignated	-	-	-	-	-	1,907,118
<b>Total Fund Balance</b>	<b>\$ 9,242,238</b>	<b>\$ 232,995</b>	<b>\$ (46,039)</b>	<b>\$ -</b>	<b>\$ 9,429,194</b>	<b>\$ 9,175,688</b>
	(1)				(1)	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 14,408,983</b>	<b>\$ 304,632</b>	<b>\$ 337,543</b>	<b>\$ 10,953,436</b>	<b>\$ 26,004,594</b>	<b>\$ 27,946,643</b>

SOURCE: Phoenix Financial System and Report To Legislature

**SAN FRANCISCO SUPERIOR COURT  
TRIAL COURT OPERATIONS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**FOR THE FISCAL YEAR ENDED JUNE 30  
(UNAUDITED)**

	2008					2007
	GOVERNMENT FUNDS			Fiduciary Funds	TOTAL FUNDS (Info. Purposes Only)	TOTAL FUNDS (Info. Purposes Only)
	General	Special Revenue	Grants			
<b>REVENUES</b>						
<b>State Financing Sources:</b>						
Trial Court Trust Fund-Program 45.10	\$ 78,172,642	\$ 181,425	\$ -	\$ -	\$ 78,354,067	\$ 74,642,919
Trial Court Improvement Fund - Reimbursement	1,085,611	-	-	-	1,085,611	158,679
Trial Court Improvement Fund - Block	-	-	-	-	-	-
Judicial Administration Efficiency & Mod Fund	747,191	-	-	-	747,191	261,225
Judges' Compensation (45.25)	470,957	-	-	-	470,957	474,208
Court Interpreter (45.45)	1,932,629	-	-	-	1,932,629	1,714,289
Civil Reimbursement (45.55)	30,802	-	-	-	30,802	16,536
MOU 45.10 Reimbursement	7,369,394	-	-	-	7,369,394	4,174,685
Other miscellaneous	239,625	-	-	-	239,625	-
	<b>\$ 90,048,851</b>	<b>\$ 181,425</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 90,230,276</b>	<b>\$ 81,442,541</b>
<b>Grants:</b>						
AB 1058 Commissioner/Facilitator	\$ -	\$ -	\$ 1,562,333	\$ -	\$ 1,562,333	\$ 1,179,183
Other AOC Grants	-	-	-	-	-	-
State Grants	-	-	299,924	-	299,924	275,850
Non-State Grants	-	-	1,483,277	-	1,483,277	1,032,352
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,345,534</b>	<b>\$ -</b>	<b>\$ 3,345,534</b>	<b>\$ 2,487,385</b>
<b>Other Financing Sources:</b>						
Investment Income	\$ 642,833	\$ 21,436	\$ -	\$ -	\$ 664,269	\$ 902,456
Donations	-	2,000	-	-	2,000	-
Local Fee and Non-Fee Revenue	322,978	-	-	-	322,978	324,651
Prior year revenue	82,534	-	4,318	-	86,852	967,376
County Program - restricted	-	28,902	-	-	28,902	26,372
Reimbursement Other	-	-	-	-	-	322,370
Enhanced Collections	-	657,872	-	-	657,872	244,421
Other miscellaneous	66	1,708	-	-	1,774	-
	<b>\$ 1,048,411</b>	<b>\$ 711,918</b>	<b>\$ 4,318</b>	<b>\$ -</b>	<b>\$ 1,764,647</b>	<b>\$ 2,787,646</b>
<b>Total Revenues</b>	<b>\$ 91,097,262</b>	<b>\$ 893,343</b>	<b>\$ 3,349,852</b>	<b>\$ -</b>	<b>\$ 95,340,457</b>	<b>\$ 86,717,572</b>
<b>EXPENDITURES</b>						
<b>Personal Services:</b>						
Salaries and Wages	\$ 46,906,853	\$ 201,400	\$ 1,361,601	\$ -	\$ 48,469,854	\$ 39,338,241
Employee Benefits	13,434,246	42,818	297,380	-	13,774,444	17,138,162
	<b>\$ 60,341,099</b>	<b>\$ 244,218</b>	<b>\$ 1,658,981</b>	<b>\$ -</b>	<b>\$ 62,244,298</b>	<b>\$ 56,476,403</b>
<b>Operating Expenses and Equipment:</b>						
General Expense	\$ 2,951,473	\$ 14,798	\$ 64,929	\$ -	\$ 3,031,200	\$ 3,482,472
Printing	198,449	154	-	-	198,603	175,093
Communications	401,105	-	-	-	401,105	459,418
Postage	341,083	-	-	-	341,083	341,188
Insurance	-	-	-	-	-	-
In-State Travel	82,227	-	3,169	-	85,396	52,023
Out-of-State Travel	33,510	-	-	-	33,510	20,011
Training	161,115	-	-	-	161,115	82,883
Facilities Operations	1,868,065	-	-	-	1,868,065	2,107,341
Security Contractual Services	10,702,301	-	-	-	10,702,301	9,959,548
Utilities	-	-	-	-	-	-
Contracted Services	9,215,902	168,360	1,318,928	-	10,703,190	8,124,911
Consulting and Professional Services	1,179,448	642,186	-	-	1,821,634	1,594,479
Information Technology	2,324,010	-	14,200	-	2,338,210	2,067,607
Major Equipment	209,984	-	-	-	209,984	431,152
Other Items of Expense	4,135	-	-	-	4,135	3,663
	<b>\$ 29,672,807</b>	<b>\$ 825,498</b>	<b>\$ 1,401,226</b>	<b>\$ -</b>	<b>\$ 31,899,531</b>	<b>\$ 28,901,789</b>
<b>Special Items of Expense - Juror Costs</b>	<b>\$ 932,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 932,094</b>	<b>\$ 1,112,156</b>
<b>Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Special Items of Expense - Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300</b>
<b>Distributed Administration</b>	<b>(171,762)</b>	<b>-</b>	<b>171,762</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Year Adjustment to Expense</b>	<b>(83,869)</b>	<b>(3,320)</b>	<b>98,217</b>	<b>-</b>	<b>11,028</b>	<b>1,783</b>
	<b>\$ 676,463</b>	<b>\$ (3,320)</b>	<b>\$ 269,979</b>	<b>\$ -</b>	<b>\$ 943,122</b>	<b>\$ 1,114,239</b>
<b>Total Expenditures</b>	<b>\$ 90,690,369</b>	<b>\$ 1,066,396</b>	<b>\$ 3,330,186</b>	<b>\$ -</b>	<b>\$ 95,086,951</b>	<b>\$ 86,492,431</b>
<b>Operating Transfers In (Out)</b>	<b>(716,177)</b>	<b>716,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (309,284)</b>	<b>\$ 543,124</b>	<b>\$ 19,666</b>	<b>\$ -</b>	<b>\$ 253,506</b>	<b>\$ 225,141</b>
<b>FUND BALANCES (DEFICIT)</b>						
Beginning Balance (Deficit)	9,551,522	(310,129)	(65,705)	-	9,175,688	\$ 8,950,547
Ending Balance (Deficit)	<b>\$ 9,242,238</b>	<b>\$ 232,995</b>	<b>\$ (46,039)</b>	<b>\$ -</b>	<b>\$ 9,429,194</b>	<b>\$ 9,175,688</b>

SOURCE: Phoenix Financial System

<b>SAN FRANCISCO SUPERIOR COURT</b>			
<b>TRIAL COURT OPERATIONS FUND</b>			
<b>STATEMENT OF PROGRAM EXPENDITURES</b>			
<b>FOR THE FISCAL YEAR ENDED JUNE 30</b>			
<b>(UNAUDITED)</b>			
		<b>2008</b>	<b>2007</b>
<b>PROGRAM EXPENDITURES:</b>			
Judges and Courtroom Support		\$ 26,462,051	\$ 24,918,804
Traffic & Other Infractions		3,281,885	3,435,218
Other Criminal Cases		4,196,856	4,331,280
Civil		6,277,326	5,206,391
Family and Children Services		5,791,533	5,518,498
Probate, Guardianship & Mental Health Services		2,931,905	2,061,624
Juvenile Dependency Services		5,690,018	4,304,786
Juvenile Delinquency Services		2,328,739	1,829,679
Other Support Operations		2,858,537	2,499,274
Court Interpreters		2,147,010	1,953,431
Jury Services		2,742,812	2,752,305
Security		12,426,780	10,309,659
Enhanced Collections		1,168,414	599,955
Other Non-Court Operations		-	-
Executive Office		741,987	915,322
Fiscal Services		2,590,924	1,871,633
Human Resources		3,275,978	2,323,746
Business & Facilities Services		3,018,361	4,377,895
Information Technology		7,144,808	7,281,146
Prior year adjustment to expense		11,028	1,783
		(1)	1
	<b>Total</b>	<b>\$ 95,086,951</b>	<b>\$ 86,492,431</b>
<b>SOURCE: 4th Quarter QFS</b>			

## **PURPOSE AND SCOPE**

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

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

The scope of audit work included reviews of the Court's major functional areas, including: cash, fixed assets, contracting and procurement, accounts payable, payroll, financial reporting, case management, information technology, domestic violence, and court security. Coverage in depth of each area is based on initial scope coverage decisions.

## **TIMING AND REVIEWS WITH MANAGEMENT**

The entrance letter was issued to the Court on January 23, 2009.

The entrance meeting was held with the Court on March 18, 2009

Audit fieldwork commenced on March 23, 2009.

Fieldwork was completed on December 31, 2009.

Preliminary audit results were discussed with appropriate court management while regular audit updates and audit issue reports were submitted on a continuous basis to Michael Yuen-Chief Fiscal Officer for his and the Court's response. The following schedule of significant issues were brought to the Court's attention and included:

A final review of audit results was held on June 10, 2010, with:

- Hon. James J. McBride, Presiding Judge
- Ms. Claire Williams, Interim Court Executive Officer, and
- Michael Yuen, Fiscal Services Director

Final management responses were sent by Court management on September 9, 2010.

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

#### Background

Trial courts are subject to rules and policies established by the Judicial Council to promote efficiency and uniformity within a system of trial court management. Within the boundaries established by the Judicial Council, each trial court has the authority and is responsible for managing its own operations. All employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity and professionalism. All employees shall also operate within the specific levels of authority that may be established by the trial court for their positions.

California Rules of Court (CRC) in Title 10, Judicial Administration Rules, Division 4, Trial Court Administration, and the *Trial Court Financial Policy and Procedures Manual* (Manual), established under Government Code section 77009(f) and proceduralized under CRC 10.804, specify guidelines and requirements concerning trial court administration, including financial policies and procedures.

In the table below are expenditures from the Court's general ledger that are associated with court administrative decisions. A description of the areas and how they have been reviewed as part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>REVENUES</b>				
833010 PROGRAM45.25-JDG SAL	470,957.00-	474,208.00-	3,251.00-	0.69
** 833000-PROGRAM 45.25 - REIMBU	470,957.00-	474,208.00-	3,251.00-	0.69
<b>EXPENDITURES</b>				
* 906300 - SALARIES - JUDICIAL	2,514,007.80	1,811,780.85	702,226.95	38.76
920502 DUES & MEM-LEGAL	10,630.75	10,348.50	282.25	2.73
920503 DUES & MEM-OTHER	2,890.00	6,672.50	3,782.50-	(56.69)
920599 DUES AND MEMBERSHIP	535.00	5,430.00	4,895.00-	(90.15)
* 920500 - DUES AND MEMBERSHIPS	14,055.75	22,451.00	8,395.25-	(37.39)
933101 TRAINING	83,211.41	31,746.38	51,465.03	162.11
933102 TUITION REIMBRSMNT	2,058.69	25.00	2,033.69	8134.76
933103 REGIST FEES-TRAINING	58,020.99	39,865.77	18,155.22	45.54
933104 TUITION/REG FEES	2,698.00	2,293.00	405.00	17.66
933105 TRAINING FCLTY-RENT	9,723.00		9,723.00	
933108 TRAINING SUPPLIES	5,403.03	8,953.19	3,550.16-	(39.65)
* 933100 - TRAINING	161,115.12	82,883.34	78,231.78	94.39
** TRAINING TOTAL	161,115.12	82,883.34	78,231.78	94.39
952001 JUD OFFICER ROBES	423.16		423.16	
* 952000 - UNIFORM ALLOWANCE	423.16		423.16	
* 972100 - JUDGMENTS, SETTLEMEN		300.00	300.00-	(100.00)

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

- Compliance with CRC relating to cases taken under submission.(See below)
- Approval requirements regarding training. (11.1)
- Controls over judicial officer facsimile stamps. (2.4)

Additionally, we obtained an understanding of the Court's organizational structure and reviewed the Presiding Judge and Chief Fiscal Officers duties and responsibilities to ensure delegation of authority was properly authorized.

## **1.1 Court's Case Management System Continues to Not Track and Report on Submitted Cases**

### **Background**

*Rule 10.603(c)(3) of the California Rules of Court* requires the presiding judge to supervise and monitor the number of causes under submission and ensure that no cause remains undecided and pending for longer than 90 days. The Rule also requires the presiding judge to take specific action when a cause has been under submission for 30 days or over 60 days. Compliance to the rule ascertains compliance to *Government Code §68210* that disallows payment of a judge's salary if a case taken under submission remains pending and undecided for more than 90 days.

To comply with the requirements, the Court currently has a manual process to produce and to distribute a useful submitted cases list monthly. It is basically a compilation of all cases reported by each judicial officer as pending cases under submission for over 30 days. The monthly submitted list is distributed to the chief executive officer (CEO), assistant CEO and the Presiding Judge. Though the Court's civil case management system or the Integrated Justice System (IJS) generates a submitted cases report to track case submissions and is generated monthly as well, it is only known to courtroom clerks and management and is not utilized as the "official" Court submitted list.

### **Issue**

In our 2006 Audit Report, Internal Audit Services (IAS) identified that the Court's civil case management system called Integrated Justice System (IJS) is not programmed to meet the requirements set forth by CRC 10.603(c)(3). Moreover, the "Submitted Cases Report" or IJSMFF report generated by the system is an unusable tool to validate the submitted list because it continues to report cases past the date the pendency was resolved. The Court in its audit response stated;

*"Court concurs, and is working on programming revisions that will fulfill the requirements of CRC 6.603(c)(3) and 825 [CRC 10.603(c)(3) and 2.900]."*

However, IAS' review for FY 2007 – 2008 revealed that the issue persists and the Court did not make any revisions in IJS to automate the submitted cases tracking process as stated in its response. IAS identified the following IJS deficiencies stemming from its IJSMFF report generated on 7/9/09:

- The IJSMFF report continues to track and to report submitted cases even after the date of pendency was resolved
  - 10 of the 11 cases in the IJSMFF report listed as over 70 days under submission were resolved and should not have been listed in the report.
  - IJS does not have a disposition code to “end date” or to enter the judgment on a submitted case but it has the “Taken Under Submission” disposition code to establish the case was taken under submission. Thus, cases in the IJSMFF report are not automatically removed.
- The IJSMFF report does not age and sort cases by the length of time cases are under submission (e.g. 0-30 days, 31-60 days, 61-90 days and over 90 days) as required rather, it is sorted by the submitting judicial officer.
- The IJSMFF report (automated) does not coincide with the Court's official submitted list (manual).
  - Court administrative staff review and validation of submitted reports and the subsequent preparation of the submitted list is entirely separate from the courtroom clerks' review and validation of the IJSMFF report resulting in duplicative work and reporting inefficiencies to judicial officers and to the Presiding Judge.
  - The IJSMFF report calculates a case's age or the number of days under submission differently from the manually completed submitted list resulting in a one day difference. In IJS, the age is exclusive of the submission date while the submitted list is inclusive of the submission date. For example, a case is submitted on 1/1/10 and yet to be resolved. If a report is ran on 3/1/10, the case's age will be 59 days in IJS but if a submitted list is created on the same date, the case's age will be 60 days.
  - All 6 IJSMFF cases “truly” held for more than 60 days (whose ages are derived using the actual judgment date and not the run date) were not reflected in any of the official submitted lists.

In addition, IAS' review of the Court's current process in compiling submitted cases and preparation of its official submitted lists revealed the following issues:

- The submitted lists are not consistently completed before the judges' paychecks are processed. IAS reviewed the first five submitted lists of 2009 and identified 5 cases in the March 2009 submitted list showing that submitted reports were sent after the 22nd. The submitted reports are the basis for preparing the submitted list while the AOC processes paychecks on the 22nd of every month.
- Similar to the IJSMFF report, the submitted list is not aged and not sorted by the length of time cases are under submission (e.g. 0-30 days, 31-60 days, 61-90 days and over 90 days) as required rather it is sorted by the submitting judicial officer.
- The submitted list is not periodically reviewed by the presiding judge and is only informed of cases under submission that are excessively over 90 days.

- Review of the submitted lists over a 15-month period (July 2007 to September 2008) revealed several reporting concerns.
  - All 9 cases over 90 days were taken under submission by a commissioner.
  - At least 10 of the 13 submitted cases over 70 days and resolved more than 30 days after submission (and re-submission) should have been reported in the subsequent submitted lists when submitted cases went over 30, 60, and 90 days.
  - These 13 cases (reported at least 70 days under submission) were not decided from 40 to 151 days later.

### **Recommendation**

The Court should set a timeline on when IJS system enhancements will begin to fully utilize the capability of IJS and automate the submitted cases tracking and reporting process. The Court should consider the following before and after implementing any system enhancements:

- Develop a disposition code in IJS that will “end date” the submitted case when a judgment is rendered. This code will trigger an automatic removal of the case from the submitted cases report or IJSMFF report. Courtroom clerks must be properly trained in applying this code.
  - Court agrees and will have this developed as time and budget permits.
- Change the report structure of IJSMFF to sort submitted cases by age starting with the oldest (e.g. 61 to 90 days, 31 to 60 days, 0 to 30 days) and not by judicial officer. This format prioritizes the submitted cases and effectively highlights cases approaching 90 days for review by the Presiding Judge and for his subsequent follow-up.
  - Court disagrees with this recommendation, as the current format of by judicial officer allows the PJ to have better oversight of judicial officers as part of the spirit of the same Rule.
- Determine a single method to calculate the number of days a case is under submission for consistency. Either the current IJS calculation of excluding the date of submission or the inclusive calculation of the manually prepared submitted lists is acceptable.
  - Court agrees and will have this developed as time and budget permits.
- Provide access and training to court administrative staff in IJS to generate and to properly review the IJSMFF report. Instead of compiling the submitted reports and manually preparing the submitted list for review and distribution, admin staff will instead use the IJSMFF report as the “official” monthly submitted list and will use this report to validate the cases listed by the judicial officers in the submitted reports.
  - Court agrees and will have this developed as time and budget permits.

While enhancements are being planned, developed and implemented, Court must continue to rely on its current submitted cases tracking and reporting process. Court should consider the following improvements to ensure proper transition to the automated process:

- Ensure judicial officers consistently complete their submitted reports in time for court admin staff to manually prepare and distribute the submitted list prior to AOC paycheck processing that is normally on the 22nd of every month. This ensures that no submitted cases reported remain undecided for more than 90 days and that judges are properly paid as dictated by GC §68210.
  - Court agrees and will seek more consistency from our judicial officers.
- Ensure judicial officers including commissioners are constantly reminded of any cases approaching 90 days. Though commissioners are not required to comply with statutes and rules regarding cases under submission as judges, all judicial officers should be held to a similar standard to promote adjudication efficacy and to preserve the public's confidence and trust in the courts.
  - Court agrees, as this is currently already being done by the PJ.
- Ensure all judges are provided a copy of the monthly submitted list. Court administrative staff relies on the accuracy of the submitted reports completed by judges in preparing the submitted list. Having a copy of the completed submitted list may remind a judge of any potential reporting inaccuracies.
- Court agrees and is already doing this.
- Change the report structure of the submitted list to sort submitted cases by age starting with the oldest (e.g. 61 to 90 days, 31 to 60 days) and not by judicial officer. This format prioritizes the submitted cases and effectively highlights cases approaching 90 days for review by the Presiding Judge and for his subsequent follow-up.
  - Court disagrees with this recommendation, as the current format of by judicial officer allows the PJ to have better oversight of judicial officers as part of the spirit of the same Rule.

**Superior Court Response By: Michael Yuen**

**Date: 5/20/10**

Audit note: See responses below each recommendation above.

## 2. Fiscal Management and Budgets

### **Background**

Trial courts must employ sound business, financial, and accounting practices to conduct its fiscal operations. To operate within the limitations of the funding approved and appropriated in the State Budget Act, courts should establish budgetary controls to monitor its budget on an ongoing basis to assure that actual expenditures do not exceed budgeted amounts. As personnel services costs account for more than half of many trial courts budgets, courts must establish a position management system that includes, at a minimum, a current and updated position roster, a process for abolishing vacant positions, and a process and procedures for requesting, evaluating, and approving new and reclassified positions.

The Court contracts with the City and County of San Francisco (CCSF) for its bi-weekly payroll processing services and the administration of its related employee benefits that include employee retirement, health, dental, vision, and various flexible benefits. Once the payroll and related payroll expenditures are processed, the CCSF generates a payroll report that the Court utilizes to prepare its general ledger posting spreadsheet that is uploaded onto the Phoenix Financial System by the Phoenix Shared Services Center.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>EXPENDITURES</b>				
900301 SALARIES - PERMANENT	36,289,903.59	28,741,635.19	7,548,268.40	26.26
900320 LUMP SUM PAYOUTS	268,185.57	170,277.17	97,908.40	57.50
900321 HOLIDAY PAY	12,670.35	2,825,487.92	2,812,817.57-	(99.55)
900324 SICK LEAVE PAY	1,699,166.87	1,618,520.12	80,646.75	4.98
900327 DIFFERENTIAL - MISC	611,079.29	548,589.56	62,489.73	11.39
900328 OTHER PAY	3,183,315.61		3,183,315.61	
900330 VACATION PAY	2,409,043.28	1,925,950.52	483,092.76	25.08
* 900300 - SALARIES - PERMANENT	44,473,364.56	35,830,460.48	8,642,904.08	24.12
903301 TEMPORARY HELP	1,384,539.76	1,453,603.56	69,063.80-	(4.75)
* 903300 - TEMP HELP	1,384,539.76	1,453,603.56	69,063.80-	(4.75)
906303 SALARIES - COMMISS	1,818,235.45	1,331,943.75	486,291.70	36.51
906304 SALARIES - HRG & REF	155,986.87	56,896.26	99,090.61	174.16
906311 SALARIES - SUP JUDG	539,785.48	422,940.84	116,844.64	27.63
* 906300 - SALARIES - JUDICIAL OFFICERS	2,514,007.80	1,811,780.85	702,226.95	38.76
908301 OVERTIME	97,942.40	242,396.47	144,454.07-	(59.59)
* 908300 - OVERTIME	97,942.40	242,396.47	144,454.07-	(59.59)
** SALARIES TOTAL	<b>48,469,854.52</b>	<b>39,338,241.36</b>	<b>9,131,613.16</b>	<b>23.21</b>
910301 SOCIAL SECURITY INS	2,843,023.90	2,254,517.47	588,506.43	26.10
910302 MEDICARE TAX	699,675.24	873,587.97	173,912.73-	(19.91)
* 910300 - TAX	3,542,699.14	3,128,105.44	414,593.70	13.25
910401 DENTAL INSURANCE	763,475.99	678,638.68	84,837.31	12.50
910501 HEALTH INSURANCE	4,596,985.70	4,059,328.50	537,657.20	13.24
910502 FLEXIBLE BENEFITS	341,321.09	1,052,982.72	711,661.63-	(67.59)
* 910400 - HEALTH INSURANCE	5,701,782.78	5,790,949.90	89,167.12-	(1.54)
910601 RETIREMENT-NON-JUDGE	2,736,348.52	2,477,191.54	259,156.98	10.46
910604 RETIREMENT - OTHER	178,269.68	387,027.83	208,758.15-	(53.94)
* 910600 - RETIREMENT	2,914,618.20	2,864,219.37	50,398.83	1.76
912501 STAT WORKERS COMP	1,304,125.00	982,979.00	321,146.00	32.67
* 912500 - WORKERS' COMPENSATIO	1,304,125.00	982,979.00	321,146.00	32.67
913301 UNEMPLOYMENT INS	5,051.07	612,024.77	606,973.70-	(99.17)
913502 LONG-TERM DISABILITY	293,563.85	3,759,882.91	3,466,319.06-	(92.19)
* 912700 - OTHER INSURANCE	298,614.92	4,371,907.68	4,073,292.76-	(93.17)
913899 OTHER BENEFITS	12,604.10		12,604.10	
* 913800 - OTHER BENEFITS	12,604.10		12,604.10	
** STAFF BENEFITS TOTAL	<b>13,774,444.14</b>	<b>17,138,161.39</b>	<b>3,363,717.25-</b>	<b>(19.63)</b>
*** PERSONAL SERVICES TOTAL	<b>62,244,298.66</b>	<b>56,476,402.75</b>	<b>5,767,895.91</b>	<b>10.21</b>
<b>375001 ACCRUED PAYROLL</b>	<b>200,907.07-</b>		<b>(200,907.07)</b>	

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

We also evaluated the Court's payroll controls through interviews with Court employees and review of payroll reports and other related documents. We validated payroll expenditures for a sample of employees to supporting documentation, including the supervisor's certification of hours worked by the employee, the payroll register, employee class title and the associated salary schedule, and withholding documents available in the personnel file to determine whether hours worked were appropriately approved and payroll was correctly calculated. Furthermore, we reviewed the Court's Personnel Manual and bargaining agreements at a high level to determine whether differential pay, leave accruals, and various benefits were issued in accordance with these agreements.

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

## **2.1 Court's Accounting of Payroll and Payroll Related Expenditures Needs Improvement**

### **Background**

FIN Manual, Procedure No. 2.01 Section 6.3 states that the trial court shall utilize an efficient and organized accounting system that ensures the accurate reporting of all transactions. The court is responsible for assuring that the transactions recorded by its accounting system are supported by documentation and evidential matter that can withstand internal or external financial audits.

The key elements of an efficient and organized accounting system include an:

- Organized and efficient method of accumulating, recording and reporting all transactions.
- Effective assignment of authority and responsibility.
- Effective approach to segregation of duties.
- Efficient method of detecting errors and irregularities.

The Court has an agreement with the City and County of San Francisco (CCSF) for the CCSF to process its payroll and to provide the Court with the necessary reports including the bi-weekly payroll and deduction register (Report 10) and a report from the County's Financial Accounting and Management Information System "Year-to-Date Operating Data" report (FAMIS report).

The FAMIS report provides high level payroll information by index code (cost center). Based upon this FAMIS report, the Court makes a bi-weekly transfer from its operations bank account to an impress account within the City and County Treasury. The City and County records the Court's monies in its "Trial Court Agency Fund - Equity in City Treasury Pool" and as of June 30, 2008, the balance reported totaled \$1,966,402.

Since the FAMIS report is generated by the City and County and utilizes the County's reporting convention (by index code, sub-object codes...), the Court converts the county financial data to the Court's accounting system (Phoenix Financial System).

### **Issues**

From IAS' review of the Court's accounting for payroll and other related expenditures, the following were noted:

1. Errors in conversion of payroll and payroll related expenditures from the FAMIS report to the Phoenix Financial System general ledger resulted in misclassification in some of the detail account balances comprising the "Personal Services Total" as reported in the Court's general ledger. The misclassifications resulted in unusual and significant fluctuations in some of these detail account balances.

For example:

GL ACCOUNTS	Information per PHOENIX Financial System			
	2007/2008	2006/2007	YTD VAR \$	YTD VAR %
900301 SALARIES – PERMANENT	36,289,903.59	28,741,635.19	7,548,268.40	26.3
900321 HOLIDAY PAY	12,670.35	2,825,487.92	2,812,817.57	99.6-
900328 OTHER PAY	3,183,315.61		3,183,315.61	
910302 MEDICARE TAX	699,675.24	873,587.97	173,912.73-	19.9-
910502 FLEXIBLE BENEFITS	341,321.09	1,052,982.72	711,661.63-	67.6-
913301 UNEMPLOYMENT INS	5,051.07	612,024.77	606,973.70-	99.2-

The Court, using FAMIS report fiscal year end information for FY 2007/2008 and 2006/2007, re-converted the payroll and payroll related expenditures residing in FAMIS to the Phoenix general ledger account numbers and arrived at the revised account balances (See table below) that presented a more realistic fluctuation in account balances.

Revised Personal Services Balances for FY 2007/2008 and FY 2006/2007

GL ACCOUNTS	REVISED Conversion of Payroll and Related Expenditures from FAMIS Report to Phoenix G/L Account Numbers			
	2007/2008	2006/2007	YTD VAR \$	YTD VAR %
<b>Expenditures</b>				
900301 SALARIES - PERMANENT	36,497,224	33,144,252	3,352,972	10.12%
900320 LUMP SUM PAYOUTS	268,185	146,270	121,915	83.35%
900321 HOLIDAY PAY	12,890	13,599	-709	-5.21%
900324 SICK LEAVE PAY	1,699,529	1,489,529	210,000	14.10%
900327 DIFFERENTIAL - MISC	555,388	814,669	-259,281	-31.83%
900328 OTHER PAY	3,065,770	2,771,500	294,270	10.62%
900330 VACATION PAY	2,412,459	2,165,432	247,027	11.41%
* 900300 - SALARIES - PERMANENT	44,511,445	40,545,251	3,966,194	9.78%
903301 TEMPORARY HELP	1,384,539	1,453,722	-69,183	-4.76%
* 903300 - TEMP HELP	1,384,539	1,453,722	-69,183	-4.76%
906303 SALARIES - COMMISS	1,914,611	1,822,449	92,162	5.06%
906304 SALARIES - HRG & REF	158,527	80,137	78,390	97.82%
906311 SALARIES - SUP JUDG	466,939	471,853	-4,914	-1.04%
* 906300 - SALARIES - JUDICIAL	2,540,077	2,374,439	165,638	6.98%
908301 OVERTIME	89,887	78,059	11,828	15.15%
* 908300 - OVERTIME	89,887	78,059	11,828	15.15%
** SALARIES TOTAL	48,525,948	44,451,471	4,074,477	9.17%
910301 SOCIAL SECURITY INS	2,845,679	2,567,409	278,270	10.84%
910302 MEDICARE TAX	700,296	635,585	64,711	10.18%
* 910300 - TAX	3,545,975	3,202,994	342,981	10.71%
910401 DENTAL INSURANCE	764,198	760,120	4,078	0.54%
910501 HEALTH INSURANCE	4,592,956	3,948,099	644,857	16.33%
910502 FLEXIBLE BENEFITS	341,423	299,273	42,150	14.08%
* 910400 - HEALTH INSURANCE	5,698,577	5,007,492	691,085	13.80%
910601 RETIREMENT-NON-JUDGE	2,741,439	2,630,635	110,804	4.21%

910604 RETIREMENT - OTHER	178,067	172,887	5,180	3.00%
* 910600 - RETIREMENT	2,919,506	2,803,522	115,984	4.14%
912501 STAT WORKERS COMP	1,304,125	982,979	321,146	32.67%
* 912500 - WORKERS' COMPENSATIO	1,304,125	982,979	321,146	32.67%
913301 UNEMPLOYMENT INS	-5,059	126,060	-131,119	-104.01%
913502 LONG-TERM DISABILITY	242,629	214,450	28,179	13.14%
* 912700 - OTHER INSURANCE	237,570	340,510	-102,940	-30.23%
913899 OTHER BENEFITS	12,598	11,615	983	8.46%
* 913800 - OTHER BENEFITS	12,598	11,615	983	8.46%
** STAFF BENEFITS TOTAL	13,718,351	12,349,112	1,369,239	11.09%
*** PERSONAL SERVICES TOTAL	62,244,299	56,800,583	5,443,716	9.58%

In FY 2007/2008, the total personal services (excluding workers compensation expenditures) per Phoenix ties to the total personal services per FAMIS report. Thus, the error in conversion from FAMIS to Phoenix is a misclassification of payroll expenditures within the personal services account numbers.

In FY 2006/2007, the total personal services (excluding workers compensation expenditures) per Phoenix did not tie to the total personal services per the FAMIS report. A difference of \$324,190 (representing .1% of 2006/2007 total personal services, see table below, row C) was due primarily to payroll payments to Court Reporters which were recorded in account number 938701 (Court Transcripts) which is not part of the personal services account numbers.

Row #	GL ACCOUNTS	Per Court's General Ledger - Prior to Re-Conversion from FAMIS to Phoenix G/L Account Numbers	
		2007/2008	2006/2007
A	Total Personal Services (rolled-up from account # 900301 to account # 913800)	\$62,244,299	\$56,476,403
B	Less: Account # 912501 - Workers' Compensation (Paid via the AOC)	(1,304,125)	(982,979)
C	Personal Services - Net of Workers' Compensation (Row A less B)	60,940,174	55,493,424
D	Total Personal Services per FAMIS report	60,940,188	55,817,614
E	Difference (Row C less D)	(\$14)	(\$324,190)

- In FY 2007/2008, general ledger account # 913301 (Unemployment Insurance) representing payments to governmental entities for federal and state unemployment taxes reported a negative balance of \$5,000.

GL ACCOUNTS	REVISED Conversion of Payroll Information from FAMIS Report to Phoenix G/L Account #			
	2007/2008	2006/2007	YTD VAR \$	YTD VAR %
913301 UNEMPLOYMENT INS	-5,059	126,060	-131,119	-104.01%

- The Court does not reconcile the financial information residing in the "Payroll and Distribution Register (Report 10)" that provides detail payroll information by employee

to the summary information presented in the “FAMIS report.” The FAMIS report is the source of information for the Court’s bi-weekly payroll transfer and the general ledger entries in the Phoenix Financial System.

IAS also noted that since the FAMIS report provides payroll expenditures at a higher level compared to Report 10, there were instances wherein the Court is not certain of the specific expenditures that were rolled up at a higher level in FAMIS and subsequently entered in the Court’s general ledger in Phoenix.

4. Error in reporting the accrued payroll for pay period ended June 27, 2008 resulted in the understatement of the Court’s Cash with County (account # 120001) and Accrued Payroll (account # 375001)

GL Account Number	Description	Balance per Phoenix General Ledger 2007/2008 (June 30, 2008)	Balance Per Analysis 2007/2008 (June 30, 2008)	Difference (A-B)
		A	B	C
120001	Cash with County	(\$564,856)	\$1,984,099 (See Note 1)	\$2,548,955
375001	Accrued Payroll	200,908	2,749,863 (See Note 2)	(2,548,955)

Note 1: Per County trial balance, account balance at 6/30/2008 = \$1,966,402.

Note 2: The \$2.7 million in accrued payroll represents payroll for the pay period ended June 27, 2008 totaling \$2,548,955 and for one day - June 30, 2008 totaling \$200,908.

In FY 2007–2008, the court did not accrue \$2.5 million as a current year salary expense and related short term liability. Payday for the pay period ended 6/27/2008 was on July 8, 2008 which fell on the next fiscal year 2008–2009. Additionally, the Court did not complete the bi-weekly payroll transfer from the Court’s bank account to its “Cash with the County” until July 10, 2008 (FY 2008/2009). Therefore, as of June 30, 2008, the Court should not have decreased its “Cash with County” since the paychecks were not issued to Court employees until after June 30, 2008.

5. Local judicial benefits for judges that elected to stay with the City and County of San Francisco health plans were not recorded in the appropriate FAMIS index code 115012 (City and County of San Francisco). These local judicial benefits that are the responsibility of the City and County were recorded in index code 118113 (Judges) resulting in the Court including these payments in its bi-weekly payroll transfers. As a result, for FY 2007/2008 and 2006/2007, total local judicial benefits that were not reimbursed to the Court totaled \$241,620.

Per FAMIS Report Index Code 118113 - Judges	Description	2007/2008	2006/2007	Total
Sub-object		A	B	C
01501	Health Services	\$65,621	\$66,862	\$132,483
01571	Dependent Coverage	34,461	0	34,461
01601	Dental Coverage	33,580	41,096	74,676
	Total – not reimbursed to the Court	\$133,662	\$107,958	\$241,620

## Recommendations

1. Monitor the detailed monthly Phoenix Financial System general ledger account balances comprising the “Personal Services Total” for unusual fluctuations between periods in these accounts. Unusual general ledger account balance fluctuations could provide an indication that an error occurred in the conversion of financial information from the City and County’s FAMIS report to Phoenix Financial System general ledger.
2. Contact the County and research why account # 913301 (Unemployment Insurance) reported a negative balance of \$5,000. The Court must ensure that all its payroll taxes are remitted properly and promptly to the appropriate governmental entities.
3. Request from the City and County a cross-walk of payroll and related payroll expenditure information from the Payroll and Distribution Register (Report 10) to the FAMIS report and reconcile these two reports prior to recording payroll and payroll related expenditures in the Court’s general ledger in Phoenix.
4. The Court must ensure that accrued payroll liability and the related Cash with County account are reported properly.
5.
  - a. Ensure that local judicial benefits that the City and County are responsible for are recorded in the appropriate index code so that the Court is not charged for these expenditures.
  - b. Contact the City and County and initiate a discussion regarding collecting the local judicial benefits paid by the Court in FY 2006–2007 and FY 2007–2008 but was not reimbursed by the City and County.

### Superior Court Response By: Michael Yuen Date: 4/12/10

Court agrees with findings and recommendations. Additionally, the Court notes that the systems-related payroll findings are a result of having to be on the County’s payroll system, which is antiquated, while on the AOC’s Phoenix system for accounting. Reconciliation between the two systems is time consuming, and while the Court tries to reconcile to the best that we can, it is inefficient. The Court continues to hope that the AOC’s development of Phoenix payroll and CHRIS will be expedited so the Court can eliminate the inefficiency of having to

reconcile between two systems. As for judicial benefits, the Court has already begun recovering all County-supplemented judicial benefits as of FY 2009-10, effective 10/1/09.

## 2.2 Court's Payroll Processing Practices Need Improvement

### Background

Because courts must maintain the highest standard of ethics and level of integrity to inspire public confidence and trust in the court system, the FIN Manual, Procedure No. 2.02, requires courts to maintain an effective internal control system as an integral part of their management practices.

An effective system of internal control minimizes the court's exposure to risks and negative perceptions. A properly designed, implemented, and continuously monitored system of internal controls protects court assets and resources by reducing or eliminating opportunities for individuals to commit and conceal errors or fraudulent acts.

An effective system of internal controls protects the court's assets and reputation. It also promotes efficiency and instills confidence in the court's ability to properly manage its operations.

FIN Manual, Procedure No 2.02, 6.3 states that the components of an effective system of internal controls include, but are not limited to the following:

- Appropriate Segregation of Duties - to safeguard trial court assets. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction. Whenever possible, key duties and functions should be assigned to separate employees to minimize the risk of impropriety and establish a system of checks and balances.
- Comprehensive Policies and Procedures -for court employees to follow in performing their duties and functions.
- Sufficient Internal Review - to ensure that all financial transactions are properly and accurately recorded and reported.
- Proper authorization and documentation - to provide evidence of effective control over its assets by court employees acting within the scope of their authority
- Others:
  - Competent personnel
  - Continuous supervision
  - Controlled access to assets
  - Leave coverage for all employees with fiscal duties

The Court has an agreement with the City and County of San Francisco (CCSF) for the CCSF to process its bi-weekly payroll and to provide the Court with the necessary payroll reports - For example: Payroll and Deduction Register (Report 10) and FAMIS "Year-to- Date Operating Data" report. The Court's personnel/payroll representatives access the CCSF's payroll system and enter the information (hours worked, vacation hours, sick leave ...) necessary to generate the

employees' paychecks and update the employees' vacation, sick leave and other hours earned in accordance with the employees' bargaining unit agreements.

Court employees' health, dental, vision insurance and flexible benefits are provided through the Health Services for the CCSF. The Court relies on the direction and administrative oversight from the CCSF regarding *enrollment, payment, and coverage* under any of these plans. Since Court employees contact the Health Services directly, the Court does not maintain any of the records related to court employees' health, dental, vision insurance and flexible benefits, and thus these records were not available for testing by Internal Audit Services.

Court employees participate in the San Francisco Employees Retirement System (SFERS). Retirement contributions are shared by the employees and the Court.

### **Issues**

In addition to the issues discussed in a separate section regarding the Court's accounting of payroll and payroll related expenditures (See 2.1), our review of the Court's payroll processing practices identified the following:

1. Lack of the Segregation of Duties - The Court's personnel/payroll representatives who enter the employees' hours worked, vacation, sick leave and other hours taken also perform the following functions:
  - Establish new employees in the payroll system.
  - Update employee information in the payroll system including changes in pay rate and classification.
  - Remove employee information in the payroll system.
  - Pick up the bi-weekly paychecks from the CCSF office and sort the checks for distribution to the various units/locations of the Court.
2. Reporting and Certification of Hours (including the related segregation of duties): Court employees are assigned to a "units/roster" and the supervisory or management level personnel assigned to that unit certifies on a weekly basis the employees' hours worked, vacation, sick leave, and other hours taken. IAS noted the following internal control weaknesses:
  - Court employees do not prepare and certify their own timesheets to document the hours referred to above.
  - Information Technology Group (ITG) – the certification is performed by the Court's administrative secretary with the computer facilities coordinator as the back-up. The Court's administrative secretary also certifies her own time.
  - The Court's Chief Executive Officer certifies his own time.
3. Although the Court has the procedure manual provided by the CCSF to assist Court employees navigate the different functionality residing in the CCSF's payroll system, the Court does not have its own written payroll procedures for court employees to follow in performing their duties and functions.

4. The Court's Fiscal Services Supervisor for Expenditures authorizes the AOC's Trust Unit to execute the bi-weekly payroll transfer from the Court's AOC opened operations bank account to the Court's "Cash with County." For the payroll period ended 6/27/2008, the bi-weekly transfer totaled \$2.5 million.
5. Court does not maintain in the employees' personnel files the various deductions elected by the employees involving health, dental, vision and other benefits including flex benefits. Since the Court does not have this information, it is not able to track on a test basis whether charges to its employees and are appropriate.
6. Review of Payroll and Payroll Related Expenditures Information:

#### Form W-2s

- The Court does not request from the CCSF its own copy of the annual form W-2s (Wage and Tax Statement) issued to Court employees to review for accuracy and appropriateness.

7. Personnel Files and Other Payroll Related Records:

#### Form W-4

- Missing Form W-4s (Employee's Withholding Allowance Certificate) - from the 14 samples selected for payroll testing, four (4) employee files were missing the form W-4s.
- One employee's tax exemption status per the Form W-4 did not tie to the tax exemption status per the City and County of San Francisco "Tax Status Report."

#### Absence of Documentation to Support Vested Sick Leave Hours

- The Court's Personnel Rules provides for vested sick leave for sick leave hours earned on or before December 5, 1978 and not subsequently used. As of June 30, 2008, there were at least 10 Court employees with vested sick leave hours but the detail documentation supporting the sick leave hours that were originally maintained by the City and County were not transferred over to the Court.

#### Death Certificate

- A deceased employee's personnel file selected for testing by IAS did not contain the death certificate to support the date of death as reported in the various "Payroll/Personnel Services Division" forms submitted to the City and County of San Francisco for processing (last paycheck, vested sick leave, vacation pay ...).

#### Tracking of Other Leave Hours:

- Depending on the bargaining unit a court employee belongs to, he can earn executive, administrative, attorney, or compensatory leave hours. Although the Court tracks these hours earned on an individual basis in the CCSF's payroll

system, a report is not generated to report these accumulated hours at a point in time similar to vacation and sick leave hours.

### **Recommendations**

To ensure it maintains and follows an effective internal control system as an integral part of its payroll processing practices, the Court should consider the following:

1. IAS was informed that the personnel/payroll representatives are in constant contact with the Human Resources Director regarding payroll related issues. However, the Court must still ensure that there is a proper segregation of duties so that there is no one individual who controls all phases of an activity or transaction. Examples of check and balances include generating and reviewing on a weekly basis an “exception report” from the City and County’s payroll system to inform management of any additions, deletion, or other changes to employees’ records, limiting access to certain incompatible functions in the CCSF’s payroll systems, and assigning the pick-up and distribution of employee paychecks to non-HR staff.
2. Reporting and Certification of Hours:
  - a. Court employees should certify and thus be accountable for their own hours prior to approval of these hours by the supervisor or management level personnel.
  - b. Information Technology Group (ITG) – the certification/approval of staff hours must be performed by the appropriate management level and not the court administrative secretary. The Court’s administrative secretary should not certify her own time.
  - c. The Court’s Chief Executive Officer must not certify/approve his own time. This role is best performed by the Presiding Judge or the assistant presiding judge.
3. The Court must work on developing its own written payroll procedures for court employees to follow in performing their duties and functions.
4. The role of authorizing the AOC’s Trust Unit to execute the bi-weekly payroll transfer must be assigned to the CEO or an appropriate level designee.
5. The Court should initiate a discussion with the City and County regarding how it can have access to the information - the various deductions elected by the employees involving health, dental, vision and other benefits including flex benefits - so that Court can be informed of the appropriateness of charges to court employees and the Court.
6. Review of Payroll and Payroll Related Expenditures Information:

#### Form W-2s

- The Court should request from the CCSF its own copy of the annual form W-2s (Wage and Tax Statement) issued to Court employees to review for accuracy and appropriateness.

7. Personnel Files and Other Payroll Related Records:

- The Court must ensure that it has all the relevant information in the employees' personnel files including: Form W-4s (including updated W-4s for change in tax status), death certificate (when applicable), and information initially maintained by the City and County of San Francisco for example: vested sick leave hours.
- The Court should discuss with the City and County if a report similar to vacation and sick leave report can be generated to assist the Court track the executive, administrative, attorney, or compensatory leave hours accumulated.

**Superior Court Response By: Michael Yuen**

**Date: 7/30/10**

1. The Court disagrees with the recommendation in part. The San Francisco Court's payroll is still a function of the county. The court follows county rules on processing and all transactions completed are submitted in some form to county personnel who reviews, audits, processes and evaluates all of them. We do not believe that there is a lack of review of process. The Court does agree to segregate the pick-up and distribution of paychecks from HR staff processing. This segregation will be accomplished by the Chief Fiscal Officer and the HR Director.

*IAS Response:* Based on IAS' discussion with a Court HR payroll representative and review of the segregation of duties matrix, Court HR staff self-identified that there is a risk that a fictitious employee can be created.

2.
  - a. The Court disagrees with this assessment. In most cases, the supervisor requires a submission by the employee either by phone, e-mail or by form for the absence, then the supervisor records the absence electronically and then they are again reviewed by HR staff. HR staff does not receive the copies as approved by the supervisor. All used leave credits or are reflected on the pay stub. Therefore the follow-up review by the employee is the review of the paystub. We believe this is a sufficient for control and the elimination of the potential for self-dealing.

*IAS Response:* Employee certification of the timesheet helps protect the employer from inadvertent or purposeful under-reporting of leave usage by documenting employee involvement in the reporting.

- b. The Court agrees with this assessment and will insure the appropriate levels of review of this timeroll. We would, however, identify that this particular group has lost 2 of 3 top level managers in the last year and therefore, workload has been an issue.
  - c. The Court disagrees with this assessment. At the top of every organization there will eventually be a highest position that must review their own time. It is inappropriate for the Presiding Judge to be entering weekly time off data for a

Chief Executive Officer. However, due to this finding, the CEO's time has been moved to the timesheet of the Chief Fiscal Officer.

*IAS Response:* While the Court Executive Officer is the highest administrative position in a court, CRC 10.603(c)(5) states, "The presiding judge must provide general direction to and supervision of the court executive officer ..." Since the court executive officer has influence and control over other administrative court managers including the Chief Fiscal Officer (CFO), if the duty is assigned to the CFO, the CFO's interest is conflicted when authorizing or approving the timesheet of the CEO. Since the CEO has no such influence or control over judges, IAS recommends if the presiding judge's workload cannot accommodate this task, the task can be assigned to other members of the bench thus avoiding the conflict of interest issue for those who report directly or indirectly to the CEO.

3. The Court does not agree or disagree with this statement. It is too vague to address. The Court is following county payroll procedures and therefore follows those processes for HR staff involved in payroll. For other court employees there is an employee handbook and various labor agreements that contain specific information regarding payroll. Further, some items, such as when and how time off requests are submitted, that are determined within the individual work unit and should not from a practical perspective be uniform. AOC Audit staff should be more specific as to what, if any, payroll related procedure should be written by the Court for its employees.

*IAS Response:* As stated in the issue section, IAS recognized the Court had received the County's written policies and procedures manual. However, IAS recommends the Court write policies and procedures to addresses any Court required deviations from the County.

4. The Court disagrees with this assessment. It is inappropriate for the Court Executive Officer to make biweekly payroll entries for each payroll period. The Fiscal Services Supervisor who currently is responsible for this function is the appropriate level for this activity. AOC Audit did not cite a specific regulation that would require the CEO to perform this function.

*IAS Response:* Given the process in San Francisco, the Court has an additional control built into its payroll expenditure process. Namely, the Court must authorize the County payment of the Court's payroll in total. As such IAS recommends the CEO or an appropriate level designee (consistent with the payment approval policies in FIN Procedure 8.01 Section 6.2.3).

5. The Court may consider such a discussion take place, but in the meantime the Court does review the biweekly totals and would notice and question any abnormal amounts being charged.
6. No court response to the W-2 issue.

7.

- The Court strives to maintain accuracy and completeness of personnel files. This recommendation will be taken under advisement while the Court continues to strive for accurate and complete files.
- The county is currently in the process of upgrading their entire payroll system through an initiative called Project E-merge. When that system is completed, these additional leave hours will also be tracked electronically. In the meantime, they are reluctant to perform programming unique to the Court when these items are tracked internally through a manual process.

### **2.3 Court is Currently Using Out-dated Personnel Rules and its Updated Personnel Rules are Still Not Issued**

#### **Background**

FIN Manual, Procedure No. 6.3.2 states that under Lockyer-Isenberg Trial Court Funding Act of 1997 (AB 233, GC 77001) the Judicial Council is authorized to "adopt rules which establish a decentralized system of trial court management". These rules shall ensure the local authority and responsibility of the trial courts to manage day-to-day operations and the countywide administration of the trial courts. Furthermore, these rules shall also provide for the authority and responsibility of the trial courts to manage, amongst others, its local personnel plans, including the promulgation of personnel policies, consistent with statute, rules of court, and standards of judicial administration.

Additionally, CRC 10.670 (Trial Court Personnel Plans) provides that the superior court of each county must submit to the Judicial Council a personnel plan in compliance with these provisions by March 1, 1999. The superior court of each county must submit to the Judicial Council any changes to this plan by March 1 of every following year. If requested by a superior court, the Administrative Office of the Courts must review the court's personnel plan and provide the court with technical assistance in preparing the plan.

The Court's Personnel Rules currently in effect were adopted in 1992 when it was still a part of the City and County of San Francisco. Therefore some of the provisions contained in this Personnel Rules document are inconsistent with the Court's current practices, for example: (1) The Court's executive officer shall perform all functions necessary for the proper implementation of these Rules and the provisions of the charter of the City and County of San Francisco and (2) The County's established labor relations office shall represent the County in negotiations with any employee organization recognized to represent Superior Court employees.

The Court drafted its own Personnel Rules in 2007 and has met and conferred with all the bargaining units representing Court employees. The Court's Human Resources Division is currently working on incorporating the suggestions received and presenting these suggestions and its recommendations to the Executive Committee of Judges for their input. The Court has not provided a timeline when the draft 2007 Personnel Rules will be finalized and adopted.

**Issues**

The Court's Personnel Rules currently in effect were adopted in 1992 when it was still a part of the City and County of San Francisco. Because of this, it still contains provisions inconsistent with the Court's current practices.

**Recommendations**

The Court must work on finalizing and adopting the Personnel Rules drafted in 2007 and submitting the final version of the Personnel Rules to the Judicial Council as soon as possible.

**Superior Court Response By: Michael Yuen**

**Date: 4/12/10**

Court agrees that the personnel rules should be completed and has continued and will continue to work with Labor to complete them.

### 3. Fund Accounting

#### Background

According to procedure No. FIN 3.01, section 3.0, trial courts shall establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the 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 the Phoenix Financial System to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>FUND BALANCES</b>				
535001 RESERVE FOR ENCUMBR	704,411.36-		\$ (704,411.36)	
552001 FUND BAL-RESTRICTED	375,834.32		\$ 375,834.32	
553001 FND BAL - UNRSTD DES	8,950,546.89-	8,950,546.89-	\$ -	
554001 FND BAL - UNRSTD-UND	600,974.93-		\$ (600,974.93)	
615001 ENCUMBRANCES	704,411.36		\$ 704,411.36	
700000..999999 CY Fund Balance	253,505.50-	225,140.61-	\$ (28,364.89)	12.60
<b>** Fund Balances</b>	<b>9,429,193.00-</b>	<b>9,175,687.50-</b>	<b>\$ (253,505.50)</b>	<b>2.76</b>
<b>REVENUES</b>				
836010 MODERNIZATION FUND	747,190.63-	261,225.00-	485,965.63	(186.03)
<b>** 836000-MODERNIZATION FUND - R</b>	<b>747,190.63-</b>	<b>261,225.00-</b>	<b>485,965.63</b>	<b>(186.03)</b>
837010 IMPRVMT FUND-REIMB	1,085,610.65-	158,679.40-	926,931.25	(584.15)
<b>** 837000-IMPROVEMENT FUND - REI</b>	<b>1,085,610.65-</b>	<b>158,679.40-</b>	<b>926,931.25</b>	<b>(584.15)</b>
841010 SMALL CLAIMS ADVISORY	28,901.87-	26,371.73-	2,530.14	(9.59)
<b>** 840000-COUNTY PROGRAM - RESTR</b>	<b>28,901.87-</b>	<b>26,371.73-</b>	<b>2,530.14</b>	<b>(9.59)</b>
899910 PRIOR YEAR ADJ REV	86,851.97-	967,375.94-	880,523.97-	91.02
<b>** 890000-PRIOR YEAR REVENUE</b>	<b>86,851.97-</b>	<b>967,375.94-</b>	<b>880,523.97-</b>	<b>91.02</b>
<b>*** PRIOR YEAR REVENUE</b>	<b>86,851.97-</b>	<b>967,375.94-</b>	<b>880,523.97-</b>	<b>91.02</b>
<b>*** 701100 OPERATING TRANSFERS IN</b>	<b>716,177.31-</b>		<b>716,177.31</b>	
<b>*** 701200 OPERATING TRANSFERS OU</b>	<b>716,177.31</b>		<b>716,177.31</b>	
<b>**** OTHER FINANCIAL SOURCES (USES)</b>				

ACCOUNT	TOTAL FUNDS AS OF			
	JUNE 30, 2008	JUNE 30, 2007	\$ Inc. (Dec.)	% Change
<b>REVENUES</b>				
812110 TCTF-10-OPERATIONS	74,973,891.98-	71,386,375.02-	3,587,516.96	(5.03)
812140 TCTF-10-SMALL CLAIMS	14,570.00-	11,260.00-	3,310.00	(29.40)
812141 TCTF-10-ADM FEE NSF	5,761.00-	4,225.00-	1,536.00	(36.36)
812142 TCTF-10-ADM PRTL PMT	3,975.00-	3,375.00-	600.00	(17.78)
812143 TCTF-10-FEE WAIVER	100.00-	16.00-	84.00	(525.00)
812144 TCTF-10-CLERK TRANSC	73,318.00-	113,878.00-	40,560.00-	35.62
812145 TCTF-10-EXT CRT RPTR	63,655.52-	94,597.62-	30,942.10-	32.71
812146 TCTF-10-COPY PREP	119,996.00-	121,545.00-	1,549.00-	1.27
812147 TCTF-10-COMPARISON	3,780.00-	2,822.00-	958.00	(33.95)
812148 TCTF-10-RCRDS SEARCH	2,467.00-	1,894.00-	573.00	(30.25)
812149 TCTF-10-OTHER	341.00-	1,105.00-	764.00-	69.14
812151 TCTF-10-VISIT-MEDIAT	3,771.00-	3,405.00-	366.00	(10.75)
812152 TCTF-10-RTRN CHECK	162.00-	381.00-	219.00-	57.48
812154 TCTF-10-INFO PACKAGE	1,620.00-	2,100.00-	480.00-	22.86
812155 TCTF-10-ASSESSMENT	339,343.00-	332,686.00-	6,657.00	(2.00)
812156 TCTF-10-ANNUAL FEE	3,500.00-	3,900.00-	400.00-	10.26
812157 TCTF-10-WAITING ROOM	181,425.00-	166,115.00-	15,310.00	(9.22)
812158 TCTF-10-VISIT-FLF	2,514.00-	2,270.00-	244.00	(10.75)
812159 TCTF-10-CIVIL ASSESS	2,425,608.00-	2,269,965.00-	155,643.00	(6.86)
812160 TCTF-10-MICROGRAPHICS	132,389.00-	121,004.00-	11,385.00	(9.41)
812163 CAC FOR CHILD	1,880.00-		1,880.00	
** 812100-TCTF - PGM 10 OPERATIO	78,354,067.50-	74,642,918.64-	3,711,148.86	(4.97)
821120 OTH COURT LOCAL FEES	2,040.00-	1,700.00-	340.00	(20.00)
821121 LOCAL FEE 1		47,445.00-	47,445.00-	100.00
821122 LOCAL FEE 2		194,462.58-	194,462.58-	100.00
821123 LOCAL FEE 3		42,830.31-	42,830.31-	100.00
821124 LOCAL FEE 4		6,423.08-	6,423.08-	100.00
821125 LOCAL FEE 5		11,045.00-	11,045.00-	100.00
821126 LOCAL FEE 6	15,195.00-	14,245.00-	950.00	(6.67)
821127 LOCAL FEE 7	15,600.00-	6,000.00-	9,600.00	(160.00)
821128 LOCAL FEE 8		500.00-	500.00-	100.00
821170 GC26840.3 CONCILIATN	60,165.00-		60,165.00	
821181 PC1205d INSTALL FEE	9,444.67-		9,444.67	
821190 VC11205m TVS	173,526.04-		173,526.04	
821193 VC42006a NIGHT COURT	40,037.46-		40,037.46	
** 821000-LOCAL FEES REVENUE	316,008.17-	324,650.97-	8,642.80-	2.66
821201 ENHANCED CLCT-CIVIL	24,122.41-	25,709.00-	1,586.59-	6.17
821202 ENHANCED CLCT-OTHER	633,749.82-	218,712.10-	415,037.72	(189.76)
** 821200-ENHANCED COLLECTIONS -	657,872.23-	244,421.10-	413,451.13	(169.16)
822120 CRC3.670f COURT CALL	6,970.00-		6,970.00	
** 822000-LOCAL NON-FEES REVENUE	6,970.00-		6,970.00	
823001 MISCELLANEOUS REVENUE	1,773.64-		1,773.64	
823010 DONATIONS	2,000.00-		2,000.00	
** 823000-OTHER - REVENUE	3,773.64-		3,773.64	
825010 INTEREST INCOME	664,269.41-	902,455.71-	238,186.30-	26.39
** 825000-INTEREST INCOME	664,269.41-	902,455.71-	238,186.30-	26.39
*** TRIAL COURTS REVENUE SOURCES	80,002,960.95-	76,114,446.42-	3,888,514.53	(5.11)
831010 GF-AB2030 SVS PROCES	7,792.00-	3,090.00-	4,702.00	(152.17)
** 831000-GENERAL FUND - MOU/REI	7,792.00-	3,090.00-	4,702.00	(152.17)
832010 TCTF - MOU REIMBURS	383,874.80-	246,426.98-	137,447.82	(55.78)
832011 TCTF-PGM 45.10-JURY	997,470.29-	517,239.00-	480,231.29	(92.85)
832012 TCTF-PGM 45.10-CAC	5,978,407.31-	3,405,523.50-	2,572,883.81	(75.55)
832013 TCTFPGM45.10-ELDR AB	1,850.00-	2,405.00-	555.00-	23.08
** 832000-PROGRAM 45.10 - MOU/RE	7,361,602.40-	4,171,594.48-	3,190,007.92	(76.47)

To determine whether the Court is properly accounting for its financial resources and expenditures in separate funds, we reviewed the trial balance of each fund at a high level and certain detailed transactions if necessary. Specifically, we reviewed the special revenue funds established for the Court, including Small Claims Advisory, Children's Waiting Room, Enhanced Collections, and Other County Services.

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

There were no issues to report to management based upon our review.

#### 4. Accounting Principles and Practices

##### Background

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

Since migrating onto the Phoenix Financial System in 2005, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Phoenix Shared Services Center (PSSC). Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger. Since much of the accounting procedures have been centralized with the PSSC, we kept our review of the Court's individual financial statements at a high level.

In FY 2007 - 2008, the Court received various federal and state grants passed through to it from the AOC and the County. Restrictions on use of funds and other requirements are documented in the grant agreement. Many grants received by the Court are reimbursement type agreements that require the court to document its costs to receive payment. The Court is required to separately account for financing sources and expenditures for each grant. Annually, the AOC receives a listing from courts concerning grants received and reports them to the Bureau of State Audits as part of the State of California's single audit of grants.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>REVENUES - GRANTS</b>				
838010 AB1058 GRANTS	1,562,333.16-	1,179,182.71-	383,150.45	(32.49)
838020 OTHER STATE GRANTS	299,923.18-	275,850.49-	24,072.69	(8.73)
** 838000-STATE GRANTS - REIMBUR	1,862,256.34-	1,455,033.20-	407,223.14	(27.99)
839010 NON-STATE GRANTS	1,483,277.27-	1,032,351.58-	450,925.69	(43.68)
** 839000-NON-STATE GRANTS - REI	1,483,277.27-	1,032,351.58-	450,925.69	(43.68)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
825010 INTEREST INCOME	664,269.41-	902,455.71-	238,186.30-	26.39
** 825000-INTEREST INCOME	664,269.41-	902,455.71-	238,186.30-	26.39
*** TRIAL COURTS REVENUE SOURCES	80,002,960.95-	76,114,446.42-	3,888,514.53	(5.11)
831010 GF-AB2030 SVS PROCES	7,792.00-	3,090.00-	4,702.00	(152.17)
** 831000-GENERAL FUND - MOU/REI	7,792.00-	3,090.00-	4,702.00	(152.17)
832010 TCTF - MOU REIMBURS	383,874.80-	246,426.98-	137,447.82	(55.78)
832011 TCTF-PGM 45.10-JURY	997,470.29-	517,239.00-	480,231.29	(92.85)
832012 TCTF-PGM 45.10-CAC	5,978,407.31-	3,405,523.50-	2,572,883.81	(75.55)
832013 TCTFPGM45.10-ELDR AB	1,850.00-	2,405.00-	555.00-	23.08
** 832000-PROGRAM 45.10 - MOU/RE	7,361,602.40-	4,171,594.48-	3,190,007.92	(76.47)
833010 PROGRAM45.25-JDG SAL	470,957.00-	474,208.00-	3,251.00-	0.69
** 833000-PROGRAM 45.25 - REIMBU	470,957.00-	474,208.00-	3,251.00-	0.69
834010 PROGRAM45.45-CRT INT	1,932,629.00-	1,714,289.00-	218,340.00	(12.74)
** 834000-PROGRAM 45.45 - REIMBU	1,932,629.00-	1,714,289.00-	218,340.00	(12.74)
835010 PROGRAM45.55-CVL CRD	30,801.86-	16,536.29-	14,265.57	(86.27)
** 835000-PROGRAM 45.55 - REIMBU	30,801.86-	16,536.29-	14,265.57	(86.27)
836010 MODERNIZATION FUND	747,190.63-	261,225.00-	485,965.63	(186.03)
** 836000-MODERNIZATION FUND - R	747,190.63-	261,225.00-	485,965.63	(186.03)
837010 IMPRVMT FUND-REIMB	1,085,610.65-	158,679.40-	926,931.25	(584.15)
** 837000-IMPROVEMENT FUND - REI	1,085,610.65-	158,679.40-	926,931.25	(584.15)
838010 AB1058 GRANTS	1,562,333.16-	1,179,182.71-	383,150.45	(32.49)
838020 OTHER STATE GRANTS	299,923.18-	275,850.49-	24,072.69	(8.73)
** 838000-STATE GRANTS - REIMBUR	1,862,256.34-	1,455,033.20-	407,223.14	(27.99)
839010 NON-STATE GRANTS	1,483,277.27-	1,032,351.58-	450,925.69	(43.68)
** 839000-NON-STATE GRANTS - REI	1,483,277.27-	1,032,351.58-	450,925.69	(43.68)
841010 SMALL CLAIMS ADVISORY	28,901.87-	26,371.73-	2,530.14	(9.59)
** 840000-COUNTY PROGRAM - RESTR	28,901.87-	26,371.73-	2,530.14	(9.59)
861010 CIVIL JURY REIMBURSE	207,202.30-	322,170.49-	114,968.19-	35.69
861011 MISC REIMBURS	32,422.87-	200.00-	32,222.87	(16111.44)
** 860000-REIMBURSEMENTS - OTHER	239,625.17-	322,370.49-	82,745.32-	25.67
*** TRIAL COURTS REIMBURSEMENTS	15,250,644.19-	9,635,749.17-	5,614,895.02	(58.27)
899910 PRIOR YEAR ADJ REV	86,851.97-	967,375.94-	880,523.97-	91.02
** 890000-PRIOR YEAR REVENUE	86,851.97-	967,375.94-	880,523.97-	91.02
*** PRIOR YEAR REVENUE	86,851.97-	967,375.94-	880,523.97-	91.02
**** REVENUE TOTAL	95,340,457.11-	86,717,571.53-	8,622,885.58	(9.94)
<b>REVENUES - GRANTS</b>				
838010 AB1058 GRANTS	1,562,333.16-	1,179,182.71-	383,150.45	(32.49)
838020 OTHER STATE GRANTS	299,923.18-	275,850.49-	24,072.69	(8.73)
** 838000-STATE GRANTS - REIMBUR	1,862,256.34-	1,455,033.20-	407,223.14	(27.99)
839010 NON-STATE GRANTS	1,483,277.27-	1,032,351.58-	450,925.69	(43.68)
** 839000-NON-STATE GRANTS - REI	1,483,277.27-	1,032,351.58-	450,925.69	(43.68)

We also reviewed a sample of large dollar amount grants received in the fiscal year audited. For these grants, we determined whether the Court properly accounted for grant activity, complied with specific grant requirements, and claimed reimbursements for allowable expenditures. The results of that review follow.

#### 4.1 The Court Needs to Continue to Strengthen the Accounting, Reporting and Monitoring of Grant Revenue and Expenditures

##### Background

As a publicly funded entity, the trial court must ensure that the funds allocated to it by the state and other sources are used efficiently. The Court shall establish and maintain separate funds to

segregate its financial resources and allow for the detailed accounting and accurate reporting of the court's financial operations.

### Fund Accounting

The *Trial Court Financial Policies and Procedures Manual* (FIN Manual) defines a fund as a fiscal and accounting entity with a self-balancing set of accounts. A fund allows for the segregation of financial activities for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

According to the FIN Manual Procedure No. FIN 3.01, 6.1:

Classification	Fund Type	Purpose	Commonly Used by the Trial Court?
Governmental Fund	General Fund	To account for all financial resources except those required to be accounted for in a separate fund.	Yes, to account for all funds received by the court except those that must be accounted for separately.
Governmental Fund	Special Revenue Fund	To account for certain revenue sources "earmarked" for specific purposes.	Yes, to account for federal, state, local, and private grants.
Fiduciary Fund	Trust or Agency Fund	To account for resources received by one government unit on behalf of a secondary governmental or other unit	Yes, to account for fines, fees, etc. collected by the court on behalf of others.

According to the FIN Manual and the National Council on Governmental Accounting (NCGA) Statement 1, a special revenue fund is used "to account for the proceeds of specific revenue sources (other than ... for major capital projects) that are legally restricted to expenditure for specified purposes." These may include grant funds, such as expenditure driven grants, and other special revenue funds.

The Government Accounting Standards Board (GASB) Statement 33, paragraph 15 addresses revenue recognition for expenditure driven grants. *GASB Statement 33 accounts for transactions in such a way that an expenditure driven grant fund should not maintain a cash position, unless the grantor advances funds to the grantee at the beginning of the period, accompanied by a corresponding unearned revenue liability.* A grant fund acts as a control which allows a user to evaluate an entity's compliance with grant terms by matching the inflow and outflow of resources. In contrast, the general fund is used to account for all financial resources except those specifically required to be accounted for in other funds. In other words, general fund monies have no restrictions on use. Additionally, since each fund is self-balancing, no fund should carry a negative fund balance.

FIN Manual Procedure No. 3.01, 6.1 (3) provides that, "Section 1300, GASB Codification, states that a government unit should keep the least number of funds possible to satisfy its particular circumstances."

### Grant Administration

According to the FIN Manual Procedure No. 5.04:

- The trial court shall comply with all federal, state, Judicial Council and grantor regulations, rules and requirements that apply to the administration of grant funds.

- Grant funds awarded by government, business and other organizations may substantially benefit the trial court's ability to serve the public. At the same time, the acceptance of grant funds may also represent an area of risk to the court. This is because money received by the court through grants is provided for specific purposes and under conditions that apply to its use.
- Grants are auditable. Therefore, the court must be able to identify the source and application of all grant funds. It must also prepare and submit periodic performance and financial reports regarding grant funded programs and projects.
- Fund Identification: Grant funds shall be accounted for in Special Revenue Funds. This will allow grant transactions and resources to be accounted for as a separate entity and facilitate grant monitoring, reporting, and auditing.
- Accounting Records: The trial court must maintain records that adequately identify the source and application of grant funds. The records must contain information about grant awards, authorizations, obligations, unobligated balances, assets, liabilities, expenditures, and income.
- Allowable Costs: Only costs that are determined to be reasonable, allowable, and allocable may be applied to grant programs.
- Availability of Funds: Most grants specify a specific period of time during which grant funds are to be used. In these situations, the trial court may only apply expenditures to the grant up to the end of the grant period, unless the grant specifically allows the carryover of unobligated balances. The trial court must liquidate all obligations incurred under a grant within 90 days of the end of the grant period, unless otherwise specified in the grant agreement. This deadline may be extended at the grantor's discretion, upon the trial court's request.

### Procurement

When procuring goods and services under a grant, the trial court will follow the same policies and procedures it uses for procurements using non-grant funds (See FIN Manual, Procedure 6.01, Procurement). FIN Manual Procedure 6.01, 6.11 (2) provides that the justification for sole source procurements should predate the actual procurement date.

**Please refer to Section 10, Issue 10.1, Issue 6 regarding the use of sole source for the procurement of services under a grant.**

### The Court's Special Revenue Funds

The Court established fifteen special revenue funds to provide an accounting of the grants (and the associated expenditures) received from the State, the City and County of San Francisco, and other sources:

**Table A**

Fund Number	Fund Description	Grant Revenue	
		FY 2007/2008	FY 2006/2007
A	B	C	D
1910581	AB 1058 - Family Law Facilitator	\$430,744	\$131,183
1910591	AB 1058 - Child Support Commissioner	1,131,589	1,048,000
Row A: Total AB 1058 Commissioner/Facilitator		1,562,333	1,179,183
1910601	Substance Abuse Focus Program	28,684	31,200
1910611	Access to Visitation	73,561	59,422
1910631	Self help Center (Pilot Program)	197,679	185,228
Row B: Total - State Grants		299,924	275,850
1930041	Drug Court Discretionary Grant	53,103	99,679
1930051	Grant - Arrest	0	160,832
1970011	Comprehensive Drug Court - CDCI	579,973	144,172
1970021	Prop 36 Grant	38,850	38,850
1970031	Foundation of CA State Bar	25	0
1970091	Safe Start Plan	40,000	50,000
1970101	Juvenile Justice Crime Prevention	546,273	327,966
1970111	COPS program	78,201	78,200
1970121	SF MOJC General Fund	132,652	132,653
1970151	Behavioral Health Court	14,200	0
Row C: Total - Non-State Grants		1,483,277	1,032,352
Grand Total (A, B, and C)		\$3,345,534	\$2,487,385

### Other Funding Designated for Specific Purpose

In addition to the grants reported in the Special Revenue Funds, the Court also receives funding from the AOC designated for specific purposes. These are reported by the Court in the General Fund. For example, in FY 2007/2008, the Court received the following from the AOC:

**Table B**

Included in G/L Account Number	General Fund	FY 2007/2008	FY 2006/2007
832010	TCTF - General MOU Reimbursement - Asset Replacement Grant	\$210,774	\$210,774
837010	Improvement Fund reimbursement - Installation of Bullet Resistant Windows and Ventilation	268,033	0
836010	Modernization Fund - Complex Litigation Funding	639,884	261,225
	Total	\$1,118,691	\$471,999

### Issues

During our review of the Court's special revenue funds and other funding designated for specific purposes, we identified the following:

1. In FY 2007/2008, the Court was late in submitting its requests for reimbursements to various grantors. At June 30, 2008, total receivables – due from other governments and the State represented 80.34% of the total revenues from grants. The majority of these receivables were received by the Court in July to October of the next fiscal year.

Description	FY 2007/2008
<b>Receivables</b>	
A/R - Due from Other Governments	\$1,002,615
A/R - Due from State	1,685,078
Row A: Total Receivables from Grants	2,687,693
<b>Grant Revenues</b>	
AB 1058 Commissioner/Facilitator	1,562,333
Other State Grants	299,924
Non-State Grants	1,483,277
Row B: Total Revenues from Grants	\$3,345,534
Percentage of Grant Receivables to Revenues from Grants (A/B)	80.34%

For example, the Court was late in submitting its requests for reimbursements for the following grants:

- AB 1058 Family Law Facilitator (for \$281,925) and AB 1058 Child Support Commissioner (\$1,131,589) – the Court submitted the full fiscal year's request for reimbursement at one time, in August of 2008. This resulted in the Court not receiving the reimbursements from the AOC until September, October, and December of 2008, and January of 2009.
- Funding from the AOC for Complex Civil Litigation Pilot Program - the expenditure report for the second half of FY 2006/2007 for \$193,000 was not submitted to the AOC

until the end of FY 2007/2008. The Court worked with the AOC in correcting this oversight and received the reimbursement in December of 2008.

- Juvenile Justice Crime Prevention Act –the invoice to grantor requesting for reimbursement for the quarter ended 6/30/2008 totaling \$239,163 included some invoices dated 12/2007 to 3/2008. According to the Court, it could partly be due to the service providers having submitted invoices late to the Court.
  - Drug Court Discretionary Grant – reimbursement request for the quarter ended March 2008 for \$12,510 was due on May 15, 2008 but was not submitted by the Court until June 16, 2008.
2. The Court did not report some of its grant revenue/funding sources and/or the associated expenditures in the appropriate fiscal years. For example:
- Funding received from the AOC of \$268,033 in FY 2006/2007 for bullet resistant windows and ventilations – the expenditure was reported in FY 2006/2007 while the related revenue was reported in the following fiscal year 2007/2008.
  - AB 1058 Family Law Facilitator – included in the FY 2007/2008 grant revenue of \$430,744 is \$148,000 of FY 2006/2007 revenue. The \$148,000 was not accrued at June 30, 2007 thus it was included by the Court in FY 2007/2008 revenue. The associated FY 2006/2007 expenditures were recorded as prior period expenditures in FY 2007/2008.
  - Juvenile Justice Crime Prevention Grant - \$73,834 of FY 2006/2007 grant revenue was recorded in FY 2007/2008. The Court reported the associated expenditures in FY 2007/2008 when it paid for the expenditures.
  - FY 2006/2007 Foundation of California State Bar Grant for \$8,600 was not reported by the Court until FY 2007/2008 when it received the reimbursement from the grantor. The associated expenditure was reported in FY 2006/2007.
3. The following list contains some of the ending fund balances of its Special Revenue Funds.

Fund Number	Fund Description	Fund Balance	
		FY 2007/2008	FY 2006/2007
A	B	C	D
1910591	AB 1058 - Child Support Commissioner	10,211	9,231
1910631	Self help Center (Pilot Program)	35,703	570
1970011	Comprehensive Drug Court - CDCI	151	0
1970021	Prop 36 Grant	0	30,952
1970031	Foundation of CA State Bar	(26)	8,600
1970091	Safe Start Plan	0	16,352
	Total	46,039	65,705

The ending fund balance for the Foundation of State Bar grant and the Safe Start Plan grant in FY 2006/2007 represent expenditures that were incurred for the grants but the corresponding revenues were not accrued in FY 2006/2007 and were reported as revenues in FY 2007/2008.

The other fund balance in the other special revenue funds represents the excess of grant expenditures over revenues incurred in the program.

4. The Court received several funding allocations from the AOC through MOUs to reimburse for costs or pay for support of various projects (generally restricted use money). Although these allocations and related expenditures are separately tracked by unique WBS element codes in Phoenix-Financial System, these amounts were posted to the General Fund rather than the Special Revenue Fund—see Table B above.
5. Twelve of the fourteen Special Revenue funds in FY 2007/2008 reported negative cash balances at year-end. This appears to be due to the timing difference between the payment of expenditures and the subsequent reimbursement of revenue to the special revenue funds.
6. The Court expended \$10,000 of grant fund monies for yoga classes. The statement of work as specified in the contract with the service provider was to serve ten homeless families participating in the San Francisco Drug Court (DDC) and it did not specify yoga classes.
7. Other issues noted:
  - A timesheet submitted by the Family Law Facilitator for time spent on AB 1058 Family Facilitator grant for the payroll period ended 9/7/2007 and 9/21/2007 was not signed by the Court manager.
  - This timesheet was also dated 12/7/2007 – which was at least 2.5 months after the end of the payroll period.

### **Recommendations**

The Court migrated to the Phoenix financial system in FY 2006/2007 and had a change in personnel assigned to report grant revenues and expenditures. The Court is proactively working on improving its grant accounting, reporting, and monitoring process. In order to comply with the FIN Manual and governmental accounting standards, the Court must:

1. Make every effort to submit its request for reimbursements to the grantor on a timely manner as specified in the grant terms.
2. Must report the grant revenue and expenditures in the appropriate fiscal year.
3. Accrue grant revenue or expenditures in the appropriate fiscal year and make the necessary journal entry adjustments to avoid the Special Revenue Funds reflecting excess of grant expenditures over revenues.
4. Separately account for the revenues and expenditures related to funding received from the AOC via MOUs for restricted use funds in accordance with generally accepted accounting principles and FIN 3.01. They must be separately accounted for in a special revenue fund.

In order to minimize the growth in the number of funds in the Trial Court accounting system, Internal Audit Services (IAS) will advise the Phoenix Shared Services Center

(PSSC) to set up a “miscellaneous” grant or special revenue fund to be used for this purpose. Individual MOUs may continue to be tracked by unique WBS element codes.

5. Avoid carrying negative cash balances in expenditure driven grant funds, the Court should utilize “Due to / from other funds” accounts to post revenues and expenditures.
6. Ensure that expenditures charged to grants are for services as specified in the contract with the service provider and are allowable expenditures per the grant terms. Since it is unusual for courts to spend funds on yoga classes the Court should consult with the grantor to determine whether the \$10,000 expenditure for yoga classes is allowable.
7. Ensure that timesheets for time spent on grant activities are submitted timely and properly approved by the supervisor.

The Court must ensure that it has the backup to support its expenditures.

**Superior Court Response By: Michael Yuen Date: 3/16/10**

Court agrees and will comply with recommendations. It should be noted, however, that the Court does indeed make every effort to make timely reimbursement requests, and out tardiness is a result of an antiquated county payroll system. This system does not allow for real-time tracking of staff’s time in different funding sources. Therefore, the Court’s Fiscal Staff must do this on a manual basis, which includes scrutinizing every staff’s timesheet in certain programs, which is a very labor intensive and timely process that usually causes the delay in reimbursements.

## 5. Cash Collections

### Background

The FIN Manual Policy Number 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, Policy Number FIN 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts should institute procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments.

The Court operates three locations that collect court-ordered payments. Refer to the table below for a list of locations, their divisions and the types of collections received at the division. Clerks rely up on two case-management systems (CMS). In addition to these locations, the Court operates a Collection Unit to oversee the collection of court-ordered fines and fees, victim restitution, and certain non-delinquent fees and installment payments.

<i>Location Name</i>	<i>Division</i>	<i>Types of Payments Accepted</i>
400 McAllister Street, RM 103 & 204	Civil	Civil/Probate/Small Claims
400 McAllister Street, RM 103	Civil Records	Copy and other fees
400 McAllister Street, Fourth Floor	Unified Family Law	Family Law filing fees
850 Bryant Street, RM 101	Criminal	Bail and other Criminal fees
850 Bryant Street, RM 101 & 145	Traffic	Traffic fees, fines and penalties

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
111000 CASH-OPERATIONS	10,283,807.78	7,924,184.19	\$ 2,359,623.59	29.78
111002 CASH OPS IN-TRANSIT			\$ -	
111100 CASH-OPERS CLEARING	777,284.38-	1,059,575.28-	\$ 282,290.90	(26.64)
114000 CASH-REVOLVING	250.00	250.00	\$ -	
117500 CASH CIVIL FILING FEES	2,830,262.77	2,920,544.62	\$ (90,281.85)	(3.09)
117502 CASH CFF IN-TRANSIT		83,808.00	\$ (83,808.00)	(100.00)
118000 CASH-TRUST ACCOUNT	8,164,963.59	10,441,001.79	\$ (2,276,038.20)	(21.80)
118002 CASH TRUST IN-TRANSIT		3,073.57	\$ (3,073.57)	(100.00)
118100 CASH-TRUST CLEARING	56,325.02-	126,179.54-	\$ 69,854.52	(55.36)
119001 CASH ON HAND	1,400.00	100.00	\$ 1,300.00	1300.00
120001 CASH WITH COUNTY	564,855.90-	6,409,504.60	\$ (6,974,360.50)	(108.81)

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

- End-of-day closeout and reconciliation.
- Bank deposit preparation.
- Segregation of cash handling duties.

- Accounting safe access, keys, and security over other court assets.
- Physical and logical access security of cashiering areas and systems.
- Judges Stamps.

We also reviewed sample monetary and non-monetary systems transactions, and validated these transactions to supporting receipts, case files, and other documentation. We also examined controls related to manual receipts in detail to ensure proper physical controls existed, numerical reconciliation was periodically performed, and other requisite controls were being followed.

## **5.1 Cash Handling, Daily Balancing and Closeout Lacks Supervisors Approval**

### **Background**

Procedure No. FIN 10.02 §6.3.10–Daily Balancing and Closeout paragraph 1 states:

At the end of the workday, all cashiers must balance their own cash drawer or register. Cashiers may not leave the premises nor transact new business until daily balancing and closeout are complete.

Paragraph 2 goes on to state:

Balancing and closeout include completing and signing the daily report; attaching a calculator tape for checks; turning in the report, money collected and cash change fund to the supervisor; and verifying the report with the supervisor.

### **Current Balancing Procedures**

The court's current cash handling and balancing procedures vary depending on the division and where it is located, for example;

#### **Hall of Justice–Criminal Division (Non-Traffic)**

The Criminal Division located at the Hall of Justice collects bonds, small amounts of cash, and some checks, money orders, and credit card payments. The deputy clerk/cashiers (cashiers) have no starting cash because most transactions are paid by bonds, checks, money orders and credit cards. Cash is received to pay copy fees. One supervisor in Criminal controls a Change Fund of \$200. Should change be required, the cashiers go to the supervisor and request change.

Cashiers process criminal transactions by entering them into the Time Pay Account System (TPA). Next, they place the revenue or bond receipts in an envelope and walk it to the safe-drop box where they drop the envelope into a slot on the top of the safe and it falls into one section of the safe. It remains safeguarded there overnight.

Currently, there are no written procedures to close-out Criminal cashiers at end of the day. Criminal cashiers just learn the unwritten process from another cashier.

There are no requirements to balance and close-out their daily collections, generate calculator tapes of checks, money orders, and credit card payments nor is a review and approval by the supervisor required either. Instead, the morning after the cashier places her envelopes in the safe, the Fiscal Technician will open the safe, take out the envelopes and perform these functions for the Criminal Cashiers and their supervisor. Once the Fiscal Technician balances the actual collections to the Time Payment Accounting (TPA) system and case management system (CMS) reports, a Summary of Daily Deposit Report is prepared and copies are made and retained. The actual deposit containing the bank deposit and the actual cash/checks and credit card transactions is placed back into the safe until Loomis Armored car guard arrives. Loomis in turn, signs for the daily deposit as received and take all deposits to Bank of America.

### **The Traffic Division**

The Traffic Division is located at the Hall of Justice and is down the hall from the Criminal division on the 1st floor hallway. The Traffic deputy clerk/cashiers (cashiers) collect payments much the same way as Criminal cashiers. While they do not collect bonds, they do take cash/checks and credit cards in payment of traffic infractions. They too have no starting cash.

These cashiers collect their payments and enter these transactions into the Simplified Automatic Traffic System (SATS). Should they need to make change, they simply walk larger bills back to the Fiscal Office in the back of their offices. There, the Fiscal Staff will make change for them from still another Change Fund. This fund is much larger as it contains \$1,050. At the end of each day, cashiers finish up their two hour shift and close the window and run a CMS "Operator Totals" closing report. The purpose of this report is; 1.) close-out their collection work for the day and, 2) obtain a system total of collections by cash, checks, credit cards and/or voids. The cashier performs a quick balancing of their actual collections by type to ensure the amount collected agrees with their CMS operator's report. These traffic cashiers, like Criminal cashiers are not required to complete a closing report, or to balance their collections. We also noted that they do not run calculator tapes nor present all collections and reports to their supervisor for their review and approval. Instead, they walk to the Fiscal division with their operator totals report and collections to the Fiscal Office where a Fiscal Technician reviews and matches their collections to the systems totals.

Once the Fiscal Technician confirms the amount collected agrees with the operator totals report by deputy clerk, the cashier is released. The money collected is placed in a locked desk drawer during the day and placed in the safe overnight. The next morning, the Fiscal Technician generates the SATS system report and reconciles this report to the collected cash. That same morning, the Fiscal Technician in Criminal will bring the moneys collected from the Enhanced Collections division the prior work day to complete this daily cash balancing routine. The Fiscal Technicians consolidate both the enhanced collections moneys with the Traffic collections in order to reconcile to the Daily Accounting Consolidation report. Once the Fiscal Technicians confirm that the deposit of cash, checks and credit cards agrees with this consolidated report, it is placed in the safe until the Loomis guard pick-up.

**Civic Center Courthouse – Civil Case Types**

Civil (First and Subsequent Filings,) Probate, Small Claims Appeals, Records and E-filings are located on the 1st floor of the Civic Center Courthouse. Deputy clerk/cashiers (cashiers) collect cash, checks, money orders and credit card transactions at the front counters and enter them into the Integrated Justice System Magic Flat File IJSMFF system. Each deputy clerk works a shift at the front counter for a period of two hours. These cashiers do not receive a starting cash fund but must visit the Fiscal Technicians should they need to obtain change. Notwithstanding the Records Division in Civil and other divisions, transactions are mostly paid by checks, credit cards and money orders so little change is needed. The Records Division maintains its own Change Fund of \$200 because most of their transactions are small and paid in cash.

At the end of each cashier's shift they run a, "Daily Transaction Receipt Report" from the CMS IJSMFF system. They balance their cash collections to this report and if the collections agree to the report, it is placed in a bag along with the collections and other documentation and walked over to the Fiscal unit. Just like the other cashiers, civil cashiers are not required to complete an end-of-the-day balancing report, prepare calculator tapes nor obtain their supervisor's review and approval. Again, the Fiscal Technician performs these functions. However, the Fiscal Technicians perform these duties in the same office space as the civil deputy clerks and their supervisors. The Unified Family Court (UFC) clerks unlike the other civil clerks sign a worksheet indicating they have submitted a collections bag for the day. In lieu of counting the collections before releasing the clerk for the day, the clerks by virtue of signing the aforementioned worksheet agree and understand that they are still responsible for any differences in the collections versus the CMS report. Except for UFC clerks, the collections bags are not counted by the fiscal technician until the following business day. UFC clerks have the cash counted and verified to the CMS report

Once the fiscal technician confirms the collection amount agrees to the CMS report, then the UFC cashier is dismissed. The fiscal technician places the collections, the related CMS reports and receipts in the safe for safe keeping overnight. The next morning the collections are balanced to the IJSMFF collections report and if in balance, a deposit is prepared and placed in the safe to await the LOOMIS guard to pick-up later that morning.

The UFC is located on the 4th floor of the same building as the civil division. However, due to its distance from the Fiscal unit on the first floor it has some different cash processing procedures including;

- 1) Each morning, the Family Law supervisor walks down to the 1st floor Fiscal Office and picks up 5 bags containing \$80 cash in each bag (\$400 total starting cash). She counts and signs for the starting cash then, returns to the Family Law offices where each bag is disbursed to the deputy clerk/cashiers (cashiers). During the day, each cashier collects cash, checks, credit cards and money orders and at the close of business each cashier prints out their own Transaction Summary Totals Report from IJSMFF. They confirm their collections agree to those amounts on the report.
- 2) After confirming their collections agree to their CMS report, each cashier has their collections reviewed and approved by their Supervisor. After this review and approval is

complete, the cashier walks their collections and report in their cash bag to the Fiscal Office on the 1st floor. With the cashier present, the fiscal technician counts the starting cash and places it back into their bag for the next day. Next, the fiscal technician counts the collections to ensure it agrees with the Transaction Summary Report. If all agrees, the fiscal technician signs-off on the amount collected and provides a copy of the CMS report to the cashier. At that time, the cashier returns to the United Family Law offices upstairs. The next morning the collections are taken from the safe where they are again counted and balanced to the CMS report and if all is in order is included with the prior day's deposit.

### **Youth Guidance Center**

The Youth Guidance Center (YGC) located in San Francisco is four miles away from the Civic Center Courthouse (CCC) and must maintain its own Change Fund of \$300. This fund is controlled by the supervisor under lock and key and any change needed must be requested and distributed by her. The YGC cashiers are not provided any starting cash because most payments are made by check, money order and/or credit card. However, change may be needed for the payment of copies. YGC cashiers may also collect small amounts of money during the day, as well. At the close of business day, cashier's run a daily transaction receipt report which they balance to ensure their collections agree to the report. Once in balance, they walk the report over to the supervisor who runs a similar report referred to as, "Court Collection Daily Balance". The supervisor confirms that the cashier's collections agree to the report. Once all cashiers collections are accounted for, the supervisor places the daily collections in a bag and places it in the safe overnight for safekeeping. The next morning she prepares the deposit which is placed in a bag in the safe until Loomis picks it up. Loomis then takes the YGC deposit to CCC where it is added to the next day's CCC deposit.

FIN 10.02 Cash Handling paragraph 6.3.2 discusses additional cash controls including:

Cash control procedures are of primary importance to court management in avoiding losses. The fundamental rules for controlling cash receipts include the following.

- a. Organizationally:
  - i. Designate specific responsibility for custody of cash funds during the workday and for securing cash in a safe, vault, or other secure storage place overnight.
  - ii. Limit responsibility for receiving cash to as few people as possible.
  - iii. Separate cash handling from record keeping. Responsibilities for collection and deposit preparation should be segregated from those involving the recording of cash receipts into court accounting records and permanent court record entries.
  - iv. Have bank reconciliations prepared by persons not responsible for handling cash.

FIN 10.02 Cash Handling; paragraph 6.3.3 Check/Money Order/Cashier's Check Procedures in subparagraph 1.states;

When a check, money order or cashier's check is received at the public window or in the U.S. mail, the following shall be verified before accepting payment:

1. The name of the customer must be imprinted on the check.
2. Numeric and written dollar amounts must match.
3. Checks must be signed by the customer.
4. Checks must be dated for the day they are written.
5. Post-dated checks are not accepted.
6. Two party checks are not accepted.
7. **Checks must be written for the exact amount due. No change shall be made on payments made by check.**
8. Checks must be made out to the court.
9. Case number(s) shall be written on checks.
10. Corrections made by the customer must be initialed by [the] customer, not just crossed out and rewritten.
11. All checks must be restrictively endorsed immediately upon receipt (e.g., *For deposit only to...*).
12. **When a check is accepted at the public window, the customer must provide an acceptable form of picture identification such as a driver's license or passport.**

It further states in paragraph 3 that:

The trial court may accept checks from **law firms** marked "*not to exceed xx dollars*" for matters pending court action. When the amount of the payment becomes known, the trial court shall fill in the exact amount due. **This exception to normal procedures applies only to checks received from law firms.**

### Issues

Our review of the cash balancing and closeout and deposit procedures noted the following conditions at the Hall of Justice, Civic Center Courthouse and the Youth Guidance Center with respect to cash balancing and closeout and deposit procedures including:

- Deputy cashier clerks (exclusive of United Family Law and the Youth Guidance Center deputy clerks) need to perform their own end-of-day balancing of collections to their CMS balancing report to ensure all moneys are accounted for. They should prepare a calculator tape that includes any cash, checks, money orders, credit card payments received along with any void transactions to ensure that the total agrees with their CMS collection report. They should sign and date it then, submit to their supervisor for review and approval;
- Supervisors in Criminal, Traffic, Civil (First Filings and Subsequent), Records, Probate, Small Claims, E-filings, and Appeals Divisions do not verify their deputy clerks' end-of-day balancing and close-out prior to collection delivery to the Fiscal Services Division;
- Civil (First Filings and Subsequent), Probate, Small Claims, E-filings, and Appeals did not request identification from customers that paid by credit card or check;

- Fiscal staff that balance collections and make daily deposits share the same office space as the deputy clerks and their supervisors; and
- Records Division accept blank, "not to exceed checks" from individuals (not just law firms) for copying charges in which the checks range from \$25 to \$100.

### **Recommendations**

1. The Court shall establish written procedures in which:  
All cashiers will:
  - Balance their collections by signing and dating their daily collection report;
  - Obtain a valid driver's license and or other identification in order to confirm that they are the individual identified on the credit card and/or check;
  - Attach calculator tapes for checks; and
  - Turn in the report, money collected and cash change fund-if applicable to the supervisor. The Supervisor will sign and date the cashier's report that the collections were counted and agree to the report.
2. The Court should adhere to FIN 10.02.6.3.3 item 3 which states, "not to exceed xx dollar" procedures applies only to checks received from law firms. Any alternative check acceptance procedures must comply with FIN2.026.3.2 item 4.
3. When the Fiscal staff balances collections, prepares starting cash and make deposits the Fiscal Department should limit the number of staff present in the Fiscal area when they are they perform the functions of distributing starting cash, making change, balancing the receipt of collections from cashiers, and when preparing the daily deposit or pick-up by Loomis Armored Car Service.

**Superior Court Response By: Michael Yuen Date: 10/2/09**

Court agrees with findings and will implement a court-wide cash handling, balancing, and closeout policy by 7/1/10. The Court has already begun piloting some corrective actions in the Civil Division and lessons learned will be incorporated in the court-wide policy.

## **5.2 Void Transactions Not Reported, Reviewed and Approved by Supervisors**

### **Background**

The FIN Manual in procedure number 10.02, paragraph 6.3.8 states that transactions that must be voided require the approval of a supervisor. When notified by a cashier, the supervisor is responsible for reviewing and approving the void transaction. All void receipts should be retained, not destroyed.

### **Issue**

During our interviews with supervisors and managers at the Civic Center Courthouse (CCC) and the Hall of Justice (HOJ), we were advised that:

- Supervisors and deputy clerks in nine of eleven Court divisions/units can void their own transactions without a secondary review.
- The reason for the void transaction was not documented in the case management system nor included as part of the cashier's end-of-the-day closing and balancing reports in ten of eleven Court divisions/units.
- During a review of void transactions for the month of February 2009, it was determined that 34 deputy clerks at the Civic Center Courthouse had voids and 10 of the 34 (33%) clerks processed at least 3 voids each during the month.
- Two supervisors were reviewing and approving their deputy clerk's void transactions but only one supervisor documented the reasons for those void transactions and included the reasons as part of their daily close-out reporting and deposit.
- The Court does not generate a Void Transaction Report to review and capture the quantity and reasons for void transactions.

### **Recommendation**

Supervisors and/or their assignees shall:

- Review all deputy clerk's void transactions
- Document the causes of all void transactions
- Investigate prior to approval of all void transactions
- Verify that only their approved void transactions have been entered into the CMS

In addition, the Court should:

- Retain all void transactions and the reasons for same as part of the daily close and balancing records.

A Monthly Report of Voids should be implemented to include:

- The date of the void
- The supervisor approving the void
- The case number
- The amount of the void and
- The reason(s) for the void transaction.

The division supervisor should review this report to identify those deputy clerks with possible training issues and to identify void transactions entered by unauthorized individuals.

**Superior Court Response By: Michael Yuen**

**Date: 9/11/09**

The Court has implemented a process change where effective March 2009, a supervisor is required to approve all voids and valid reasons must be presented. Further, the Court is now reviewing monthly void reports.

### **5.3 Payments Received Through the Mail Not Handled Properly**

#### **Background**

Procedure No. FIN 10.02 states under paragraph 6.4.1 that manual checks and money orders received through the mail should be processed on the day they are received. Any exceptions are to be brought to the attention of a supervisor, placed in a locked area and processed on the next business day.

Courts can strengthen their internal controls over payments received in the mail when checks and money orders received through the mail are processed on the day they are received and listed on a cash receipts log sheet. When listing the checks and money orders the information captured should include:

- The case or docket number.
- The name of the person making the payment.
- The check amount.
- The date received.
- The name of the person handling the check.
- Including an adding machine tape of all checks and money orders and compared to the total amount received should be made and that total amount entered into the accounting system.
- The name of the person logging the payments and they should sign the bottom of the log sheet after running the adding machine tape.
- The adding machine tape should be attached to the log sheet and the checks delivered to a designated cashier for entry into the accounting system.
- Any receipts for payments received in the mail shall only be sent to the customer if a stamped, self-addressed envelope is included with the payment.

#### **Mail Process at the Hall of Justice (HOJ) and the Civic Center Courthouse (CCC)**

Currently, HOJ receives mail twice a day. The US Mail is received around 10 a.m. and the second mail drop of intra-office mail is in the afternoon. Mail is delivered from the mailroom to Criminal, Enhanced Collections and/or Traffic divisions. The early mail contains the majority of mail which includes mail payments. All departments normally process mail payments that day and/or by the next morning. This turn-a-round was one of the reasons noted as to why they did not prepare a cash receipts log.

Civic Center Courthouse (CCC) mail is either delivered and/or picked-up depending on the division. Mail for the Records, Appeals, Probate and Small Claims Divisions have their own mail boxes in the mail room. The deputy clerks within those divisions pick-up their mail. Due to the volume of mail, the mailroom staff brings the Civil Division (First Filings and Subsequent Filings) to the civil mail opening area. There the mail is sorted by date and work required and is left in bins. Due to the volume of mail received daily, the Records Division helps out by assigning 2 to 3 staff to assist in the opening and sorting. The E-filing division may also help out by assigning 1 to 2 staff – if needed.

**Issues**

During our review of the mail payment process at the Civic Center Courthouse (CCC) and at the Hall of Justice (HOJ), we identified mail processing issues that included:

**Civic Center Courthouse -Lack of Segregation of Duties**

- A lack of segregation of duties exists in Civil (First Filings and Subsequent) and Small Claims divisions because clerks processed mail payments while they opened new cases, received customer remittances (window payments), and entered customer payments in the case management system (CMS) .
- While the same condition exists in the Probate Division, mail is processed at the front counter when no customers are present and because they do not have printer-receipt machines at desks in the back.

**Civic Center Courthouse - Mail Not Secured**

- Unprocessed mail with payments were not secured overnight in five Civil divisions reviewed because:
  - Civil ( First Filings and Subsequent) are left in bins overnight;
  - Records, Probate, Appeals, Small Claims and E-Filings mail containing payments were left in mail trays overnight.
- The Drop box in Civil at window #3 is used for mail and mail payments but was not adequately secured because unauthorized people could easily reach in and take payments from the drop box.

**Civic Center Courthouse - No Cash Receipts Log**

- Payments received in the mail were not logged-in at five Court divisions.
- The civil division does not maintain a schedule of unprocessed mail payments should they not be processed within 48 hours.
- No formalized escalation process is in place to notify CEO/CFO of unprocessed mail payments - 2 days and over.

**Civic Center Courthouse- No Escalation Procedures**

- No formalized escalation process is in place to notify CEO/CFO of unprocessed mail payments - 2 days and over.
- On Monday, March 23, 2009 we noted a backlog of mail payments in the Civil Division which included 57 pieces of mail containing checks totaling \$4,121. While the backlog was due to the prior week's staff sickness, the backlog was not reported to the Chief Fiscal Officer or the Chief Executive Officer.

**Hall of Justice -No Escalation Procedures**

- The Criminal Division has not experienced extreme backlogs of unprocessed mail payments but does not have a formal and documented aging process should they occur.
- The Criminal Division had 41 pieces of unprocessed mail dated from 3/12/09 to 3/19/09. None of the mail contained payments.
- The Traffic Division does not have a formal escalation process to communicate to management should a backlog of mail payments occur.

**Recommendation**

In the event the division does not prepare a cash-in-mail log which weakens the overall strength of the Court's internal controls, the Court should strive to strengthen other components of internal control. For example, mail payments should not be processed by someone who is also processing payments in person to greatly reduce the risk of a specific type of fraud.

The following recommendations are based on the use of a daily mail payment log to mitigate the risk of mail payments being processed at the collection window when the following is also performed:

- On a surprise basis, the chief fiscal officer and/or designee will periodically test a sample of mail transactions to ensure they were entered accurately and timely into the CMS.
- The chief fiscal officer and/or her designee will verify that the supervisor and/or their designee reviewed and approved the cash-in-mail log.
- Processing mail payments away from the front counters as printer-receipt machines are located at back desks and/or, only when customers are not present at the front windows.
- Secure all unprocessed mail over night.
- Unprocessed mail shall be logged in if not processed within 24 hours.
- A cash receipts log will contain the minimum information noted in FIN Procedures No.10.02.6.43b.
- If backlogs should occur, establish an escalation procedure to communicate to management the quantities of mail unprocessed and the estimated dates these backlogs will be cleared.

The court should consider the following enhancements to the current mail process should it experience any mail backlogs:

- Include the dollar amount of such payments in a Backlog Report so that management is aware of the scale of the problem.
- Include the cause(s) if readily known and an estimated date when the backlogs would be eliminated.
- Establish priority processing for any transactions requiring approval and lower the priority for processing copy requests when not to exceed payments are received.
- Increase awareness of the mail payment backlog notification/escalation process. For example, an e-mail could be distributed on a quarterly basis to all divisions to remind staff of the court's policy

**Superior Court Response By: Michael Yuen Date: 10/1/09**

The Court agrees and will devise and implement a mail payments handling process.

## 5.4 Judges and Block Stamps Not Adequately Controlled

### Background

Since official court stamps signify the endorsement of either the court as an institution or an individual judge or court official, it is a best practice to account for and control court stamps of any type including but not limited to signature stamps for the presiding judge, all other court judges and the Court's Chief Executive Officer (CEO). Controls should allow only specifically authorized court employees (not necessarily by name) to use the stamps when acting within their authorized capacities. When stamps are properly safeguarded the potential for improper use on documents will be limited.

### Issue

During our review and discussions over the existence and control of judge's stamps we noted the following conditions:

- The Family Law Division has judge's signature stamps but they were not periodically inventoried to ensure they are all accounted for and/or any signature stamps of judges who are no longer with the court or transferred to another location or division are removed /destroyed and/or transferred, as needed.
- Civil (First filing and Subsequent), Probate, Small Claims, United Family Law and Appeals judges' stamps were not secured at night in locked drawers.
- Counter clerks do not always close their windows to secure the stamps should the clerk need to leave her counter.
- The Criminal Division has some signature block stamps for judicial officers who were retired and the stamps were not destroyed.
- Civil (First Filings and Subsequent), Probate, Small Claims and Appeals had no secondary review of documents stamped with judges/commissioner signature stamps.
- Civil (First Filings, Subsequent), Probate, Small Claims and Appeals had signature stamps that were left at the clerk's work area at the window.

### Action Taken

During the field work, the Criminal Division purged those signature block stamps that were not current judicial officers.

### Recommendations

The Court should establish procedures in which:

- Judges stamps are inventoried annually to ensure only active judge's stamps are kept and used.
- Stamps for retired judges must be destroyed while judges that have transferred must have their stamps routed to their new location.
- All stamps are secured after hours and placed in a locked cabinet or drawer.
- Current stamps should be placed at the window counter far enough away from customers as to prevent their handling or removal.

The Court agrees and will incorporate the recommendations. Specifically, the Court will ensure an annual inventory is taken of stamps, lock all stamps overnight, and secure stamps away from being easily reachable from over the counter.

## **5.5 Comprehensive Collections Unit Enhancements Needed**

### **Background**

In October 2005, and in accordance with SB 940, a San Francisco Court/County committee proposed that the Court establish a Comprehensive Collection Unit (CCU). This unit would be responsible for receiving and disposing of all enhanced collections, as ordered by the Court, including all criminal fines and any cases referred to the Civil and Unified Family Courts. The committee proposed that the Treasurer/Tax Collector and the Adult Probation contribute staffing to the new unit and the Court would pay for this staffing (cost for these services would be from the revenue generated from this unit). The Court would be responsible for the deposit, remittance and distribution of all revenues collected.

In 2006 the Superior Court of California and the City and County of San Francisco, through its Office of the Treasurer and Tax Collector entered into a Memorandum of Understanding (MOU) for the period of October 6, 2006 through 2011 to establish a comprehensive collections program. This MOU established a collaborative program which contained responsibilities of both the Court and City and County. Specifically, the Court's responsibilities included:

1. Fully reimbursing the County for Court related collection expenses such as personnel, training, space, equipment, materials and supplies and specific systems programming enhancements.
2. Daily transferring of defendant information stored in the Court's case management system (CMS) to the county's collection system, Columbia Ultimate Business System (CUBS) an accounts receivable system.
3. Providing on-going access to the Bureau of Delinquent Revenue (BDR) to the Court's case management system.
4. Maintaining all records necessary for State audit requirements.

Whereas the County's responsibilities included:

1. Providing the Court with collection services and expertise to establish the CCU and implement a comprehensive collection program pursuant to CA Penal Code § 1463.007.
2. Providing Court access to the BDR CUBS operating system to view and print payment history for criminal cases. However, the cost of six query licenses would be borne by the Court.
3. Providing monthly reports of the amount of criminal fines, forfeitures, assessments, and restitution collected.
4. Maintaining the ability to adjust original fines and assessments in CUBS based on court orders.
5. Maintaining and preserving records for the minimum period according to California Government Code Section 26202.

6. Permitting the Court to enter into agreements with Franchise Tax Board as a last resort collection activity to perform after the County has exhausted its collection efforts.
7. Transferring defendant fine information stored in the County Collection system CUBS to the Court CMS that would be mutually agreed upon by the parties.

On October 17, 2007, the Court implemented its Comprehensive Collection Unit (CCU) with similar collection practices that were found in some successful Southern California courts. Consistent with these practices, the Court sends customers a series of billing notices to inform them of certain payment plan options. The notices include:

1. "Post-Custody Notice to Appear and a 10-Day Notice of Civil Assessment of \$300" when the defendant is directed by the Court to appear at the collection window but fails to do so.
2. A "10-Day Notice of Civil Assessment" wherein the defendant has not paid and is advised that if they fail to pay in 10 days they will be assessed another \$300.
3. A, "10-Day Notice of Civil Assessment" stating that the assessment has been imposed for failure to pay.

### **Issues**

Our review of the CCU identified several areas below that the CCU should use to enhance its overall collection efficiency and effectiveness.

- Establish an outside agreement with a private collection agency as the second step of the collections program after CCU initiated efforts. During our review of the receivable system, (CUBS) Aging Report as of May 6, 2009, we noted that there were a total of 7,724 delinquent accounts with a total balance due of \$4,679,933. We also noted that there were 1,080 delinquent accounts (14%) which were over 360 days old and had a balance due of \$834,658 or 18% of all outstanding balance owed.
- Establish a collection agreement with the Franchise Tax Board (FTB) to collect old outstanding delinquent account balances as the third step of the collections program.
- The CCU needs to utilize its existing CUBS account aging reports to identify and refer these non-paying delinquent accounts to FTB and/or any other contracted outside collection agency.
- Recovery rates do not meet the performance benchmark promulgated by the Enhance Collections Task Force. The table below provides the amounts collected to date which is 24.2%. This recovery rate is 9.8% lower than the court-wide suggested benchmark collection performance rate reported in Serranus. The CCU rate is also 6.8% lower than the court-wide actual aggregate collection benchmark for all court/county enhanced collection programs in August 2008. A low recovery rate is indicative that additional collection techniques may be needed to improve overall collection effectiveness and efficiency.

**Table 1. Summary of Statistics by Age of Account**

Category	Number	Assigned	Cancelled	Net Assigned	Collected	Balance	% Recovered
Up to 30	4959	\$3,508,115.75	0	\$3,508,115.75	\$ 875,591.24	\$2,632,254.51	24.96
Up to 90	409	351,120.08	0	351,230.08	63,024.61	288,205.47	17.94
Up to 180	463	406,772.27	0	406,772.27	119,857.77	286,914.50	29.47
Up o 360	813	860,381.39	0	860,381.39	222,750.69	637,630.70	25.89
Over 360	1051	1,026,822.25	0	1,026,822.25	204,333.17	822,489.08	19.9
Unknown	29	20,714.70	0	20,714.07	8,545.99	12,168.71	41.26
<b>Totals</b>	<b>7724</b>	<b>\$6,174,036.44</b>	<b>0</b>	<b>\$6,174,036.44</b>	<b>\$1,494,103.47</b>	<b>\$4,679,932.97</b>	<b>24.20</b>

The auditor researched the debt collection website <http://www.collectionagenmcyservicesinc.net> and based on data gathered from the US Department of Commerce which stated:

“The more delinquent your accounts become, the less collectable they are. At ninety days delinquent, your accounts start depreciating faster. By six months delinquent, they have depreciated so much that only 30% percent of the money will be collected.”

Other issues noted during our review of CCU included:

- The Court needs to develop and/or enhance its collection procedures in the following areas:
  - a. Communications with the customer.
  - b. Informative billing statements.
  - c. Collectability of previously discharged accounts.
  - d. Existing discharge of accountability procedures.
  - e. Enhancing existing write-off and reinstatement procedures.
- Over the years the Court has issued individual specific policies, procedures, bulletins, etc. However, these are not presented in a single resource for staff to utilize.

### Recommendations

The CCU is in its second full year of operation and has shown signs of growth but needs to expand its program to comply with the Penal Code section 1463.010 as amended by Assembly Bill 367 and also infraction cases. This bill requires the Judicial Council to report the extent to which each court and/or county is following best practices for its collection program. We recommend that the Court consider enhancing its program through activities as outlined below. These enhancements should increase its collection performance ratios.

1. Although the Court does not currently have an agreement with any outside collection agency they have been diligently reviewing potential private collection agencies and should continue their reviewing with the purpose of getting a contract completed. Once in place, it should consider a timeframe under which it would transfer the outstanding accounts to the outside collection agency.
2. Consider participation as soon as practical in both the FTB Court-Ordered Debt and the FTB Interagency Tax Intercept programs.
3. The Court should establish a standard escalation methodology for non-paying defendants.

4. The CCU should consider establishing performance benchmarks that are consistent with those reported in Serranus.
5. Other enhancements to collection procedures that the CCU might consider to improve collection efforts early-on to minimize the numbers and amounts of outstanding delinquent cases that they would have to refer to outside agencies and include:
  - a. Initiating a Welcome Letter that is sent to the defendant 2-5 days after entry in the payment plan.
  - b. Enhanced communications with the customer that could include more frequent telephone contact and a thank you notice for the last payment.
  - c. The Court's billing notices provide the defendant with payment plan information but could also include additional historical and cumulative financial formation such as, "Original Amount Owed", and "Paid-To-Date Amount".
  - d. Discharge Procedures - CCU has drafted a policy referred to as, "General Discharge of Debt" which contains a process to follow when debt is abandoned (discharged). While these procedures do require an increasing dollar level of write-off authority from the collection supervisor to the County they should include:
    - 1) Documentation to support the fact that CCU has or, has not requested and obtained a board of supervisors' resolution authorizing and designating the county auditor, officer or employee of the county the responsibility to discharge accounts per Government Codes § 25257 through 25259.
    - 2) Written procedures to delegate to any employee the authority to discharge a delinquent account transaction in CUBS.
    - 3) Written procedures on how the Court will reinstate a previously discharged account balance.
6. The CCU's bulletins and directives should be placed into a single comprehensive unit manual as a reference guide to collectors.

**Superior Court Response By: Michael Yuen Date: 6/25/10**

Court agrees with findings and recommendations. The Court's CCU has already procured the services of two outside collections agencies and has been sending cases to these agencies as of March 2010. When time and resources permit, the Court will implement the other recommendations raised as our CCU grows and gains more experience.

## **5.6 Court Has Undocumented Fee Waiver Procedures**

### **Background**

Under California Rule of Court 3.56, "Procedure For Determining Application" under paragraph (5) states;

The court may delegate to the clerk of the clerk in writing the authority to grant applications to proceed in forma pauperis that meet the standards of eligibility in

Government Code section 68511.3(a)(6) (A) or (a)(6) (B). The court may not delegate authority to deny an application.

The Court has established written procedures referred to as, “Initial Processing /Approval of Fee Waivers” which states:

- If the fee waiver clerk is unsure about the party's eligibility for a fee waiver, please submit the application and order to staff attorney for review.....,

Fee waiver procedures under, “Processing of Denial of Fee Waiver” go on to state:

- If the fee waiver clerk believes that the fee waiver should be denied and the gross monthly income exceeds the “adjusted” monthly income, please submit it to the staff attorney for her (his) review.

The staff research attorney upon receipt and based on the facts he / she deems appropriate, will generally recommend that the court exercise its discretion to grant the application. He may do this even if the applicant's gross monthly household income is equal to or less than the amounts provided in statute plus \$1,000.

### **Issue**

The Unified Family Law Manager and the Court Legal Research Assistant (later confirmed by the Senior Court Staff Attorney) advised IAS that they had a directive from a former presiding judge advising them that the applicant would be granted a fee waiver if the applicant's total gross monthly household income was equal to/or less than the amounts provide by statutes, plus \$1,000. The Court's reason was due to the high cost of living in San Francisco.

The Court's staff research attorney later advised IAS that the Court had no written procedure to support this statement but will re-evaluate fee waiver applications that are forwarded to them:

- The fee waiver clerk is not sure of eligibility and/or;
- Should the applicant's monthly gross income exceed the amounts on form FW-001-INFO.

### **Recommendation**

Since the procedure differs from the statutes, the Court should document the procedure to help insure consistent application of the procedure for all fee waiver applications.

While doing so, the Court should consider the recent changes in statute which repealed Government Code §68511.3 effective July 1, 2009 and replaced it with Government Code §68630 et seq.

**Superior Court Response By: Michael Yuen**

**Date: 11/20/09**

The Court agrees and has already discontinued our practice as of May 2009.

## **5.7 Calculation and Distribution of Court Collections Are Not Always Correct or In Compliance with Certain Statutes and Guidelines**

## Background

State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. The *Uniform Bail and Penalty Schedule (UBS)* and the *Office of the State Controller's Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C (SCO Appendix C)* are guidelines courts use to appropriately calculate and distribute these court collections. Courts use either manual or automated systems to make and track the often complex calculations and distributions required by law.

The Court uses the Simplified Automatic Traffic System (SATS) case management system to process traffic infraction payments. On the other hand, criminal misdemeanor/felony cases are entered in the Criminal Management System (CMS) with distribution of fines and fees performed by another system called the CUBS system. SATS is a court-owned system that is capable to perform both base-up and top-down calculation and distribution methodologies but is incapable of detailing distribution of each collection when it is entered into the system. However, some traffic accounts (i.e. PC §1463.11-30% red light, PC §1463.22 (a), (b), and (c) - Uninsured motorist account and Emergency Medical Services (EMS) per VC 42007) require manual calculation for proper distribution at the end of the month. CUBS, on the other hand, is a county-owned system that can automatically perform base-up calculations with detailed account distribution but requires manual calculation of distribution amounts for cases where the fines are judge-ordered.

## Issues

Internal Audit Services (IAS) selected a sample of cases with violations occurring within fiscal years 2007 – 2008 and 2008 – 2009. The samples included a combination of high-volume cases and complex distribution cases, and included additional cases as necessary to validate our initial findings. Some samples with complex distribution could not be provided (e.g. Health and Safety, Fish and Game) due to infrequency of the violations.

In total, IAS reviewed 21 cases of the following case types:

- **Traffic Infraction (10 total)** – Red Light (3), Speeding (2), Child Seat (2) and 1 each for: Unattended Child, Proof of Correction, and Proof of Insurance
- **Misdemeanor (11 total)** – DUI (4), Reckless Driving (3), Domestic Violence (3), and Health & Safety (1)

Upon review of the Court's calculations and distributions of court collections and month-end distribution spreadsheets, IAS identified the following case-level errors:

1. *GC §68090.8 – 2% State Automation Incorrectly Applied.* Two Percent State Automation (2%) pursuant to GC §68090.8 was incorrectly applied to the following accounts:
  - State Restitution Fine (PC §1202.4) – 2% was not applied to all 11 misdemeanor test cases
  - 20% State Surcharge (PC §1465.7) – 2% was incorrectly applied to 2 DUI and 1 Health & Safety test cases

- Night Court Fee (VC §42006) – 2% was incorrectly applied to 5 traffic infraction test cases
2. 2% State Automation Not Taken From DUI Base Fine Reduction Accounts. For 3 DUI test cases and all Reckless Driving test cases, Court applied 2% State Automation from the following DUI accounts (accounts that reduce the base fine distribution); PC 1463.14(a)-DUI Lab Fees, PC 1463.16-DUI Alcohol Program and Services Fine and PC 1463.18-DUI Indemnity, but took it from the remaining PC 1463.001 - Base fine distribution. Thus, distribution to DUI accounts are overstated and Base fine distribution is understated.
  3. Domestic Violence Fee Incorrectly Assessed and Distributed. One (1) Domestic Violence (DV) test case did not assess the minimum DV fee of \$400 and did not follow appropriate distribution pursuant to PC §1203.097(a)(5). Test case (2420423) with a DV fee of \$200 did not follow the correct distribution of 2/3 to the State and 1/3 to the County.
  4. Base Fine Inconsistent from Uniform Bail and Penalty Schedule (UBS). For 6 test cases (3 Reckless Driving, 2 Speeding, and 1 DUI), the base fines used for penalty assessment and surcharge calculations were inconsistent with the base fines dictated in the UBS and distribution for each test case did not evidence a judge-ordered fine that may have led to a calculated base fine different from the UBS. See table below.

**Table 1.** Test Cases with Base Fines Inconsistent from UBS

Violation	Case No.	Violation Code	Base Fine in Sample (\$)	Base Fine in UBS (\$)
Reckless Driving	2361949	VC 23103	220	145
Reckless Driving	2410663	VC 23103	220	145
Reckless Driving	2382448	VC 23103	220	145
Speeding	14702 JB	VC22349(a) - 16-25MPH Over	25	70
Speeding	80401 DB	VC22349(a) - 1-15MPH Over	25	35
DUI	2348779	VC23152(b)	200	390

5. Traffic School Fee Incorrectly Calculated. Three (3) test cases (2 Red Light and 1 Speeding) disposed as traffic school (TS) incorrectly calculated the Traffic School fee pursuant to VC §42007.3 for red light cases and VC §42007 for standard vehicle code cases that resulted to \$6 more than the expected distribution. However, IAS could not determine the factor causing the variance.
6. Child Seat Traffic School Incorrectly Distributed. Child Seat traffic school test case (03104 JB) was not distributed in a similar manner as it would have been distributed if it was disposed as a conviction.

## Recommendations

The Court must consider the following modifications to SATS and CUBS distribution tables to improve calculation and distribution accuracy of fines, fees and penalty assessments.

1. Ensure GC §68090.8 – 2% State Automation adheres to the guidelines set in the SCO Appendix C and is correctly reflected on the Court’s month-end distribution.
  - Pursuant to PC §1202.4, State Restitution fine is defined as a fine and not a fee thus is subject to 2%.
  - PC §1465.7 – 20% State Surcharge is a surcharge not a fine thus is not subject to 2%
  - VC §42006 – Night Court Fee is a fee not a fine thus is not subject to 2%

These CMS corrections would result in more accurate distributions to the State Automation Fund as reported on the *Trial Court Improvement Fund – GC §68090.8 – 2% Automation* line item in the *TC-31 – Report to State Controller of Remittance to State Treasurer*.

2. Ensure 2% state automation is taken from each component of the base fine. DUI-related accounts (PC 1463.14(a)-DUI Lab Fees, PC 1463.16-DUI Alcohol Program and Services Fine and PC 1463.18-DUI Indemnity), which reduces the base fine, should not redirect their 2% amounts to the remaining to the PC §1463.001 base fine distribution to prevent understating PC §1463.001 distribution and overstating distribution to DUI-related accounts.

These CMS corrections would result in more accurate distributions to the city and county in line item PC§1463.001 of the 50/50 Excess form and to subsequent reporting to the state in TC-31 line item GC 77205 – 50% Excess.

3. Ensure the domestic violence (DV) fee assessment and distribution complies with statute. Per PC §1203.097(a)(5), a defendant must pay a minimum fee of \$400 as a condition of probation on domestic violence cases wherein two-thirds of the amount are distributed to County and the remainder, not less than \$133, distributed to the State. State distributions are further distributed 50/50 to the DV Restraining Order Reimbursement fund and DV Training and Education fund. If domestic violence fees assessed is \$200 or less, due to the defendant’s inability to pay, two-thirds of the amount is distributed to the State with the remainder going to the County.

These CMS corrections would result in more accurate distributions to the state DV funds as reported on the *TC-31 – Report to State Controller of Remittance to State Treasurer (TC 31)*.

4. Ensure that Vehicle Code base fines set in the Judicial Council’s Uniform Bail and Penalty Schedule (UBS) are appropriately communicated to judicial officers. The Court should also review its bail and penalty amounts for traffic infraction, misdemeanor and non-vehicle infraction offenses for consistency with the UBS. If the Court adopts different amounts in its local bail and penalty schedule, per PC §1269b, a copy of the

schedule must be mailed to the Judicial Council with a report stating how the revised schedule differs from the UBS.

5. Re-evaluate the calculation of Traffic School fees in the following funds; Red Light – SFPD and TS County Fees, and ensure it follows the calculation and distribution set by VC §42007.3 for red light cases and VC §42007 for standard vehicle code violation cases.
6. Ensure child seat violations (VC §27360.5) are distributed in a similar manner regardless of disposition. For child seat cases disposed as traffic school, the total fine remains a fine thus should follow the distribution of a case disposed as a conviction. Traffic school service fee (VC §42007.1) and monitoring fee (VC §11205) should be assessed and the 2% State Automation (GC §68090.8) applies to applicable fines and penalty assessments.

**Superior Court Response By: Michael Yuen**

**Date: 4/12/10**

Court agrees and will work on making recommended revisions by 7/1/10.

## 6. Information Systems

### Background

The Information Technology Group, located at the Hall of Justice is headed-up by its Director and staff of twenty-one. The Director has five Application Analysts reporting directly to him as does the Court Facilities Coordinator. This employee oversees the day-to-day procurement of information technology (IT) hardware and software while maintaining the IT assets and equipment in a separate inventory. Also reporting to the IT Group Director are two managers including the Customer Support Manager and his staff of two court computer engineers, a court computer facilities coordinator, and a deputy clerk. One unit, Technology, currently has a vacancy for the court computer systems manager position. However, it has maintained its three court computer engineers, a coordinator and another court computer coordinator. The last unit reporting to the IT Director is the Application unit composed of a court computer systems manager and his staff of four court computer allocations programmers.

According to the IT Group Director, the Court does not have a formalized and comprehensive Business Continuity Plan (BCP) in place to ensure that essential business functions could continue during and after a disaster. Such a plan seeks to prevent interruption of mission-critical services and to re-establish full functionality as swiftly and smoothly as possible. A key component of a BCP is a disaster recovery plan (DRP) which refers to the technological aspect of the BCP and addresses the recovery of IT processes, systems, applications, and network assets used to support critical business processes. According to the Director, the Court is addressing this need through COOP development (compiled and prepared by the Training Director) and will include a formal documentation of the major technology upgrades such as virtualization of servers and installation of CITRIX. However, in case of a sudden emergency, the Court is capable of reloading and restoring critical systems and databases overnight.

The Court's IT applications include its own Court network environment that provides e-mail services internally. In addition, access to its two home-grown in-court systems include Traffic (SAIS) and Civil-IJS system which includes the most Civil applications including Probate, Small Claims, and United Law Family. The criminal case management system is shared with the county but lacks a cash collection function. As such, the Court has purchased the Time Payment System (TPS) to account for Criminal and bail cash collection functions. The Court has another shared system with the County which is used by its Enhanced Collection Department. The application is the County's Columbia Ultimate Business System (CUBS) which is the collection system owned by the County and shared with the Courts Collection Unit (CCU) for those defendants with installment and/or past-due accounts.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>EXPENDITURES</b>				
943201 IT MAINTENANCE	194,053.13	227,770.86	33,717.73-	(14.80)
943202 IT MAINT - HARDWARE	10,027.00	9,927.00	100.00	1.01
943203 IT MAINT - SOFTWARE	23,517.38	84,873.48	61,356.10-	(72.29)
* 943200 - IT MAINTENANCE	227,597.51	322,571.34	94,973.83-	(29.44)
943301 IT COMMERCIAL CONTR		24,805.28	24,805.28-	(100.00)
* 943300 - IT COMMERCIAL CONTRA		24,805.28	24,805.28-	(100.00)
943401 IT INTERJURISD CNTRT	386,391.26	646,172.01	259,780.75-	(40.20)
* 943400 - IT INTER-JURISDICTIO	386,391.26	646,172.01	259,780.75-	(40.20)
943502 IT S/W & LIC FEES	1,548,275.69	957,917.72	590,357.97	61.63
943503 COMPUTER SOFTWARE	175,945.58	1,730.58	174,215.00	10066.86
943505 SERVER SOFTWARE		110,443.97	110,443.97-	(100.00)
943506 SECURITY SOFTWARE		3,966.00	3,966.00-	(100.00)
* 943500 - IT REPAIRS/SUPPLIES/	1,724,221.27	1,074,058.27	650,163.00	60.53
** INFORMATION TECHNOLOGY (IT) T	<b>2,338,210.04</b>	<b>2,067,606.90</b>	<b>270,603.14</b>	<b>13.09</b>

We reviewed various IS controls through interviews with Court and County IS managers and system technicians, observed of IS storage facilities and equipment, and reviewed of documents. Some of the primary reviews and tests conducted include:

- Systems backup and data storage procedures.
- Continuity and recovery procedures in case of natural disasters and other disruptions to Court operations.
- Logical access controls, such as controls over user accounts and passwords.
- Physical security controls, such as controls over access to computer rooms and the physical conditions of the computer rooms
- Controls over Court staff access to Criminal Offender Record Information (CORI) records via the Department of Motor Vehicles (DMV) and the California Law Enforcement Telecommunications System (CLETS).
- Calculation and distribution of fees, fines, penalties, and assessments for a sample of criminal and traffic convictions.

## 6.1 Physical and Logical Safeguards over IT Assets and Emergency Contingency Planning Need Improvement

### Background

Information technology (IT) drives business processes and promotes operational efficiency within the trial court. Therefore, IT management and subsequent technology decisions should be compatible with the trial court's overall technology plan and more importantly, with the judicial branch's strategic technology initiatives. To achieve this core business requirement, strong IT controls must be implemented and instilled in the trial court's business environment. Although IT control policies and procedures are yet to be developed in the FIN Manual, best practices exist in order to confront the growing need for IT controls.

The National Institute of Standards and Technology (NIST) develops and issues standards, guidelines and other publications to assist federal agencies in implementing the Federal Information Security Management Act (FISMA) of 2002. State and local agencies and private sector organizations are encouraged to use these publications, as appropriate. The Special Publication 800 series concentrates on the subject of computer security. For instance, *Special Publication 800-53 – Recommended Security Controls for Federal Information Systems* provides a set of security controls that addresses varied requirements on information systems and is consistent and complementary with other established security standards. SP 800-53 has defined 17 security control families such as access control, contingency planning, incident response, and physical and environmental protection to name a few.

The AOC has developed a *Continuity of Operations Plan (COOP)* program to ensure courts are able to recover and provide vital services to their constituents following a major disruption. However, the COOP is independent of either the business continuity plan (BCP) or the disaster recovery plan (DRP). According to *NIST Special Publication 800-34 – Contingency Planning Guide for Information Technology Systems*, a COOP is not IT-focused and provides procedures and capabilities to sustain an organization's essential, strategic functions at an alternate site for up to 30 days. On the other hand, a BCP provides procedures for sustaining essential business operations while recovering from a significant disruption and focuses only on IT support of the business processes. While DRP details procedures to facilitate recovery of capabilities at an alternate site, is IT-focused; and is limited to major disruptions with long-term effects.

### Issues

During discussions with IT personnel and evaluation of the Court's computing environment, IAS identified many significant issues facing the Court. The Court has greatly expressed its recognition of lack of logical security controls caused by a combination of system limitations, limited staffing resources and lack of comprehensive IT policies and procedures. However, emerging technology upgrades such as remote access implementation using Citrix and server/database virtualization calls for stricter, more robust, and more aligned IT security controls, including:

1. The Court's logical security controls for its network and court-owned case management systems (Traffic and Civil) lack consistency and are not properly documented. Court has some policies and procedures for end-users and for systems administration staff, but these are overly individualized to suit each system's capabilities and limitations. The Court lacks the following password and remote access logical controls.
  - Password syntax restrictions
  - Re-use limitation on passwords
  - Password configuration protocols
  - Use of authentication devices for remote access.
2. The Court's business continuity and disaster recovery planning is neither comprehensive nor complete. The Court has some written procedures to recover certain IT equipment,

emergency contacts, and chain of command in emergency situations and the current development of the COOP is its only formalized documentation.

3. Physical Security controls in the Court's computer room that houses its servers and other sensitive computer equipment are inadequate.
  - Computer room is located directly above the building's boiler room.
  - Computer room visitors are not required to sign an entry log.
  - Court has no smoke or water detectors and the emergency cut-off is manual.
  - Court has no fire suppression equipment installed.
  - Flood alarms are not installed in the computer room.

### Recommendations

1. The Court should improve its logical security controls by incorporating its existing logical security policies and procedures into a comprehensive password and user account management policy to facilitate ease of training and transfer of knowledge to end-users and system administration staff, and to promote consistent and streamlined enforcement of policies and procedures across different critical systems (e.g. network and CMS). Granular controls such as password syntax and configuration should be standardized across all systems.  
As a baseline, the Court should refer to the access control, awareness and training, identification and authentication, configuration and maintenance security controls of the *NIST Special Publication 800-53 Appendix F*.
2. Court should ensure that a comprehensive and detailed BCP and DRP are developed in conjunction with the COOP. All three plans together with other emergency preparedness plans fall under the umbrella of IT Contingency Planning as documented in *NIST Special Publication 800-34 section 2-2*.
3. Court should ensure that sufficient interim physical security controls are in place to mitigate issues that require significant financial investment to resolve such as the location of the computer room. For the other issues, the Court should consider the following measures to protect critical network servers and to avert unnecessary damages that may result in business disruption and financial risks.
  - Furnish an entry log for any computer room visitors
  - Install a fire suppression system with the following;
    - Flood alarms,
    - Smoke and water detectors,
    - Emergency cut-off function,
    - Gas-based suppression system such as FM-200
    - Back-up water-base suppression system

**Superior Court Response By: Michael Yuen**

**Date: 4/12/10**

The Court appreciates the recommendations of this audit and will pass along the issues for vetting by the Court's IT Committee. As far as physical improvements to the Court's computer room, the Hall of Justice (HOJ) is an old County building that is unsprinklered throughout, but now that the court portions of HOJ have transferred responsibility to the AOC, the Court looks forward to working with the AOC to make facility modifications to better protect the Court's equipment.

## 7. Banking and Treasury

### Background

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

As of June 30, 2008, the San Francisco Superior Court has seven accounts with Bank of America, established by the AOC under the B of A Master Banking Agreement. They were established in April 2006, when the Phoenix Financial System, as part of the CARS initiative, opened bank account separate from the county. They were used (a) to receive funding from the AOC, (b) to disburse vendor payments, (c) to disburse payroll and, (d) as a trust depository for a variety of court ordered payments such as interpleaders, bail and jury fees, and court reporter appeals.

Although the payroll account with the County is reported in the PHOENIX General Ledger, the account is funded out of the Court Operations account on a bi-weekly basis and is maintained at the County Treasury. This County agency provides and disburses employee payroll, benefits and payment of taxes to various agencies. In order accomplish these activities timely, the Court maintains approximately \$2 million dollars with the county.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
111000 CASH-OPERATIONS	10,283,807.78	7,924,184.19	\$ 2,359,623.59	26.39
111002 CASH OPS IN-TRANSIT			\$ -	26.39
111100 CASH-OPERS CLEARING	777,284.38-	1,059,575.28-	\$ 282,290.90	(26.64)
114000 CASH-REVOLVING	250.00	250.00	\$ -	0.00
117500 CASH CIVIL FILING FEES	2,830,262.77	2,920,544.62	\$ (90,281.85)	(3.09)
117502 CASH CFF IN-TRANSIT		83,808.00	\$ (83,808.00)	(100.00)
118000 CASH-TRUST ACCOUNT	8,164,963.59	10,441,001.79	\$ (2,276,038.20)	(21.80)
118002 CASH TRUST IN-TRANSIT		3,073.57	\$ (3,073.57)	(100.00)
118100 CASH-TRUST CLEARING	56,325.02-	126,179.54-	\$ 69,854.52	(55.36)
119001 CASH ON HAND	1,400.00	100.00	\$ 1,300.00	1300.00
120001 CASH WITH COUNTY	564,855.90-	6,409,504.60	\$ (6,974,360.50)	(108.81)
** Cash and Cash Equivalents	19,882,218.84	26,596,711.95	\$ (6,714,493.11)	(25.25)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
301001 A/P - GENERAL	51,341.97-		\$ (51,341.97)	
311001 FUND/BA CLG ACCT			\$ -	
311401 A/P - DUE OTH FUNDS	1,331.37-	2,104.05-	\$ 772.68	(36.72)
321001 A/P - DUE TO COURTS	1,744.21-		\$ (1,744.21)	
321501 A/P DUE TO STATE	672.00-		\$ (672.00)	
321600 A/P - TC145 LIABILITY	2,830,262.77-	3,004,352.62-	\$ 174,089.85	(5.79)
322001 A/P-DUE OTHER GVTS	3,850,948.25-	60.00-	\$ (3,850,888.25)	6418147.08
323001 A/P - SALES & USE TAX	131.76-	104.12-	\$ (27.64)	26.55
323002 A/P - 1099 WTHHLDING			\$ -	
323010 TREAS INTEREST PAY			\$ -	
330001 A/P - ACCRUED LIAB	1,432,523.83-	5,108,026.48-	\$ 3,675,502.65	(71.96)
342001 ADV REIMBURSEMENTS	51,695.43-	293,272.54-	\$ 241,577.11	(82.37)
351001 LIABFORDEP-STALE OPS	32,000.00-	1,042.50-	\$ (30,957.50)	2969.54
353002 CIVL TRUST-CONDEM	6,959,649.42-	9,520,002.42-	\$ 2,560,353.00	(26.89)
353004 JURY NON-INTEREST	381,300.00-	220,630.00-	\$ (160,670.00)	72.82
353020 CIVL TRUST-CONDEMNA	9,145.50-		\$ (9,145.50)	
353022 CIVL TRUST-CRT REPRT	122,858.25-	67,212.80-	\$ (55,645.45)	82.79
353023 CIVL TRUST-APL TRAN	100.00-	100.00-	\$ -	0.00
353024 CIVL TRUST-SMCL JU	167,417.27-	163,095.82-	\$ (4,321.45)	2.65
353025 CIVL TRUST-EVICTION	31,567.63-	40,952.94-	\$ 9,385.31	(22.92)
353030 PARTIAL PMT OF FEES	22,915.00-	15,095.50-	\$ (7,819.50)	51.80
353031 OVERPAYMENT OF FEES	16,559.30-	9,172.56-	\$ (7,386.74)	80.53
353080 LIABFORDEP-STALETRST	70.00-		\$ (70.00)	
353501 BLOCK S/TBAIL NONINT			\$ -	
353999 TRUST INTEREST PAYABLE	410,258.79-	321,520.77-	\$ (88,738.02)	27.60
<b>REVENUES</b>				
825010 INTEREST INCOME	664,269.41-	902,455.71-	238,186.30-	26.39
** 825000-INTEREST INCOME	664,269.41-	902,455.71-	238,186.30-	26.39
<b>EXPENDITURES</b>				
920304 REGIST FEES-PERMITS		200.00	200.00-	(100.00)
920306 PARKING FEES	22,450.00	12,860.00	9,590.00	74.57
920399 FEES/PERMITS		274.00	274.00-	(100.00)
* 920300 - FEES/PERMITS	38,269.17	26,345.65	11,923.52	45.26

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

- Processes for reconciling general ledger trust balances to supporting documentation; including daily deposit, CMS, and case file records.
- Whether AOC approval was obtained prior to opening and closing bank accounts.

There was only one minor issue that is listed in Appendix A to this report.

## 8. Court Security

### Background

Appropriate law enforcement services are essential to trial court operations and public safety. The Court contracts with the County Sheriff's Office for security services at all courthouse locations, including providing security staff for courtrooms, entrance and perimeter screening, monitoring security cameras, and monitoring holding cell areas. The Court also has a Facilities Division that oversees the facility needs of the Court, including security needs such as building access and maintenance of fire-prevention and detection devices, security cameras, and duress systems.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
934503 PERIM SECURITY-SHRFF	506,074.00	478,213.03	27,860.97	5.83
934504 PERIM SECURITY-OTHER	3,830.46		3,830.46	
934510 CRTRM SECURITY-SHRFF	10,192,396.30	9,481,335.24	711,061.06	7.50
* 934500 - SECURITY	10,702,300.76	9,959,548.27	742,752.49	7.46
** SECURITY TOTAL	10,702,300.76	9,959,548.27	742,752.49	7.46
941101 SHERIFF-REIMB-AB2030	10,270.00	2,666.00	7,604.00	285.22
* 941100 - SHERIFF	10,270.00	2,666.00	7,604.00	285.22

We reviewed the Court's security controls through interviews with Court management and County Sheriff service providers, observation of security conditions, and review of documents. We also reviewed the Court's security agreements with the County Sheriff, compared budgeted and actual security expenditures, and reviewed a sample of Sheriff invoices. The results of this review follow.

### 8.1 Court Security Risks Caused by Lack of Security Controls and Existing Structural Limitations

#### Background

The Administrative Office of the Courts' Emergency Response and Security unit (ERS) conducted a security review of the San Francisco Superior Court in 2006. The ERS unit identified major needs such as, but not limited to, establishing a security committee, enhancing security around judges' parking lots, upgrading existing cameras, securing alternative entry and emergency exit points, and movement of prisoners. However, many of these issues have not yet been addressed due to other higher priority projects, economic constraints and building structural limitations that cannot be immediately rectified.

To appropriately define, standardize and prioritize budgeting, accounting and planning of security projects and associated costs, development and adoption of a court security plan is

essential. According to the FIN Manual, FIN 14.01 section 6.1 “the trial court is required to develop and implement a *Comprehensive Court Security Plan*. In addition, California Rules of Court, Rule 10.172, the Court’s Presiding Judge and the sheriff or marshal are “responsible for developing an annual or multiyear comprehensive, countywide court security plan.” Furthermore, Rule 10.172(b) and (d) respectively state the minimum security areas to be addressed by the plan and the submission deadline for AOC review, which is on or before November 1, 2009.

A court security committee is necessary to adequately evaluate the security needs of the court, the framework of a comprehensive security plan. According to rule 10.173, each court must establish a standing court security committee to advise it in the preparation and development of court security plans and in the formulation and implementation of security policies and procedures.

### **Issues**

IAS performed a high-level security review at each court location; Hall of Justice (HOJ), Civic Center Courthouse (CCC), and Youth Guidance Center (YGC) with assistance from the County Sheriff. We observed and evaluated the physical conditions and arrangement of each facility that may present security risks to all individuals who work for, work with and visit the Court. While there were numerous security concerns identified in all locations, especially HOJ and YGC, the issues cited below are high risk issues and unresolved issues previously noted in the 2006 ERS security reviews that are categorized on an implementation and priority basis.

### **Comprehensive Court Security Plan**

1. A Comprehensive Court Security Plan has not been fully developed by the Court.

### **Evacuation Drills**

2. A planned, thorough, and formal evacuation drill has not been conducted at any court location.

### **Duress Alarms**

3. Duress or panic alarms installed at the cash collection windows may not be linked with the overall duress system of HOJ responded to by the Sheriff.

### **Prisoner Conveyance**

4. Prisoners are escorted through public hallways and court offices. At CCC, in-custodies are escorted through public hallways and pass by the Court’s Discovery office when criminal cases are heard in department 626 because there is no direct access into the courtroom. At YGC, the lack of direct access into courtrooms is due to building and structural issues thus conveyance of juveniles to courtrooms must be through public and often crowded hallways.

**Security over Entry and Exit Points**

5. Alternative employee entrances at HOJ (e.g. entrance from the parking area) and YGC (e.g. entrance near the Public Defender's office) lack security personnel or equipment to ensure only authorized entrance into the building and/or prevent the illegal admission of contraband.
6. Though equipped with an intercom system, loading and receiving areas for both HOJ (located at the building basement) and YGC (near the parking area) are not alarmed and may lead to unauthorized and unscreened access into the building and admission of contraband.
7. Emergency exits at YGC (e.g. cafeteria stairwell) are not alarmed thus making them vulnerable to prisoner flight risks, unauthorized and unscreened access into the building, and admission of contraband.

**Judges' Parking Lot**

8. The fencing structure at HOJ is weak, broken-down and easily scalable, which greatly reduces the effectiveness of the pedestrian gate. In addition, the pedestrian gate access push button combination has not been changed in many years.

**Security Cameras**

9. Static security cameras installed at YGC are antiquated, unreliable and fixed with no pan, tilt or zoom capabilities. More importantly, there are no internal cameras monitoring the hallways where juveniles are commonly transported.

**Courtroom Waiting Areas and Prisoner Holding Areas**

10. At YGC, courtroom waiting areas are open, in plain view from the outside windows and do not have any glass partition from the public hallways. This results in uncontrollable noise and poses a significant safety risk by allowing interaction among juveniles, rival gang members, disgruntled families, and court visitors.
11. Temporary holding areas at YGC lack adequate security. A room housing two holding cells may be used temporarily to separate men from women. The room has open windows that may be used for receiving contraband. Also, the Court clerk's office adjacent to a courtroom may be used as a temporary holding area for juveniles, which is unsecured from court staff.

**Recommendations**

The recommendations necessitate procedural changes and some considerable financial investment. Due to budgetary limitations and concerns, the Court should develop an action plan using implementation costs, priority and risk criteria to address the aforementioned issues. The action plan should, at a minimum, detail the following;

- Security issues or concerns
- Potential resolution to the issues (if feasible)
- Priority of the resolution
- Risk associated with the issue
- Responsible owner of the issue
- Estimated completion date

Recommendations 1 through 6 address security issues that can be implemented with minimal financial burden to the Court.

1. Court must establish a court security committee to assist in the development of a comprehensive court security plan currently undergone by the joint effort of the Court and the Sheriff. For further assistance, Court may obtain copies of the *Court Security Plan Guidelines* from the Administrative Office of the Courts' Office of Emergency Response and Security unit.
2. Court should plan, schedule, and document periodic formal evacuation drills for all court locations.
3. Court must test and link all panic/duress buttons to the overall duress alarm system at HOJ. Court may consider installing the wireless duress alarm system currently used at YGC and planned to be implemented at CCC. This will ensure a more effective, reliable and consistent duress alarm system court-wide.
4. Court should work with the Sheriff's Department to improve prisoner conveyance procedures.
5. Court should determine the most cost effective method of securing alternative employee entrances at HOJ and YGC to mitigate unauthorized access into the building.
6. Similar to the alternative employee entrances, the Court should determine the most cost effective method of securing the receiving and loading areas at HOJ and YGC to mitigate unauthorized access into the building.

On the other hand, recommendations 7 through 11 more likely would require significant funding to accomplish. In conjunction with an action plan, Court should perform a feasibility study of each project to aid in subsequent funding requests, if funds are not currently available.

7. Court should strongly consider installing a security alarm system at YGC due to the high probability of flight risks and unauthorized access brought about by existing building and structural issues.
8. Court should consider replacing the existing fence surrounding the judges' parking area in HOJ.
9. Court should upgrade the security camera system at YGC as originally proposed by the AOC ERS. Security cameras should monitor, at a minimum, entrances and exits, public hallways, and courtrooms.
10. Courtroom waiting areas in YGC should be closed off via ballistic resistant glass partition to maintain proper public order and to avert potential altercations among juveniles, their friends and families, and the public.
11. Court should address the staff safety issues related to the use of temporary holding cells in YGC to promote safety and to protect court staff and the deputies assigned to monitor juveniles from sudden flight attempts or altercations.

**Superior Court Response By: Michael Yuen**

**Date: 11/20/09**

The Court concurs with every finding and recommendation and has already implemented recommendations 1 through 4. However, contrary to the audit team's belief that recommendations 4 and 5 can be "implemented with minimal financial burden to the Court", these are really County issues – not Court. The Court requires all Court employees to go through the front doors and their required security screenings at YGC and HOJ. As for loading docks at the YGC and HOJ, these are wholly County-responsible functions, as these two facilities are County-managed buildings. An example of how the Court would manage a loading dock is present at CCC, where the loading dock is completely secure and requires Sheriff's Department personnel who are providing court security to accept deliveries and let delivery personnel into the building. Likewise, recommendations 7 through 11 are also County-responsible functions as dictated by the Joint Occupancy Agreement (JOA) that has been executed for HOJ and the proposed JOA for YGC. Based on this, only recommendations 1 through 4 are pertinent to the Court, and all other recommendations should be made to the County. The Court has raised these concerns to the County but to no avail. Perhaps added pressure from the AOC would be helpful.

## 9. Procurement

### Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
923904 CIVIL/CRIM TRANSCRT	5,820.00		5,820.00	
923905 COURIER SERVICE	38,545.62	22,546.05	15,999.57	70.96
923907 SCANNING SERVICE	239,676.50	239,676.50		0.00
923908 SHREDDING SERVICE	12,269.00	9,836.50	2,432.50	24.73
923909 DOC RETRIEVAL SERVICE	353,251.53	293,865.64	59,385.89	20.21
923912 GRAPHIC ART SERVICE	200.00	1,300.00	1,100.00-	(84.62)
923913 VIDEO SERVICE	23,052.91		23,052.91	
923914 MOVING/TRANSPORT SVC	23,414.59	30,699.15	7,284.56-	(23.73)
923915 DRY CLEANING	14.95		14.95	
923999 GENERAL EXP-SERVICE	56,020.88	7,706.59	48,314.29	626.92
* 923900 - GENERAL EXPENSE - SE	752,265.98	605,630.43	146,635.55	24.21
** GENERAL EXPENSE TOTAL	3,031,199.23	3,482,472.15	451,272.92-	(12.96)
935601 ALTERATION & IMPROVE	122,431.61	268,033.97	145,602.36-	(54.32)
* 935600 - ALTERATION	122,431.61	268,033.97	145,602.36-	(54.32)
935701 SIGNS & RELATED SPLY	148.71		148.71	
935703 FLAGS/BANNERS	65.13	5,819.03	5,753.90-	(98.88)
935799 OTH FCLTY CSTS-GOODS	2,214.88		2,214.88	
* 935700 - OTHER FACILITY COSTS	2,428.72	5,819.03	3,390.31-	(58.26)
935801 WASTE REMOVAL SERVICE	5,842.33	4,692.71	1,149.62	24.50
935899 OTH FCLTY CSTS-SVC	18,436.11		18,436.11	
* 935800 - OTHER FACILITY COSTS	24,278.44	4,692.71	19,585.73	417.37

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
938401 GENERAL CONSULTANTS	724,287.25	1,569,484.52	845,197.27-	(53.85)
938404 ADMINISTRATIVE SVC	336,895.00	75,827.00	261,068.00	344.29
938406 ARCHITECTURAL SVC	160,368.59	119,941.13	40,427.46	33.71
938409 ARCHIVING/IMAGE SVC	6,469.00	5,990.00	479.00	8.00
938410 TELCOM-CONSULTANTS		250.00	250.00-	(100.00)
938411 TRAFFIC SCHOOL MONIT	212,807.27	227,316.45	14,509.18-	(6.38)
* 938300 - GENERAL CONSULTANT A	1,440,827.11	1,998,809.10	557,981.99-	(27.92)
938701 COURT TRANSCRIPTS	44,394.64	324,093.40	279,698.76-	(86.30)
938704 BLOCK TRANSCRIPTS	851,994.69	452,901.41	399,093.28	88.12
* 938700 - COURT TRANSCRIPTS	896,389.33	776,994.81	119,394.52	15.37
938801 DEPEND COUNSEL-CHILD	311,770.69		311,770.69	
938803 CRT APPT CNSL-FC3150	317,067.18	318,013.28	946.10-	(0.30)
938899 CRT COUNSEL CHGS	5,099,268.49	3,939,215.36	1,160,053.13	29.45
* 938800 - COURT APPOINTED COUN	5,728,106.36	4,257,228.64	1,470,877.72	34.55
938901 INVESTIGATIVE SERV	6,301.71	148.01	6,153.70	4157.62
938905 FINGERPRINT PRCSING	7,808.00	3,840.00	3,968.00	103.33
* 938900 - INVESTIGATIVE SERVIC	14,109.71	3,988.01	10,121.70	253.80
939002 PSYCH EVALUATIONS	1,705.00	20,832.50	19,127.50-	(91.82)
939003 CRT-ORD PRO SVC	88,778.65	33,091.55	55,687.10	168.28
939009 EXPERT WITNESS	6,856.10	24,285.22	17,429.12-	(71.77)
939018 MNTL HLTH HR OFFICER	14,566.66	85,520.24	70,953.58-	(82.97)
939020 PROBATE EVAL & RPT	4,800.00	11,400.00	6,600.00-	(57.89)
* 939000 - COURT ORDERED PROFES	116,706.41	175,129.51	58,423.10-	(33.36)
939102 CIVIL ARBITRATION FEE	37,759.47	48,950.00	11,190.53-	(22.86)
* 939100 - MEDIATORS/ARBITRATOR	37,759.47	48,950.00	11,190.53-	(22.86)
939401 LEGAL SERVICES	83,199.96		83,199.96	
939402 LABOR NEGOTIATIONS		2,676.53	2,676.53-	(100.00)
* 939400 - LEGAL	83,199.96	2,676.53	80,523.43	3008.50
939801 OTHER CONTRACT SVC	1,642,992.16	264,003.43	1,378,988.73	522.34
* 939800 - OTHER CONTRACT SERVI	1,642,992.16	264,003.43	1,378,988.73	522.34
** CONTRACTED SERVICES TOTAL	10,703,190.78	8,124,910.86	2,578,279.92	31.73

## 9.1 Unallowable Expenditures, Lack of Sole Source Documentation and Other Procurement Exceptions

### Background

The permissibility of expenditures made by courts is determined by statute, CRC 10.810, and to a lesser degree the FIN manual. The hierarchy of controlling authority between these three sets of rules is statute, rule of court and finally the FIN Manual. If the statute is silent, the next authoritative provision is either in CRC 10.810 or the FIN manual is then controlling. While the construction of statutes differs, CRC 10.810 and the FIN manual are written restrictively. If a particular type of expenditure is not discussed in either CRC 10.810 or the FIN manual, that expenditure may not be permissible. For example;

### Sole Source Documents

FIN 6.01, 6.11, Sole Source Procurements states:

1. Full and open competition is a primary goal of public procurement. Sole source procurement is a noncompetitive exception to the norm. It is accomplished by soliciting an offer from only one source under conditions that normally require the use of competitive procurement methods. Sole source procurement may only be used when the award is a Mini Purchase, or when

competitive procurement procedures are deemed infeasible due to at least one of the following reasons:

- a. The required product or service is only available from one source.
- b. A public emergency does not permit the time needed for a competitive procurement.
- c. After solicitation of a number of sources, competition is determined to be inadequate.
- d. The contract is for legal services (i.e., legal counsel and expert witnesses representing the trial court) awarded by the trial court, which are not subject to competitive procurement requirements and may be awarded on a sole source basis.
- e. The contract is for services that are provided by the county under Memorandum of Understanding or for services provided by a Trial Court Financial Policies and Procedure.
- f. The contract is for services received from another government agency.

2. Justification of the rationale for sole source procurements should predate the actual procurement, must be documented thoroughly and carefully in the event an audit or investigation is performed during or after the procurement. Documentation justifying a sole source procurement should include:

- a. The effort made to solicit competitive bids or proposals, if any.
- b. A summary outlining the reason for the sole source, based on the allowable exceptions set forth in paragraph 1 above.
- c. Cost information in sufficient detail to support and justify the cost of the contract as reasonable and fair.
- d. Cost information for similar services and differences that should be noted and explained.
- e. Special factor affecting the cost under the contract.
- f. An explanation of why the trial court believes the cost is appropriate.

## Issues

We selected 34 procurement transactions for review to determine the permissibility of the Court's use of its operational funds under statute, California Rule of Court (CRC) and/or the FIN manual guidelines and identified these exceptions:

- **Court Purchase of Microwave Ovens for Court Employees.**

One transaction reviewed contained a payment of \$651 to reimburse an employee for her purchase of the three microwave ovens for the Court HOJ employee's break/lunch room.

- **Lack of Sole Source Documentation**

We were advised that three purchase transactions were for sole source purchases. However, our review of these transactions included:

- The Court purchased \$12,705 in books from one vendor. The Court subsequently advised IAS that the books are only published by this vendor and as such, the vendor was a sole source. However, the required Sole Source form in file did not contain this information.
- A second sole source payment transaction was for \$6,362. IAS was advised that this transaction was a sole source transaction. There was a Sole Source form in the vendor file, and this payment which was part of a purchase order of \$60,550,

but it was not signed by the Chief Executive Officer (CEO) or dated, and lacked any justification as a sole source.

- IAS followed-up to determine why bids were not obtained on another transaction for \$4,109. Internal Audit Services was advised that; the vendor was considered a sole source and added these comments; 1.) This vendor was previously selected by the City/County in a competitive bid process and, 2.) The Court was able to secure lower rates than it would be possible if the pricing was based on the lower volume of the Court. However, the Court did not have a Sole Source form in file nor did they document these facts as required in FIN 6.01.6.11.2 items a-f.

- **Lack of Project Budget and Other Purchase Exceptions**

One of four vendor payments selected for review included one that performed the interior design work at the HOJ. The vendor as part of their contract terms guaranteed their prices for three years. The Court agreed to a, “No minimum /maximum” cost structure. The Court advised IAS that this type of contract was selected because 1.) The Court did not know how much it would spend over the next three years and, 2.) It did not know how much of the limited interior design services would go to this contractor as opposed to the other three contractors. However, when contract elements such as cost and schedule are not clearly stated, there is no ability to monitor overall costs to the contract maximum budget during the three-year project or any of its three year incremental periods. In addition, there is no way to determine whether the project milestones were completed.

- **Court Reporter Fees Not Charged to the City/County**

A Court Reporter’s claim for transcripts was paid by the Court for \$8,688. Our review of the bill indicated that the County should have been billed, instead. IAS inquired whether these costs had been subsequently billed to the City/County. The Court advised us that, “The Court has always paid for transcript costs if the County declares a lack of funds.”

- **Overpayment of Bar Association Dues**

The Court paid \$205 to the San Francisco Bar Association (SFBA) for one Court attorney’s bar association dues. This overpayment occurred because the Court paid the regular bar association fees of \$165 plus the attorney requested and the Court paid the charitable contribution fee of \$40 for a total of \$205. However, the Court should have paid SFBA half the bar association fee of \$165.000 because she was a government employee and their rate is \$82.50. That amount plus the charitable contribution amount of \$40 should have made the total, \$122.50. Thus, the Court overpaid SFBA \$82.50.

- **Luncheon Costs not Supported**

One payment for \$247 appeared to be for lunches associated with a grant. IAS followed-up with the Court to determine if these costs were allowable under the grant. IAS was advised that this charge was paid out of the Trial Court Trust Fund (Operations Fund). In addition, the court advised IAS that they included a list of attendees. However, the latter was not attached. As a result, IAS could not determine whether the cost of luncheons were paid for employees only and/or their spouses as referenced in FIN 8.05.6.8.1 and .2, Unallowable Business Meal Expenses.

- **Copies of Grants and Invoices Not Domiciled in Fiscal Division**

The Court paid \$994 without receiving an original invoice. In addition, Fiscal Division did not have a copy of the grant to validate that this charge was appropriate.

**Actions Taken:**

During the audit, the Court advised Internal Audit Services of the following procedural changes:

1. The Court has stated that it understands the issue and will review its current policy on bottled water including whether these factors exist, including; 1.) The possibility of unsafe pipes at the Hall of Justice (HOJ), 2.) Security reasons for judges to have access to bottled water and, 3.) Provision of water for the public who access justice (i.e. jurors who serve all day with limited breaks).
2. The Court advised IAS that it has discontinued the practice of reimbursing employees who make these types of purchases.
3. The Court agreed with this finding and will place more scrutiny on the amount paid on minor dollar payments and retaining contracts, grants, MOUs and other back-up documentation to ensure the amount paid has been agreed upon.

**Recommendations:**

In addition to the actions taken above:

4. The Court should include the Sole Source form in the vendor file, have them signed and dated while including the justification for all sole source purchase of goods and services as required in, FIN 6.01.6.112 a-f.
5. The Court will charge back any claims owed by any other agency except where a written agreements indicates that they should not and/or a reciprocal arrangement exists,
6. The court will comply with FIN 7.03.6.3.1 to assure that the value of goods and services it receives is commensurate with the contract price and meets prescribed acceptance criteria and contract milestone dates.
7. The court needs to retain a copy of all current contracts, MOUs and grants in the vendor file to allow Fiscal personnel to quickly validate the amount paid are appropriate. In addition, Fiscal should only make payments on original invoices and/ or Fiscal management's approved invoice copies.

**Superior Court Response By: Michael Yuen**

**Date: 5/20/10**

The Court agrees with the findings and recommendations. Minor issues, such as ensuring agendas for meetings where business lunches take place and completed sole source justification documents are retained in accounting files as well as establishing budgets for contracts and projects have already taken place. As for reporter transcripts, the Court is working with the County to have the County bear all future costs of County-requested transcripts.

## 10. Contracts

### Background

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. The trial court shall issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court.

Rule of Court 6.610 specifies that the CEO has a duty which, at the direction of the presiding judge and consistent with the law and rules of the court, shall:

”Negotiate contracts on behalf of the court, in accordance with established contracting procedures and all applicable laws.”

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>EXPENDITURES</b>				
938801 DEPEND COUNSEL-CHILD	311,770.69		311,770.69	
938803 CRT APPT CNSL-FC3150	317,067.18	318,013.28	946.10-	(0.30)
938899 CRT COUNSEL CHGS	5,099,268.49	3,939,215.36	1,160,053.13	29.45
* 938800 - COURT APPOINTED COUN	5,728,106.36	4,257,228.64	1,470,877.72	34.55
938901 INVESTIGATIVE SERV	6,301.71	148.01	6,153.70	4157.62
938905 FINGERPRINT PRCSING	7,808.00	3,840.00	3,968.00	103.33
* 938900 - INVESTIGATIVE SERVIC	14,109.71	3,988.01	10,121.70	253.80
939002 PSYCH EVALUATIONS	1,705.00	20,832.50	19,127.50-	(91.82)
939003 CRT-ORD PRO SVC	88,778.65	33,091.55	55,687.10	168.28
939009 EXPERT WITNESS	6,856.10	24,285.22	17,429.12-	(71.77)
939018 MNTL HLTH HR OFFICER	14,566.66	85,520.24	70,953.58-	(82.97)
939020 PROBATE EVAL & RPT	4,800.00	11,400.00	6,600.00-	(57.89)
* 939000 - COURT ORDERED PROFES	116,706.41	175,129.51	58,423.10-	(33.36)
939401 LEGAL SERVICES	83,199.96		83,199.96	
939402 LABOR NEGOTIATIONS		2,676.53	2,676.53-	(100.00)
* 939400 - LEGAL	83,199.96	2,676.53	80,523.43	3008.50
939801 OTHER CONTRACT SVC	1,642,992.16	264,003.43	1,378,988.73	522.34
* 939800 - OTHER CONTRACT SERVI	1,642,992.16	264,003.43	1,378,988.73	522.34
** CONTRACTED SERVICES TOTAL	10,703,190.78	8,124,910.86	2,578,279.92	31.73

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>EXPENDITURES</b>				
923904 CIVIL/CRIM TRANSCRT	5,820.00		5,820.00	
923905 COURIER SERVICE	38,545.62	22,546.05	15,999.57	70.96
923907 SCANNING SERVICE	239,676.50	239,676.50		0.00
923908 SHREDDING SERVICE	12,269.00	9,836.50	2,432.50	24.73
923909 DOC RETRIEVAL SERVICE	353,251.53	293,865.64	59,385.89	20.21
923912 GRAPHIC ART SERVICE	200.00	1,300.00	1,100.00-	(84.62)
923913 VIDEO SERVICE	23,052.91		23,052.91	
923914 MOVING/TRANSPORT SVC	23,414.59	30,699.15	7,284.56-	(23.73)
923915 DRY CLEANING	14.95		14.95	
923999 GENERAL EXP-SERVICE	56,020.88	7,706.59	48,314.29	626.92
* 923900 - GENERAL EXPENSE - SE	752,265.98	605,630.43	146,635.55	24.21
** GENERAL EXPENSE TOTAL	3,031,199.23	3,482,472.15	451,272.92-	(12.96)
943201 IT MAINTENANCE	194,053.13	227,770.86	33,717.73-	(14.80)
943202 IT MAINT - HARDWARE	10,027.00	9,927.00	100.00	1.01
943203 IT MAINT - SOFTWARE	23,517.38	84,873.48	61,356.10-	(72.29)

We interviewed Financial Services supervisors, the IT Facilities Coordinator, Procurement and Accounting staff regarding contracting and contract monitoring practices to determine compliance with applicable FIN Manual requirements. We also reviewed a sample of contract agreements entered into in FY 2007 – 2008, including:

- Agreements entered into with the County, including the County Services MOU and various agreements with the Sheriff's Office to:
  - Determine whether the MOUs are current, comprehensive of all services currently received or provided, and contain all required terms and conditions and,
  - Determine whether services billed were reasonable, allowable, sufficiently documented and supported, and appropriately accounted for.
- MOU and service level agreements with the AOC for the Phoenix Financial System

### **10.1 Contract Lacked Costs or Blanket Purchase Order and Procurements Lacked Competitive Bids and had Missing, Incomplete and Incorrect Documentation**

#### **Background**

The Courts have been provided with uniform guidelines in which to procure goods and services. These standards are based on dollar thresholds and require minimum documentation to provide assurance that the Court's procurement practices were both reasonable and provided economical use of public funds. The following FIN Manual procedures below represent some of the standards to ensure the procuring goods and services are achieved and include:

FIN 7.01, 6.5.4 Under Competitive Procurements – Suggested Value Greater than \$10,000 states:

1. For all procurements that exceed a value of \$10,000, at least three written offers must be obtained.

FIN 7.01, 6.1, Contract Elements paragraph 2 states:

The cost to the trial court (or the price it will pay the contractor) for goods and services under a contract will be clearly stated:

FIN 6.1, 6.12, Use of Blanket Purchase Orders states:

1. Blanket purchase orders (BPOs) may be used to streamline the process of filling repetitive needs for goods and services. A BPO may be established if there is a broad class of goods that is purchased (e.g., office supplies) but the exact items, quantities, and delivery requirements are not known, and/or the administrative cost of issuing numerous purchase orders can be avoided through the use of this one-time procedure.
2. To the extent practicable, BPOs for the same types of items should be placed with more than one vendor to promote competition, assure a steady supply, and deliver the best value to the trial court.
3. The existence of a BPO or CMAS contract is not justification for procurement on a sole source basis in and of itself. Depending on the size and complexity of the procurement, appropriate procedures should be followed including obtaining offers by telephone or in writing prior to placing an order under a BPO or CMAS contract.

FIN 7.01, 6.5 Terms and Conditions, paragraph “z” states:

Business Related Travel. The part of the contract that establishes the terms and conditions associated with business-related travel, if the trial court agrees to compensate the contractor for travel.

Although the specific contract language may vary depending on the project, an example of suggested contract language for reimbursable business-related travel is included as part of the 7.01, pages 23 of 25 provides sample language to compensate vendors for allowable business related travel expenses. Examples include:

- A. **Reimbursable Travel Expenses:** Contractor will submit a travel plan to Court for review and written approval prior to incurring expenses for travel that may be required in performance of this Agreement.
- B. **Invoicing Requirements for Travel Reimbursement:** Contractor will provide copies of receipts and invoices for reimbursement of travel expenses that have been incurred in accordance with the travel plan that has been approved by the Court, or any authorized changes to the travel plan that have been approved by the Court in writing (e.g. letter, email, etc.). The Court will not pay travel expenses that have not been authorized in writing.
- C. **Total Travel Reimbursement Amount:** The total amount that Court will reimburse Contractor for travel related expenses, pursuant to this provision, will not exceed **\$XXX.00**, unless agreed to in a written amendment to this Agreement.

FIN 7.03, 6.2.2 Contract Administration under paragraph 2 states:

Contract files should be readily available to protect and support the trial court’s best interests in the event of future claims, litigation, audits, reviews, or investigations. The following practices will ensure the integrity of trial court contract files:

FIN 7.03, 6.2.3 item 3, under Supplier and Contractor Insurance states,

The trial court will require that Certificates of Insurance include a provision that provides 15 days written notice to the court in the event that insurance coverage is cancelled or materially changed. Additionally, the court should require that the trial court, its officers, agents, employees, and servants are endorsed as additional insured for commercial general liability and automobile liability insurance policies, but only with respect to the work performed or items purchased for the trial court under the contract.

FIN 6.01, 6.9 Payment, paragraphs 1 and 2 state:

1. Invoices can be paid only if they are supported by appropriate documentation and approved by authorized trial court employees. A three-point-match of the purchase order or contract, documentation of receipt and acceptance (e.g., packing slip signed by the requestor) and the invoice constitutes appropriate documentation. The employee who requests the procurement of a good or service and initiates the purchase requisition is responsible for acknowledging and documenting the receipt of goods or completion of invoiced services, as described above. Accounts payable matches the purchase order or contract quantity and price or rate to the receipt and acceptance documentation and the invoice quantity and price or rate. The entire package, containing the purchase order or contract, documentation of receipt and acceptance, and invoice is presented to the employee who is authorized to approve payment for signature. The signed package is then returned to accounts payable for payment and filing.
2. Any discrepancies between requisitions, purchase orders or contracts, invoices, documentation of receipt and acceptance, and the actual goods or services received should be corrected before processing for payment. In addition, there must be segregation of duties among the employees involved in the procurement process. The same employee may initiate the requisition and receive the goods or services, although receipt by a second person strengthens internal controls. Unless the AOC has previously approved other procedures for the trial court, different employees must be responsible for procurement activities and payment approval.

FIN 6.01, 6.10 Administration and Documentation states:

1. The expenditure of public funds is subject to review or audit during and after performance to assure that the trial court “gets what it pays for.” The procurement file must stand alone to demonstrate that the procurement official and the vendor or contractor have complied with the terms of the purchase order or contract. The file must also show that any disputes have been settled according to good administrative practice and sound business judgment.
2. A properly documented procurement file for purchase orders and/or contracts provides an audit trail from the initiation of the requirement to the delivery of goods. The file provides a complete basis for informed decisions at each step of the acquisition process. A well documented file also supports the actions taken, provides information for later review and facts in the event of litigation or an investigation.

## Issues

During our contract review, Internal Audit Services (IAS) selected twenty-seven payments related to contracts, maintenance agreements, sole source documents, and invoices and determined that 16 (59%) of the 27 payments contained exceptions worth noting, including:

1. One contract reviewed contained the phrase, “The maximum amount of this contract is not applicable to this type of contract”. The FIN Manual requires all contracts contain a maximum cost. When there is no maximum cost written in the contract, the trial court may not be able to determine whether cost overruns have occurred and/or whether the scope of the work has been expanded.
2. Internal Audit Services (IAS) requested a copy of the contract and bids for a blanket purchase order (BPO) for \$108,500. IAS has not received the contract and or written bids and we cannot determine if it was competitively bid, as required.
3. IAS requested a copy of the contract on a purchase order for \$33,394. However, we have not received a copy of the contract or any written bids and cannot determine if it was competitively bid, either.
4. We requested the contract, any bids and/or sole source documentation for a third purchase order for \$23,506 which was paid on two invoices (each for \$11,752). No contracts, written bids or sole source documents have been received and we have no assurance that this procurement was competitively bid or a sole source procurement occurred.
5. One invoice for \$73,783 appeared to be a sole source maintenance agreement which included a, “travel charge” for \$4,392. However, there was no travel documentation and/or receipts attached to the invoice to support the charge and IAS could not determine whether travel had incurred and the amount of \$4,392 was owed.
6. IAS has not received a copy of a drug grant for \$195,104 and any back-up to support how the Court determined that the average number of days guests stayed was 75 days and whether any guests exceeded the 90 day maximum stay, or not.
7. One vendor submitted an invoice for \$11,952 for testing documents for court deputy clerk position. The Court provided a sole source form noting the vendor was a quasi-governmental entity that provides testing services for public agencies. However, the Court Sole Source Justification Form was not signed and dated by either of the Directors of Human Resources and Fiscal Services and/or the Chief Executive Officer.
8. In January 2008, the Court paid a one-time direct payment of \$13,700 to a vendor for maintenance supplements and plans. However, there is no documentation attached to the payment to confirm the e-mail requesting procurement personnel to make arrangements to transfer ownership of the maintenance agreement from the County to the Court occurred.

9. A contract with a term from July 1, 2007 through June 30, 2009 totaled \$243,997. On July 23, 2007 the Court encumbered \$172,209 of that amount to a vendor to design and manage a leadership development program. We requested a listing of attendees under one of those contract billings for \$7,849. The Court has not provided that list to date.
10. We reviewed another contract with a term of September 1, 2007 through April 30, 2008 totaling \$24,232. The vendor was to provide training to volunteer mediators for the purpose of increasing the level of satisfaction and confidence of mediation participants. We requested a listing of attendees under one of the contract billings in the amount of \$14,709. To date we have not received this attendee listing. In addition, we noted these additional contract exceptions:
  - a. We requested a copy of the training manual that was developed jointly by the Court and the vendor, but it has not been received to date, and
  - b. The contract states that the Court will print the training manual but the contract is not clear as to who owns the manual. When documentation is lacking there can be no assurance that the Court received value for its contract.
11. One sole source contract had a contract billing of \$1,865. The invoice included a charge for 106 containers at a price of \$17.25 per container. The Data Storage Service Agreement included a Rate Schedule that indicated the storage container price was \$12.75. There was no documentation received to support the fact that the Court obtained a price change notice from the vendor. As such, we could not determine whether the increase of \$4.50 was valid and the total increase of \$477 should be paid.
12. We reviewed one contract with a mathematical error that was identified by the Court and which they advised the vendor to correct the error. However, our calculations of the adjusted figures indicated that while page one was corrected page two was still in an error and the Court overpaid \$985.
13. One contract does not clearly state all the charges that are due and payable to the Bar Association of San Francisco (BASF). It fails to address the 2 percent finder's fee deducted from the attorney's fees that are paid directly to BASF for selecting that attorney. When contract costs are not clearly stated, there is a greater possibility that payments may be incorrect and/or misdirected.
14. During our review of one court-ordered professional service claim, the investigator reported a grand total of 69 travel miles. When reviewing the February 28, 2008 subtotal miles on this page, he reported 26 miles. IAS calculated the grand total miles driven and came up with a different total of 75 miles. However, a closer review of the information on this subtotal page indicated that the investigator had traveled 16 miles, not 26 miles. This revision changed the total travel miles driven from the reported 69 miles to 59 miles. Our review of the payment file indicated that the documentation was not reviewed and the Court paid the amount requested. Although the amount was not material, a review would have disclosed this exception.

15. One contract for \$199,322 from a professional services contractor to conduct mental health hearings at seven San Francisco hospitals lacked terms and conditions for liability insurance, car insurance and whether the contractor would be paid for travel.
16. One sole source contract, with a term of January 1, 2008 through June 20, 2009, had the necessary insurance coverage(s) in place at contract inception. However, there is no documentation attached to the payment to advise the vendor that his insurance coverage must extend to the end of the contract.

### **Recommendations**

The trial court, when procuring and/or contracting for goods and services should:

1. Follow FIN 7.01, 6.1 paragraph 2 which states:

The cost to the trial court or price it will pay the contractor for goods and services under the contract will be clearly stated.

In the future, the Court should establish a maximum cost for their contracts that includes a not to exceed cost for the furniture plus an estimated price for the variable design consultation. This total contract cost should include in the contracts and include in a blanket purchase order (BPO) set-up to order both the furniture and design work. Then, the Court could monitor the cost of furniture to ensure those costs were not exceeded while monitoring their estimate to actual on the design portion of the contract. If and/or when any additional design costs were needed, the Court could approve a contract addendum along with a second BPO for any subsequent design while clearly including a not to exceed on the furniture and design consultation work, thus complying with FIN 7.01.1 paragraph 2.

2. The Court needs to comply with FIN 6.01.6.5.4 which requires them to obtain three written bids for procurements that exceed \$10,000.
3. As stated in #2, the Court needs to comply with FIN 6.01.6.5.4 which requires the Court to obtain three written bids for procurements that exceed \$10,000.
4. As stated in #2 above, the Court needs to comply with FIN 6.01.6.5.4 and obtain three written bids for procurements that exceed \$10,000. And, if this procurement is in fact sole source, the Court needs to comply with FIN 6.01.6.11 and complete a written sole source justification form.
5. With respect to contractor travel expenses, the Court needs to advise its contractors of its travel reimbursement policies and procedures as stated in FIN 7.01, 6.5 "z" and travel and allowable rates on pages 23, 24 and 25.
6. FIN 7.03, 6.2.2 paragraph 2 states:

Contract files should be readily available to protect and support the trial court's best interests in the event of future claims, litigation, audits, reviews or investigations...."

7. FIN 6.01, 6.11(1) states that:  
Sole source procurement may only be used when the award is a Mini Purchase, or when competitive procurement procedures are deemed infeasible due to at least one of the following reasons (See FIN 6.01, 6.11. (1) a-f) and samples from Grant File.
8. FIN 6.01, 6.10 Administration and Documentation which states "the procurement file must stand alone to demonstrate that the procurement official and the vendor or contractor has complied with the terms of the purchase order or contract."
9. FIN 8.03. 6.3 requires proof of attendance or certification of completion be submitted with the claim.
10. FIN 6.01,6.9, Payment discusses the three-point match and the comparison of the contract, invoice and receiving copies to ensure the price accepted is the price on the invoice. If not in agreement any price difference should be resolved prior to payment.
11. See #11 FIN 6.01, 6.9 there should be a three-point match prior to payment.
12. FIN 6.01, 6.10 Administration and Documentation and FIN 7.01, 6.1 Contract Elements, states that Courts ensure costs are clearly stated in the contract and the payment of those costs are documented in the contract file.
13. See #13 above for comments on FIN 6.01, 6.9.
14. FIN 7.01, 6.5 paragraph "n" states:  
Insurance requirements. A listing of the minimum insurance coverage that must be maintained by the contractor during the course of the work as well as the requirements for submitting evidence of such coverage.
15. FIN 7.03, 6.2.3 Paragraphs 3 and 4 state:
  3. The trial court will require that Certificates of Insurance include a provision that provides 15 days written notice to the court in the event that insurance coverage is cancelled or materially changed. Additionally, the court should require that the trial court, its officers, agents, employees, and servants are endorsed as additional insured for commercial general liability and automobile liability insurance policies, but only with respect to the work performed or items purchased for the trial court under the contract.
  4. The trial court will assure that all required contractor certificates of insurance are current. Contractors that have current contracts with the trial court will provide new certificates on or before the expiration date of any insurance certificates.

16. FIN 7.03, 6.2.3 item #2 requires contractors to provide the Court 15 days notice in the event that insurance coverage is terminated or materially altered. Insurance coverage includes general liability and automobile policies. And, that the Court, its officers, agents, employees, and servants are endorsed as additional insured.

**Superior Court Response By: Sue Patrick & Michael Yuen Date: 1/4/10**

1. Contract cited was one of four contracts prepared under RFQ 05-025 Interior Design Services. The purpose of the RFQ was to provide the Court with local contractors who agreed to fixed costs for the three-year term of the contract. None of the four contracts had a maximum cost because the purpose of the solicitation was to provide the Court with local companies who had agreed to terms and conditions advantageous to the Court which would provide on an as-needed basis interior design services at a competitive price. For example, Contractors agreed to forgo travel reimbursement as a condition therefore no travel is funded or allowed for reimbursement. Given that no minimum amount of business had been negotiated it was thought best to not designate any amount because we had no idea which companies would be utilized. In the future the Court will not omit a maximum amount in contracts negotiated on an as-needed basis but will use best practices to arrive at an estimated maximum amount.
2. Information Technology Group (ITG) operates its own purchasing and procurement; however they are expected to conform to policy and procedure. In the case of Toptek, a supplier of toner cartridges this vendor is one of four companies that submits price quotes at the beginning of the fiscal year. The others are The Very Last Word, Crimson Imaging Supplies LLC and Bay Area Data Supply. The Court reserves the right to utilize the companies pricing to its advantage, and blanket purchase orders are issued. Copies of price quotes provided to Accounting and should be in the files; IAS can request copies of price quotes from ITG and procurement staff.

Auditor Comment: IAS requested price quotes from Accounting. However, they were not in the accounting files and subsequently requested price quotes from ITG but were not provided. Accounting files need to be adequately documented.

3. Siemens Communications was one of many companies providing services to the Court set up by the City before December 2003 when the Court assumed purchasing duties. As such, documents showing the competitive selection are available in files maintained by the City. To respond to this specific payment, the SmartServe Support Services for the HiPath 4000 communications switch (PBX) is maintenance on proprietary equipment, and the Court could not switch companies without voiding the warranty. Maintenance agreement had been set up prior to the Court assuming purchasing duties and was an on-going expense.

Auditor Comment: Accounting files should contain documentation of previous County agreements including any restrictive equipment with restrictions.

4. Purchases from CDW-Government Inc. This is a large business affiliated with the Western States Contracting Alliance Master Price Agreement negotiated by the State of California, Department of General Services. Costs are negotiated by DGS to create this Master Agreement and require no additional solicitations. Paper copies of the agreement are discouraged, as posted copies of the agreements are available electronically on DGS/PD/WSCA Internet Web Page.

Auditor Comment: IAS spoke with the Manager of Business Services-AOC about CDW-Government, Inc. (CDW): He advised IAS that; If CDW performs the services of an agent for the DGS or the Courts, they shall not be a bidder for the goods and/or services and the Court shall obtain and document price quotes from at least three vendors in their accounting files. Should CDW act as a vendor, the Court shall obtain at a minimum of three bids (including one price quote from CDW) and retain at least three price quotes then, document these price quotes in their accounting files.

5. Fiscal year 2004/05 the Court issued a RFP to solicit quotes for maintenance on Fujitsu scanners owned by the Court that were still under manufacturer's warranty which requires a company authorized contractor. This solicitation was sent to four authorized companies Document Imaging Service Corporation, (DISC), AM International, Capitol Datacorp, and Condor Earth Technologies. Responses were received from DISC and Capitol Datacorp and DISC was the lower quote. Written communication from Neal Taniguchi, CFO dated September 08, 2004 stated "I'm satisfied that our due diligence on the bidding process. Let's move forward with the bid with DISC [sic]." Travel was included at the request of the Contractor; documentation for supporting travel costs is the responsibility of the Contract Manager and Accounting staff ultimately are responsible for approving or disapproving the claim, not procurement.

Auditor Comment: Travel costs may be requested by the vendor as part of a contract. However, the vendor must sign the travel report that he has complied with the FIN Manual travel guidelines outlined in the FIN Manual, Policy No. 8.03. The Contract Manager needs to review and approve this travel report and the Accounting Department shall verify that vendor travel reports and documentation comply with FIN 8.03 and support the travel reimbursement requested.

6. Grant application activity at the Court is decentralized and information is maintained by the applicant; copies of grant documents are forwarded to Accounting by the applicant. As a rule, the staff person in charge of managing the contract or Purchase Order would be assigned the responsibility of monitoring and tracking expenditures and this would include enforcing all the requirements of the clients participating; including maximum stay. Court will do a better job at tracking and maintaining backup to support expenditures and estimates.
7. IAS refers to POs issued to CPS a self-supporting public agency providing a full range of human resource services to the public and nonprofit sectors. A signed sole source should have been in the file as a soft copy is on file. If an unsigned sole source is in the file it is a discrepancy that will be corrected in future CPS requests.

8. Procurement process here conforms to AOC FIN 6.01 with an email to Contract Specialist for processing. Court will do a better job at keeping email correspondence to provide evidence of transfer of ownership in the future.
9. Documenting attendee participation was the responsibility of the Training staff involved in the USDA Management Succession Program classes. Training staff state if IAS wants copies of lists of attendees at any of the classes they will provide the documentation. IAS needs to identify date and title of class and they will comply.

Auditor Comment: According to the invoice of 8/01/07 #347251-6902 it states, this class was English 7001, Grammar and Usage Workshop” and was noted as a contract billing for 7/24/07 to 7/25/07. It also notes, “Multiple Students, Grouped”.

10. Who was this requested from?

Auditor Comment: This agreement was with UC-Hastings for \$24,232 for the term 9-1-2007 through 4-30-2008. The IAS requested not only a list of attendees and asked who owns the Training Manual? And, if Court owned, the Court should provide proof of its existence to include copies of the first and index pages.

11. Vanguard Vaults was one of many companies providing services to the Court set up by the City before December 2003 when the Court assumed purchasing duties. As such, documents showing the competitive selection are available in files maintained by the City. Court will do a better job at maintaining backup documents to support payments in the future.

Auditor Comment: The Court’s accounting files should document that the contract was a FY 2003 County agreement. In addition, the accounting file should document the reason(s) that the Court continued to with this agreement.

12. It is unfortunate that a mistake was corrected in one instance on a contract, but not another. Court will do a better job at identifying and being more thorough to prevent payment errors in the future.
13. As of FY 09/10 text is included in Exhibit B, Budget and Payment Provisions stating that “2% of each attorney bill will be deducted and remitted to BASF for activities described in sections 1 through 5 [of the Exhibit], which were being performed by BASF prior to the institution of the contract with the Court.”

Auditor Comment: Court updated its agreement with BASF to include this payment provision.

14. Court has already tightened up review of TECs, and therefore this oversight should not happen again.

15. Sample #69, Berger, Nadel and Vannelli shows \$600 in payments. The only mental health hearing officer professional services contract staff prepared are those provided by Julian Sapirstein. Three contracts (03-011, \$81,628; 05-004, \$84,648; 06-010A1, \$100,321.82) for Mr. Sapirstein to conduct mental health hearings contracts have been executed. These contracts were prepared without a travel line item because all the expenses, including travel, were negotiated as a lump sum and the lump sum is cited in the Budget exhibit. All of these contracts included General Provisions and Special Provisions exhibits which include provisions for liability insurance and car insurance with a requirement that the Court be named as an additional insured and a copy of the current policy be provided to the Court to allow payment. I dispute this finding in totality as Mr. Sapirstein's contracts never exceed the amounts stated above. Further, the Court no longer has a contract with Mr. Sapirstein, as he is not a Court employee rather than a contractor, so this issue should not occur again.

Auditor Comment: IAS was provided a two page contract that did not include the above provision. In addition, contracts with vendors and/or professional services firms with contracts shall include terms and conditions outlined in FIN 7.01, 6.4 item 4. These contracts shall consider including travel wording in contracts as outlined in FIN 7.01, pages 23 of 25 and use approved travel rates noted in FIN 7.01, page 24/25.

16. No contracts have been issued by the Court to SBC Pacific Bell; this service was obtained by the City prior to December 2003. All contracts executed by this Court make it a requirement that insurance certificates naming the Court as an additional insured are required for payment. Court will ensure it is named an additional insured on all contractor insurance policies.

Auditor Comment: All City and County of San Francisco contracts negotiated prior to December 2003 and were subsequently continued by the Court should be documented as to the reason(s) that the Court continued these services. Although the Court states it includes and a clause a clause for insurance coverage, it should also verify that a clause is included wherein the Court is endorsed as an additional insured, per FIN 7.03,6.2.3 item 3.

## **10.2 Memorandums of Understanding Lack Detailed Costs, Scope of Work, Indirect Cost Methodology and Other Concerns**

### **Background**

FIN 7.02 dictates the policies and procedures for a well executed Memorandum of Understanding (MOU). Section 6.1 requires that every MOU must contain at least the four major elements of a contract: (1) cost, (2) schedule, (3) scope of work, and (4) terms and conditions. Each major element must be clearly defined in every MOU so that the court's needs are met, and MOU parties clearly understand their obligations.

MOUs are often used to document agreements between government entities either as a precursor to a contract or as a contract itself. Because of the historical relationship between the trial court and counties, MOUs are commonly used to establish agreements between the two.

Government Code (GC) section 77212 requires a 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 the court. The contract shall identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service. The court and the county or city and county shall cooperate in developing and implementing the contract.

GC 77212 also provides guidance regarding the termination of services by the giving of the appropriate notice by the county or the court as specified in this code section.

On January 20, 2009, the Executive and Planning Committee, on behalf of the Judicial Council reaffirmed the *Operating Guidelines and Directives for Budget Management in the Judicial Branch*. Section II of the Guidelines and Directives provides the following:

- *MOUs for County Services and Revenue Sharing – to ensure that county services are formally negotiated and negotiated within court’s current resources. (This section does not apply to labor contracts, please reference the section on Fair Employment and Labor Relations Provisions.)*
  - Trial courts must have MOUs in place for all county services, including security services, consistent with Government Code 77212, and for revenue sharing agreements with the county;
  - All contracts for services must be negotiated within the trial court’s available resources; and
  - If a court reaches an impasse in negotiating any contract, they must consult with the Judicial Council.

FIN 7.02, 6.5.2 (2), states in Key Elements of MOUs for County –Provided Services under 2.b, Trial Court Audit Rights item, states;

For MOUs entered into after January 1, 2002, GC 77212 (d) provides that the amount of any indirect or overhead costs shall be individually stated together with the method of calculation of the indirect or overhead costs. This amount shall not contain items that are not otherwise allowable court operations. The Judicial Council may audit the county figures to ensure compliance with this requirement and determine the reasonableness of the indirect or overhead costs charged to the trial court.

FIN 7.02, 6.5.3, Comprehensive vs. Separate Agreements states;

MOU agreements for county services entered into by the trial court may be either comprehensive or limited in scope. The trial court may elect to enter into one comprehensive agreement that covers all these services it will receive from the county. Alternatively, the court may decide to enter into separate agreements with the county, with each agreement addressing a specific service or group of related services.

The current Court/County MOU with the Controller is but one of several MOUs the Court has with various City/County departments. They include; the Sheriff, Telecommunications and

Information Services, Reproduction and Mail Services, and the Department of Public Works. The Court and County in choosing separate MOUs with separate County department's limits the scope of direct and indirect services to those provided by that department whether they be direct and or indirect charges.

In Fiscal Year 2007-08 the Court paid the Sheriff direct quarterly payments of \$10,702,301 (the figure in FY 2006-07 for security costs were \$9,959,548). In addition to those charges the Court paid out other quarterly COWCAP and direct payments for County provided services as reported below.

Account Number / Account Description	2007/2008	2006/2007
941101-Sheriff -AB2030	10,270	2,666
942201 CNTY - LEGAL SERV	35,000	35,000
942301 CNTY - FISCAL SERV	724,603	422,371
942401 CNTY - ADMIN SERV	619,227	517,728
942901 CNTY - OTHER SERV	432,534	616,713
* 942100 - COUNTY-PROVIDED SERV	1,811,363	1,591,813

Since the Court and County maintain several MOUs, they receive a number of invoices quarterly from County departments for County provided services.

### Issue

Our review of the Court/County Controllers Department MOU indicated a variety of issues including:

- A. The Court current MOU is outdated and lacks the current actual costs and scope of work. Specifically we noted that;
  - 1.) The MOU has been in existence since 12/11/02 and is outdated and never updated,
  - 2.) This MOU reflects only those COWCAP charges that existed in FY 2002-03 and does not include any addendums for COWCAP nor subsequent direct charges for these services in any subsequent fiscal year,
  - 3.) The MOU does not reflect the current services provided by the County to the Court because some services charged in FY 2002-03 are no longer billed under the COWCAP, billed for amounts significantly larger and may be included in other Court/County department MOUs, and
  - 4.) The Attachment A to the MOU for FY 2002-03 does provide for the issuance of paychecks and ensuring compliance with wage and hour regulations but lacks the processing services they provide and/or services they render including:
    - Processing payroll
    - Preparation and remittance of the payroll register and other reports as needed or requested by the Court

- Retention of payroll records to include but not limited to: (i.e. W-2s, health insurance such as flexible benefits selected by employees and, other employee deductions including but not limited to union dues and savings account deductions, and
  - Registers/reports reporting the remittance of payroll taxes, retirement benefits, health insurance and other payments to appropriate entities, upon written request by employees.
- B. Our review of one purchase order associated with the Court /Public Works MOU contained a copy of the FY 2007-08 Chart of actual MOU costs totaling \$1.9 million. This Chart also contained the actual detailed janitorial cost of salaries and premium pay totaling \$1,104,350, as required. These costs represented 62% of the total MOU costs for the fiscal year. This same Chart listed department overhead costs of \$299,732 and division overhead costs of \$388,567 for a total overhead cost of \$688,299. These overhead costs represented 37% of the \$1,104,350 of MOU costs. The cost basis was not detailed and there was no methodology provided to explain how these amounts were derived.
- C. Our review of purchase order 4400003633 and payable to GRM Information Management Services, and the associated with a County contract, contained the following captioned note, “This PO is issued for ongoing goods and services initiated prior to CARS. Court Management elected to continue with the City and County of San Francisco using contract Blanket BPSF00001934, a Term Contract referenced AS TC93300RFP.” The Court ‘piggy-backed’ on the County’s agreement by using its own PO and paid \$344,451 without obtaining a new MOU with the County. The County contract was originally executed on August 1, 2001 and included seven subsequent amendments. However, none of these addendums listed the Court as an additional party to the contract.

### **Recommendations**

The trial court shall:

1. Update and revise its MOU with the City and County of San Francisco Controllers Department in order to comply with GC §77212 and to provide detailed costs and scope of work. In the event that the actual costs and scope of work change from fiscal year to fiscal year, subsequent addendums should be executed by the Court and County Controllers Department to disclose those changes. Each party should attach their copies of the newest addendum to their MOU and provide copies of these addendums to the respective departments and Fiscal department for their handling.
2. The City and County of San Francisco Public Works Department needs to comply with GC §77212(d) to document the indirect costs (overhead) and the method of calculation used to determine how the amounts were derived in this and future MOUs.
3. The Court needs an MOU with the City and County of San Francisco Office of Contract Administration in order to be a party to the County’s contract with GRM Management Information Systems.

**Superior Court Response By: Michael Yuen**

**Date: 3/1/10**

Court agrees and will comply with recommendations.

### **10.3 Monitoring and Tracking of DMV Access and Compliance with DMV Requirements Need Improvement**

#### **Background**

The Department of Motor Vehicles (DMV) enters into agreements with trial courts and other requestor agencies for obtaining inquiry and update access to DMV records. Annually, DMV requires each requestor agency employee and contractor having access to DMV records to complete form INF 1128 – “*Employee Security Statement*” (security statement). Requestor agencies are required to retain the security statements and a current list of individuals with direct or incidental access to DMV records for a two-year period in the event that the agency is audited.

DMV also requires requestor agencies to maintain electronic logs of all DMV information access for a two-year period. If the requestor agency is unable to log electronically, a manual log may be retained. These logs should contain, at a minimum, the following information:

- (1) Transaction and information codes,
- (2) Requestor codes,
- (3) Record identifiers,
- (4) Individual user identifiers,
- (5) Date and time of transaction, and
- (6) Terminal identification.

#### **Issues**

IAS reviewed documentation provided by the Information Systems Division on employee user access to DMV records and the traffic case management system called Simplified Automated Traffic System (SATS), as of September 2009, and the most recently completed security statements. In addition, IAS reviewed a list of employees who separated from the Court for FY 07 – 08 and FY 08 – 09.

The DMV user list consists of both Court and County employees. IAS identified 72 Court users with DMV access. Also, the Court currently has 33 Traffic employees with SATS access. During our review, we identified the following issues:

1. Court does not have an existing MOU with DMV and is unaware if it relies on the City/County’s MOU with DMV for proper compliance.
2. Court does not include the case number (record identifier) associated with its DMV transmission logs.
3. Court does not have current and completed security forms for two employees listed as having access to DMV records.

4. Court's DMV user list extracted from its system table is not current with existing active users.
  - Six employees with a completed security statement and have DMV access are not included in the list.
  - One separated employee continues to have access capabilities to DMV records based on the DMV user list provided.
5. Court's SATS user list is not current with existing active users. Five traffic employees with access to SATS based on a completed segregation of duties matrix are not indicated in the list.
6. All traffic employees with SATS access have supervisory functions based on the provided SATS user list. There are nine supervisory codes in SATS; however, the Court has not provided IAS a description of the function of each code and an explanation why it is assigned to certain traffic employees. All or a combination of the codes are assigned to traffic employees ranging from the Manager to the Deputy Court Clerk II.

### **Recommendations**

To comply with DMV requirements and improve monitoring efforts over employee access to DMV records the following are recommended:

1. Court should furnish an MOU with DMV since it's owns the SATS traffic system has an existing interface with the DMV system. Court, in the short-term, should "piggyback" with City/County's MOU with DMV until an independent agreement is furnished.
2. Court must ensure that minimum DMV logging requirements are met. The Court should;
  - Re-evaluate the capability of SATS-DMV interface to affix the docket number to any type of DMV transaction regardless of format or
  - If an electronic log cannot be maintained, assess the business risk of not complying with DMV logging requirements before the Court determines whether manual DMV access logs should be maintained.
3. Annually, the Court should complete a checklist to ensure all Employee Security Statement forms completed and submitted. To further simplify the process, distribution and completion of the security forms should be performed concurrently for existing and current DMV users. Only for new hires requiring DMV would security statements be distributed and completed at a different time.
4. Court should review and evaluate employee DMV access on an annual basis. Employee movement (e.g. termination, resignation or department reassignment) within the court's organization may necessitate addition or deletion of DMV access. These changes should be made when they are identified in order to consistently update the DMV system tables while fostering proper access management.
5. Court should review and evaluate employee SATS access periodically. Employee movement (e.g. termination, resignation or department reassignment) within the court's organization may necessitate addition or deletion of SATS access. These changes should be made when they are identified in order to consistently prevent sharing of log-on accounts and subsequent misuse of access.
6. Court should identify the purposes of the nine supervisory function codes in SATS and evaluate why they are assigned to Court staff other than supervisors and managers. IS

department should coordinate with the Traffic division to review each employee's SATS access and to determine if it properly reflects each employee's responsibilities.

**Superior Court Response By: Michael Yuen**

**Date: 7/1/11**

Court agrees with the recommendations. In May 2010, an annual renewal of DMV security forms was conducted, thereby satisfying recommendations 3 and 4. Concurrently, the Court also updated our SATS user list and evaluated each employee's SATS access, thereby meeting recommendations 4 and 5. Over the next year, the Court will attempt to establish a MOU with DMV to meet recommendation 1, and while the Court agrees with the intent of recommendation 2, we will assess the feasibility of implementing it with SATS, or if the Court should implement it with a new traffic management system.

#### **10.4 Court Costs Not Reimbursed by the City/County for Civil Grand Jury Services**

##### **Background**

Pursuant to *Penal Code § 905*, all 58 counties shall have at least one grand jury drawn and impaneled each year. In San Francisco, the presiding judge of the Superior Court impanels two grand juries. The function of the civil grand jury is to investigate the operations of the various officers, departments and agencies of the government of the City and County of San Francisco. This is accomplished by dividing a grand jury into committees and assigning them to departments or agencies to be investigated.

The Court performs the administrative function of recruiting and selecting prospective grand jurors every year. The Court has assigned one (1) employee to fulfill civil grand jury responsibilities. Also, similar to indigent defense administration, the Court receives annual appropriations from the City/County of San Francisco for the whole program. The Court has received \$52,212 for each of the past two fiscal years.

According to *rule 10.810(b)(6) of the California Rules of Court (CRC)*, among civil and criminal grand jury costs only selection costs can be defined as court operations. In other words, civil and criminal grand jury costs excluding selection of grand jury are unallowable costs.

##### **Issue**

IAS was advised by court fiscal management that none of the appropriated fund is to reimburse the Court for its civil grand jury (CGJ) program services. Furthermore, the Court does not have an MOU with City/County to document agreement between parties in performing this service and to detail necessary terms and conditions including proper allocation of the appropriation and cost and reporting requirements. Thus, similar to the indigent defense administration review, IAS analyzed the administrative (i.e. salaries and benefits) and indirect costs incurred by the Court that are not defined as court operations.

According to Court fiscal management, the assigned Court employee uses approximately 75% of his time to perform CGJ administrative responsibilities excluding jury selection as dictated by

CRC rule 10.810(b)(6). Based on this information, IAS estimates that over the last two (2) fiscal years the Court has incurred total administrative costs of \$209,593.

Table 1 below lists the annual administrative costs amounts that make-up the \$209,593.

**Table 1.** Estimated Court Costs for Civil Grand Jury Services since FY 07 – 08

	A	B	
	FY 08-09	FY 07-08	Total
Salaries & Benefits	93,028	89,450	182,477
Indirect Costs	13,824	13,292	27,116
<b>Total CGJ Costs</b>	<b>\$106,852</b>	<b>\$102,742</b>	<b><u>\$209,593</u></b>

**Table Legend:**

**Col B =** FY 07-08 baseline data used to estimate other years' costs. Data used:

- \* 0.75 FTE for Court employee per Court fiscal's estimation
- \* Employee salaries and benefits per Schedule 7A
- \* Indirect cost rate used is 14.86% per Court's approved rate

**Col A =** Estimated using Col B's Salaries and Benefits and these other FY 07-08 data:

- \* 4% annual salary increase per Schedule 7A
- \* Indirect cost rate of 14.86% per approved rate

**Recommendations**

1. The Court needs to:
  - a. Draft and implement an MOU with the City for the Civil Grand Jury services wherein the Court will invoice the city for its administrative services and indirect expenditures related to this program, or,
  - b. Draft and implement an MOU wherein the Court offsets any City services charged to the Court by charging back the City for the Trial Court's CGJ administrative and/or indirect costs.

**Superior Court Response By: Michael Yuen**

**Date: 5/25/10**

Court agrees and is working toward recovering costs of administering civil grand jury services from the City and County of San Francisco

## 11. Accounts Payable

### Background

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.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>EXPENDITURES - TRAVEL</b>				
929201 IN-STATE TRAV CLAIM	32,431.91	31,071.67	1,360.24	4.38
929202 IN-STATE AIR TRANSP	21,845.45	7,714.97	14,130.48	183.16
929203 IN-STATE RENTAL VEH	2,632.17	87.25	2,544.92	2916.81
929205 PER-DIEM - JUDICIAL	246.00	620.72	374.72-	(60.37)
929206 LODGING-IN STATE	23,384.26	5,840.18	17,544.08	300.40
929207 TRANSPRT FARES-IN ST	2,306.51	1,043.52	1,262.99	121.03
929208 PRVT CAR MILEAGE-JUD	49.46	905.89	856.43-	(94.54)
929209 PRVT CAR MILEAGE-EMP	100.81	2,565.34	2,464.53-	(96.07)
929210 PRVT CAR MILEAGE-OTH		47.90	47.90-	(100.00)
929211 PARKING-IN STATE	2,399.00	2,125.29	273.71	12.88
* 929200 - TRAVEL- PER DIEM IN	85,395.57	52,022.73	33,372.84	64.15
** TRAVEL IN STATE TOTAL	85,395.57	52,022.73	33,372.84	64.15
931101 OUT-OF-STATE TRAVEL	5,268.96	3,586.81	1,682.15	46.90
931102 OUT-STATE AIR TRANSP	13,114.35	8,677.34	4,437.01	51.13
931104 OTH OUT-STATE TRAVEL		324.91	324.91-	(100.00)
931105 LODGING-OUT OF STATE	13,784.13	7,276.78	6,507.35	89.43
931106 TRANSPRT FARES-OUT ST	1,264.75	145.00	1,119.75	772.24
931110 PARKING-OUT OF STATE	78.01		78.01	
* 931100 - TRAVEL OUT OF STATE	33,510.20	20,010.84	13,499.36	67.46
** TRAVEL OUT OF STATE TOTAL	33,510.20	20,010.84	13,499.36	67.46
933101 TRAINING	83,211.41	31,746.38	51,465.03	162.11
933102 TUITION REIMBRSMNT	2,058.69	25.00	2,033.69	8134.76
933103 REGIST FEES-TRAINING	58,020.99	39,865.77	18,155.22	45.54
933104 TUITION/REG FEES	2,698.00	2,293.00	405.00	17.66
933105 TRAINING FCLTY-RENT	9,723.00		9,723.00	
933108 TRAINING SUPPLIES	5,403.03	8,953.19	3,550.16-	(39.65)
* 933100 - TRAINING	161,115.12	82,883.34	78,231.78	94.39
** TRAINING TOTAL	161,115.12	82,883.34	78,231.78	94.39
921701 MTING & CONF REGIST	445.00		445.00	
921702 MTING & CONF MLS/FD	6,652.75	2,552.21	4,100.54	160.67
921704 SPECIAL EVENTS	2,190.75		2,190.75	
921799 MEETING/CONF/EXH/SHW	6,431.55	28,142.30	21,710.75-	(77.15)
* 921700 - MEETINGS, CONFERENCE	15,720.05	30,694.51	14,974.46-	(48.79)
920401 MOVING & RELOCATION		156.00	156.00-	(100.00)
* 920400 - EMPLOYEE RELOCATION		156.00	156.00-	(100.00)
920299 LABORATORY EXPENSE	2,212.46		2,212.46	
* 920200 - LABORATORY EXPENSE	2,212.46		2,212.46	
920502 DUES & MEM-LEGAL	10,630.75	10,348.50	282.25	2.73
920503 DUES & MEM-OTHER	2,890.00	6,672.50	3,782.50-	(56.69)
920599 DUES AND MEMBERSHIP	535.00	5,430.00	4,895.00-	(90.15)
* 920500 - DUES AND MEMBERSHIPS	14,055.75	22,451.00	8,395.25-	(37.39)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>EXPENDITURES</b>				
920601 OFFICE SUPPLIES	279,605.07	197,136.90	82,468.17	41.83
920602 PAPER PRODUCTS		2,360.96	2,360.96-	(100.00)
920603 FIRST AID/SFTY SPLY	10,351.36		10,351.36	
920605 TONER-MICROFILM EQUI	236.10	1,400.49	1,164.39-	(83.14)
920607 TONER - FAX	3,226.59	1,290.38	1,936.21	150.05
920608 TONER	13,319.44	5,093.65	8,225.79	161.49
920611 CRTRM MIC REPAIR PT		757.60	757.60-	(100.00)
920612 STENO PAPER-CRT RPTR	2,699.39	1,749.56	949.83	54.29
920613 RUBBER STAMP	22,413.20	21,413.13	1,000.07	4.67
920615 BOTTLED WATER	20,591.30	20,758.11	166.81-	(0.80)
920621 SPECIAL BOND PAPER	23.82		23.82	
920624 MICROFILM/MICROFICHE		4,067.35	4,067.35-	(100.00)
920625 STORAGE BOXES	7,549.41	6,230.40	1,319.01	21.17
920628 BADGES/ID CARDS SPLY		300.00-	300.00-	100.00
920631 PROMOTIONAL MATERIALS	1,000.00		1,000.00	
* 920600 - OFFICE EXPENSE	361,015.68	261,958.53	99,057.15	37.81
920799 FREIGHT & DRAYAGE	42.80	1,308.33	1,265.53-	(96.73)
* 920700 - FREIGHT AND DRAYAGE	42.80	1,308.33	1,265.53-	(96.73)
921501 PERSONNEL ADS	6,159.70	7,103.70	944.00-	(13.29)
921502 OTHER NOTICES-RFPS		41.00	41.00-	(100.00)
921505 ESCHEATMENT/ADVERT		486.00	486.00-	(100.00)
921599 ADVERTISING	42.50		42.50	
* 921500 - ADVERTISING	6,202.20	7,630.70	1,428.50-	(18.72)
921701 MTING & CONF REGIST	445.00		445.00	
921702 MTING & CONF MLS/FD	6,652.75	2,552.21	4,100.54	160.67
921704 SPECIAL EVENTS	2,190.75		2,190.75	
921799 MEETING/CONF/EXH/SHW	6,431.55	28,142.30	21,710.75-	(77.15)
* 921700 - MEETINGS, CONFERENCE	15,720.05	30,694.51	14,974.46-	(48.79)
922301 SUBSCRIPTIONS / MAG	260.95	696.27	435.32-	(62.52)
922302 PUB-ON LINE SERVICE	954.00	1,487.99	533.99-	(35.89)
922303 LEGAL PUB/ HARDCOPY	150,885.40	65,011.63	85,873.77	132.09
922304 LEGAL PUB/ON LINE	146,525.62	125,011.04	21,514.58	17.21
922305 NEWSPAPER	41,294.65	27,103.57	14,191.08	52.36
922399 LBRY PCHSE/SUBSCRIP	3,058.11	32,264.46	29,206.35-	(90.52)
* 922300 - LIBRARY PURCHASES AN	342,978.73	251,574.96	91,403.77	36.33
922599 PHOTOGRAPHY	91,993.74	98,485.66	6,491.92-	(6.59)
* 922500 - PHOTOGRAPHY	91,993.74	98,485.66	6,491.92-	(6.59)
922601 MINOR EQUIP-NON-IT	57,685.27	25,790.84	31,894.43	123.67
922603 OFFICE FURN-MINOR	71,042.77	432,486.32	361,443.55-	(83.57)
922605 MODULAR FURN-MINOR	219,991.85	320,253.91	100,262.06-	(31.31)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
924501 PRINTED FORMS	37,162.50	13,528.41	23,634.09	174.70
924502 COURT FORMS	111,915.41	122,502.63	10,587.22-	(8.64)
924503 ENVELOPES	23,170.64	17,875.74	5,294.90	29.62
924505 BUSINESS CARDS	746.98	432.90	314.08	72.55
924506 CASE FILE JACKETS	16,114.81	19,630.15	3,515.34-	(17.91)
924507 LABELS	3,256.73		3,256.73	
924510 LETTERHEAD/NOTES	5,983.75	432.91	5,550.84	1282.22
924512 PAMPHLETS	252.51	690.39	437.88-	(63.43)
* 924500 - PRINTING	198,603.33	175,093.13	23,510.20	13.43
** PRINTING TOTAL	198,603.33	175,093.13	23,510.20	13.43
925101 TELECOMMUNICATIONS	343,410.80	444,153.07	100,742.27-	(22.68)
925102 ISP SERVICES	1,770.98		1,770.98	
925111 COMMUNICATION MAINT	55,923.70		55,923.70	
925112 VOICE MAIL/AUTO ATND		15,264.60	15,264.60-	(100.00)
* 925100 - TELECOMMUNICATIONS	401,105.48	459,417.67	58,312.19-	(12.69)
** TELECOMMUNICATIONS TOTAL	401,105.48	459,417.67	58,312.19-	(12.69)
926101 POSTAGE	248,946.04	221,222.19	27,723.85	12.53
926103 STAMPED ENVELOPES	92,137.34	111,965.43	19,828.09-	(17.71)
* 926100 - STAMPS, STAMPED ENVE	341,083.38	333,187.62	7,895.76	2.37
926301 POSTAGE METER REFILL		8,000.00	8,000.00-	(100.00)
* 926300 - POSTAGE METER		8,000.00	8,000.00-	(100.00)
** POSTAGE TOTAL	341,083.38	341,187.62	104.24-	(0.03)
* 965100 - JUROR COSTS	932,093.59	1,112,156.31	180,062.72-	(16.19)
** JURY COSTS TOTAL	932,093.59	1,112,156.31	180,062.72-	(16.19)
972100 JUDG, SETTL, CLAIM		300.00	300.00-	(100.00)
* 972100 - JUDGMENTS, SETTLEMEN		300.00	300.00-	(100.00)
** OTHER TOTAL		300.00	300.00-	(100.00)
*** SPECIAL ITEMS OF EXPENSE TOTA	932,093.59	1,112,456.31	180,362.72-	(16.21)

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with accounts payable managers and staff. We also performed substantive testing of sample invoices and claims processed in FY 2008—2009 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

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

We reviewed a judgmental sample of jury fees and mileage reimbursement expenditures to determine whether amounts were properly paid out and reported. Since jury checks are distributed by Personnel Payroll Services Division (PPSD), we did not review controls over check stock and check issuance procedures. We also evaluated the Court's efforts to collect on civil jury expenditures.

## 11.1 Lack of Presiding Judge's Approval for International and Out-of-State Travel and Other Concerns Regarding Travel

### Background

FIN 8.03 §6.1.1 Arranging for Travel states;

Judges and employees who need to travel on court business shall, depending on internal court policies, either obtain written approval from their appropriate approving authority or notify them. Travel costs incurred without written travel request approval may be subject to rejection when reimbursement is requested. Out-of-state or international travel requires the approval of the Presiding Judge or written designee.

FIN 8.03 §6.3 Travel Procedures states;

It is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation and other miscellaneous items. In limited circumstances, a receipt not on pre-printed bill head may be acceptable. Receipts not on pre-printed bill head must be signed by the vendor or person furnishing the goods or services. Every receipt must be properly itemized. Original receipts are needed to claim reimbursement for:

- a. Air travel. For ticket less travel, the airfare itinerary is a valid receipt.
- b. Rental cars.
- c. Other forms of transportation including buses, trains, taxis, etc. of \$3.50 or more.
- d. Parking of \$3.50 or more.
- e. Seminar registration.
- f. Hotel lodging. Receipts for hotel lodging charges must be on a preprinted bill head with a zero balance shown. The hotel express check-out or receipts from a third-party provider for lodging booked via the internet are not valid receipts. In some instances, a hotel may decline to issue a receipt on their pre-printed billing head for lodging booked via the internet.
- g. Meals. (Receipts for meals need not be submitted to the court. However, meal receipts should be retained by the traveler for IRS documentation purposes.)
- h. Incidentals. (Receipts for incidentals need not be submitted to the court. However, receipts for incidental expenses should be retained by the traveler for IRS documentation purposes.)
- i. Conferences and training classes. In addition to the receipt, a proof of attendance or certification of completion must be submitted with the claim.
- j. Telephone or fax charges of \$2.50 or more. All telephone or fax expenses claimed must be related to court business and show the date, place, and party called.

In cases where receipts cannot be obtained or have been lost, a written explanation to that effect and the reason provided must be noted on the TEC. Lodging, airfare, and car rental receipts cannot be certified as lost or waived and will not be reimbursed without the submission of a valid original receipt.

### Issues

We selected an additional five travel reimbursements for review and noted that two of these reimbursements included travel to Canada and to Washington D.C. In both cases the court

employee failed to obtain a written approval prior to departure for these training courses. In addition, our review identified these additional exceptions and/or concerns including:

- One of five Travel Expense Claims contained a mileage reimbursement request that was paid even though the employee failed to provide their home address on their (TEC). When the employees fail to provide a home address, the Fiscal division cannot confirm that the employee reported the correct distance from their home to their destination or, the Court to their destination, whichever is less,
- One of five Court employees traveling on Court business failed to document the reasons she incurred higher airline costs than those listed in the State contracted airfare rates traveling to the same location
- One Court employee failed to document the reasons she traveled to her destination two days prior to the start of the conference she attended,
- One employee traveling internationally to Canada claimed meals for lunch, dinner and incidental costs that exceeded the \$10 lunch, \$18 dinner and/or \$6 incidental limits set in policy.
- Although Court employees have no control over the actual expenses they incur under FIN 8.03.6.1.6 2(a) they must provide receipts to substantiate these cost or for the expenses incurred they must provide actual receipts to substantiate the expenditure or be denied reimbursement. While the hotel charges from the aforementioned travel to Canada were supported by the hotel bill as were two charges for \$22.35 for food and beverage the Court employee did not have receipts for the remaining 10 charges for \$343 for meals and incidentals,
- Court employees attending training seminars and conferences must obtain proof of attendance, and
- Hotel maximum rates claimed exceeded both those set in policy and the Substance Abuse grant allowable rates that exceeded the \$285 maximum allowable rate were paid.

### **Recommendations**

The Court needs to re-evaluate its travel reimbursement policies for judges to ensure it complies with all sections of the FIN Manual 8.03. These revised travel policies should be placed on the Court's intranet for easy reference by judges and employees.

**Superior Court Response By: Michael Yuen Date: 11/20/09**

The Court agrees and as of 7/1/09, has already started to provide more scrutiny to TECs to ensure compliance with FIN.

## **11.2 Unallowable Expenditures and a Lack of Approval of Forms and Receipts**

### **Background**

§3.0 of FIN 8.03, *The Travel Expense Reimbursement for Trial Court Judges and Employees* states;

1. Trial court judges and employees may be required to travel in the course of performing their official duties. It is the intent of the AOC that the trial court reimburse its judges and employees

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

Prior to traveling judges and employees need to be aware of some other basic rules, limits and procedures, while on assignment and, after returning to the office. Some, but not all of these rules, limits and procedures include:

- FIN 8.03 §6.1, Approval to Travel states;  
The trial court is responsible for developing and implementing a system for the submittal and approval of travel expense claims that is impartial and appropriate, and that complies with the policies, schedules and procedures approved by the Judicial Council.
  1. All travel required for trial court business shall be approved by the traveler's appropriate approval level prior to making travel arrangements.
- FIN 8.03 §6.1.4 Commercial Vehicle Rental Policy states;
  1. The State of California contracts with commercial vehicle rental companies, which participates in the American Express Business Travel Account program (BTA). The state contracts include \$250,000 liability insurance and full collision waivers for rented vehicles.
  4. Should the primary and secondary commercial vehicle contractors be unable to provide service, travelers may use a non-contracted commercial vehicle contractor. The use of a non-contracted vendor must be pre-approved in writing by the traveler's appropriate approval level and requires written justification attached to the travel expense claim is necessary.
  5. In the event that a traveler finds a rate less than that offered through the state contract, the state contract and state rate must still be used since the lesser rate will not include the \$250,000 liability insurance under the terms of the state contract.
- FIN 8.03 §6.1.6 Exception Request for Lodging states;
  1. A request for a lodging exception is allowed for business travel when lodging above the maximum rate is the only lodging available, or **when it is cost-effective**.
  4. Request an exception in advance of travel for lodging expenses that exceed the following maximum rates: In-State. The rate of \$110, excluding tax and surcharges, for lodging during regular statewide travel in counties other than Alameda, San Francisco, San Mateo, and Santa Clara (includes state-sponsored and co-sponsored functions such as conferences, conventions, business meetings, and training classes).
- FIN 8.03 §6.4.1 Submittal of Travel Expense Claims (TEC) states;

Judges and employees who incur reimbursable business travel costs must submit a completed TEC form, which:

- a. Is approved and signed by the judge's or employee's appropriate approval level.
  - b. Includes only allowable expenses paid by the judge or employee.
  - c. Is supported by receipts for airline tickets, lodging, car rentals, and any other expenses (refer to Section 6.3 for additional information). Receipts should be arranged in chronological order, taped onto an 8 1/2" x 11" sheet of paper, and attached to the TEC. Each receipt must be itemized on a pre-printed bill head showing the date, quantity, cost, and nature of expense. Receipts not on pre-printed bill head must be signed by the vendor or person furnishing the goods or services.
  - d. Provides written justification for any unusual expenses.
  - e. Notes the business purpose of the trip.
  - f. The AOC has developed an electronic TEC form that maybe used to provide a simple and convenient means of documenting travel expenses for reimbursement purposes. Use of the electronic form is recommended and it is included in the Associated Documents section of the procedure.
- FIN 8.03 §6.4.3 Unallowable Expenses states;  
Expenses incurred for the sole benefit of a trial court judge or employee shall not be allowed as reimbursable travel expenses. Examples of unallowable expenses include any type of insurance, travel loan finance charges, personal credit card fees or dues, newspapers, magazines, and other like charges.

### **Issue**

We selected one reclassified transaction that contained seven Travel Expense Claims (TEC) forms submitted by one employee. The purpose of the reclassification transaction was to properly account for the court's operational travel expenditures for the employee when she participated in a California Court Case Management Systems (CCSM) project. The total amount she was reimbursed by the Court for all seven claims was \$4,615.07. Our review of the detail expenditures reported on those TECs identified a \$1,364 in expenditures which were unallowable, lacked receipts or approvals but were still approved by management that included:

Non-allowable expenditures of public funds	\$ 906.00
Expenditures that were paid but lacked required receipts and/or approval documentation	\$ 457.34
Allowable expenditures with receipts and documentation	\$3,251.73
Total Travel Reimbursements Paid	\$4,615.07

In the first two lines of the table above, the unallowable expenditures, transactions lacking receipts and/or approvals included:

Dog boarding fees of	\$906
Lack of approved hotel exception form for rates above standard rates	\$90
Lunches that exceeded the \$10 daily rate	\$22
Cab fares without receipts	\$208
Use of non-State contracted rental cars where insurance coverage was charged	\$123
Rental car gas charges lacking receipts	\$15
<b>Totals</b>	<b>\$1,364</b>

Finally, we noted that many of the TECs were not always completed according to General TEC Instructions. Specifically, we noted that unallowable expenses were sometimes included, receipts were not included, and there was an absence of written justification for any unusual expenses.

### **Recommendation**

The Trial Court needs to comply with the Travel Expense Reimbursement Procedures outlined in FIN 8.03 §6.1, § 6.1.4 and, §6.1.6 and to follow FIN 8.03 §6.4.1 (a-f) when completing a TEC for reimbursement. Any exceptions to the AOC Travel Rate Guidelines must be submitted in writing and have prior approval in accordance with alternative procedure guidelines established in AOC FIN 1.01.6.4 (2).

**Superior Court Response By: Michael Yuen Date: 11/20/09**

The Court agrees and as of 7/1/09, has already started to provide more scrutiny to TECs to ensure compliance with FIN.

## 12. Fixed Assets Management

### Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>EXPENDITURES</b>				
945204 WEAPON SCREEN EQUIP	21,957.50	42,258.00	20,300.50-	(48.04)
945301 MAJOR EQUIP - NON-IT	69,474.45	152,587.59	83,113.14-	(54.47)
946601 MAJOR EQUIPMENT - IT	118,551.63	236,306.74	117,755.11-	(49.83)
* 945200 - MAJOR EQUIPMENT	209,983.58	431,152.33	221,168.75-	(51.30)
** MAJOR EQUIPMENT(OVER \$5,000)	209,983.58	431,152.33	221,168.75-	(51.30)
*** OPERATING EXPENSE AND EQUIPME	31,899,530.77	28,901,789.07	2,997,741.70	10.37
922601 MINOR EQUIP-NON-IT	57,685.27	25,790.84	31,894.43	123.67
922603 OFFICE FURN-MINOR	71,042.77	432,486.32	361,443.55-	(83.57)
922605 MODULAR FURN-MINOR	219,991.85	320,253.91	100,262.06-	(31.31)
922606 NON-OFFICE FURNITURE	10,477.52		10,477.52	
922608 WEAPON SCRNM/MAGNETO	7,210.50	5,011.98	2,198.52	43.87
922609 WEAPON SCRNM/HANDWAND	631.60	813.23	181.63-	(22.33)
922610 COMPUTER ACCESSORIES	379,909.66	406,703.69	26,794.03-	(6.59)
922611 COMPUTER	347,120.40	465,053.81	117,933.41-	(25.36)
922612 PRINTERS	2,208.44	26,641.09	24,432.65-	(91.71)
922613 PRINTERS/MULTI FNCTN	20,506.50		20,506.50	
922699 MINOR EQUIPMENT	76,866.54	74,741.73	2,124.81	2.84
* 922600 - MINOR EQUIPMENT - UN	1,193,651.05	1,757,496.60	563,845.55-	(32.08)
922703 IT EQUIP-RENT-LEASE		190,972.02	190,972.02-	(100.00)
922705 POSTAGE MACHINE-RENT		3,276.00	3,276.00-	(100.00)
* 922700 - EQUIPMENT RENTAL/LEA		194,248.02	194,248.02-	(100.00)
922801 COPIERS-MAINTENANCE	45,371.24	46,817.11	1,445.87-	(3.09)
922802 IT EQUIP-MAINTENANCE	123,741.86	114,806.62	8,935.24	7.78
922803 SHERIFF SCRTY EQ-MNT	13,271.63		13,271.63	
922806 SECURITY SYS MAINT	14,312.20	21,929.98	7,617.78-	(34.74)
922899 OFFICE EQUIP MAINT	9,088.94	168.00	8,920.94	5310.08
* 922800 - EQUIPMENT MAINTENANC	205,785.87	183,721.71	22,064.16	12.01
922903 FAX MACHINE	1,397.68	499.00	898.68	180.10
922906 MICROFICHE/FILM EQP	5,100.00	4,925.00	175.00	3.55
922908 FURNITURE REPAIR		32,836.52	32,836.52-	(100.00)
922999 EQUIPMENT REPAIRS	508.07	2,509.53	2,001.46-	(79.75)
* 922900 - EQUIPMENT REPAIRS	7,005.75	40,770.05	33,764.30-	(82.82)

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

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

## **12.1 Court Needs to Improve its Control over Fixed Assets and Inventory Items**

### **Background**

The FIN Manual, Procedure Number 9.01, Section 6.2.4 requires courts to establish and maintain a fixed asset management system to record individual items transferred from the county or purchased by the court with a value of \$5,000 or more and an anticipated useful life of more than one year. The information to be maintained in the fixed asset management system shall include among other information: the description of the asset, date of acquisition, and value of the fixed asset.

Section 6.2.2 requires courts to maintain a detailed and up-to-date listing of inventory items, which are individual items transferred from the county or purchased directly by the court with an individual value of more than \$1,000 and less than \$5,000 and an anticipated useful life of more than one year. Property less than \$1,000 that are particularly subject to loss or theft shall also be classified as inventory items.

Section 6.2.3 provides that it shall be the responsibility of the court's information systems department to maintain a current list of court-owned computer software. In addition, it shall be the responsibility of the court information systems department to assure compliance with the license conditions of software products used by the court (e.g., limitations on the number of users, number of copies in circulation, etc.). The court information systems department will keep all software related documentation, licenses, etc., in a designated location.

Section 6.3 requires a unique identification (ID) number to be assigned to each fixed asset or inventory item, and a tag or decal showing the ID number must be affixed to each item. The tags or decals should be serially numbered, and unused tags or decals should be kept in a secure place.

Furthermore, sections 6.2.2 and 6.6 specifies that periodic physical inventories be conducted to reconcile inventory items and fixed assets to court's records no less than every three years, and variances shall be investigated and resolved.

To protect the integrity of the fixed asset management system, section 6.7 requires that fixed asset or equipment transfers be documented on a form approved by an authorized court official. Additionally, the disposal of fixed assets and equipment must be approved by the CEO and comply with CRC 10.830 requirements.

The Court has an Informational Technology Group whose staff are located in the Hall of Justice and the Civic Center Courthouse. Aside from the IT Director, there are several court computer applications analyst, and other staff providing services to the Court in the following areas: Facilities, Budget, and Procurement, Customer Support, Technology, and Applications.

The Court's IT group has developed its own fixed asset management system – a database to record and track the IT equipment (whether considered as fixed assets or inventory items) purchased by the Court. This database provides some relevant information including the description of the equipment, date installed, and location but does not provide the purchase price, the date equipment was acquired, and some other required information as specified in the FIN Manual. The information in this database has not been updated and includes IT equipment that have been disposed of by the Court.

The Court's IT staff uses a bar code reader, scans the serial number of the equipment purchased. The serial number is used as the asset identification number. Internal Audit Services did not perform a test of the Court's fixed asset management system but noted an instance wherein a printer with a serial number SCNRXJ87814 as specified on the invoice from the vendor was not tracked in the database.

Additionally, the Court's Fiscal Division separately tracks, using excel spreadsheets the other fixed assets and inventory items purchased by the Court. Fiscal relies on the IT Group to track the IT equipment. These spreadsheets also contain some fixed assets and inventory items that have already been disposed of.

See Procurement Section of the audit report for issues noted regarding the Court's procurement process.

### **Issues**

During our review of the Court's procedures for recording, tracking and monitoring its fixed assets and inventory items, we identified the following issues:

1. The Court's fixed asset management and tracking system is incomplete, its fixed asset and inventory listings are not up to date.
2. Court has never performed a physical inventory of its fixed assets and inventory items.
3. The Court does not maintain a current list of all court owned computer software and is therefore not certain if it is complying with the license conditions of the software products use by the court.
4. According to the Court's IT staff, the Court obtained the services of a computer recycling firm (Direct Disposal) to dispose of the Court' old computers. The Court self identified that it did not delete the files in the computer hard drives prior to handing over the

computers for disposal nor is there a record of the computers and other IT equipment handed over to this recycling firm.

5. The Court does not have an asset transfer/disposal form to document the CEO's approval of the permanent disposal or the transfer of fixed assets and inventory items between locations. There is no documentation available that the CEO approved the disposal of the Court's IT equipment (fixed assets and inventory items).

The Court's IT staff provided Internal Audit with a list of IT equipment disposed of but IAS was unable to reconcile the information provided by the Court to information posted on Surplus Materials website on Serranus.

6. An understatement in the Court's FY 2007/2008 Comprehensive Annual Financial Report (CAFR) Worksheet Report 19 "Statement of General Fixed Assets" and Report 18 "Fixed Assets" of at least \$145,000.

Row	Description	Dollar Amount
	<b>Source: Per CAFR, Report 18 "Fixed Assets"</b>	
	Equipment Balance - July 1, 2007	\$818,402
A	Add: Additions in FY 2007/2008	64,931
	Less: Deductions	-
	Equipment Balance - June 30, 2008	883,333
	<b>Source: Court's General Ledger Detail - Phoenix Financial System - FY 2007/2008</b>	
	Account # 945204 - Weapon Screening equipment	21,957
	Account # 945301 - Major Equipment - Non -IT	69,474
	Account # 946601 - Major Equipment - IT	118,552
B	Total Expenditures - Major Equipment (\$5,000 and over)	209,983
C	Difference (B-A=C)	\$145,052

According to the Court's general ledger detail, total fixed asset expenditures (major equipment) in the FY 2007/2008 totaled \$209,983 (see Table above, row B). However, the Court only reported additions of \$64,931 in its CAFR Worksheet submitted to the State (see row A above). IAS determined the difference of \$145,052 (see row C) results from the Court's bifurcated responsibilities for fixed assets, under which the Court's Fiscal Department is charged with preparing the CAFR Worksheet and it only reported the fixed assets that it tracks and did not include the fixed assets tracked by the Court's IT Group.

### Recommendations

To ensure that the Court properly records, tracks, and monitors its fixed assets and inventory items, we recommend the following:

1. Implement the necessary improvements in the Court's fixed asset management system to comply with the FIN Manual. Improvements including but not limited to: adding the asset purchase price, acquisition date, and other required information in its asset database, consolidating the recording, tracking and monitoring of the Court's fixed asset and inventory items currently maintained by the Court's IT Group and Fiscal into one database, and the updating of information in the database for fixed asset/inventory items purchase, transfer or disposal.
2. Perform a periodic physical inventory of fixed assets and inventory items at least once every three years to reconcile the Court's records to actual items on hand.

3. Maintain a current list of all court owned computer software and determine if it is complying with the license conditions of the software products use by the court.
4. In order to protect the information stored in the hard drives residing in the Court's old computers, the Court must remove or reformat the hard drives prior to handing over the old computers to a recycling firm for disposal. Simply deleting the files does not prevent them from being recovered from the hard drives.

The Court must maintain documentation of old computers and other IT equipment handed over to a recycling firm for disposal and request confirmation from the recycling firm.

5. Develop an asset transfer/disposal form to document the CEO's approval of the permanent disposal or the transfer of fixed assets and inventory items between locations. The Court must also maintain the detail supporting the asset transfer/disposal form.
6. The Court's Fiscal and IT Group should work together in the recording, tracking and monitoring of the Court's fixed assets to ensure that information reported in the Court's Comprehensive Annual Financial Report (CAFR) Worksheet Report 19 "Statement of General Fixed Assets" and Report 18 "Fixed Assets" is complete.

**Superior Court Response By: Michael Yuen**

**Date: 12/22/09**

The Court agrees that our fixed asset management needs improvement. The Court had wished that an asset management module in SAP would be up by now, but apparently it is not occurring as quickly as desired. Therefore, as time and resources permit, the Court will look into implementing a better way of asset management.

### 13. Audits

#### **Background**

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

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by San Francisco County for the period July 1, 2000 through June 30, 2004. The SCO could not draw sufficient conclusions regarding the accuracy of court revenues because the traffic court's Simplified Automatic Traffic System (SATS) does not allow the court to ensure the accuracy of its accounting records, nor could it provide a complete and adequate audit trail of revenue collections.

The SCO did note that a complete and adequate audit trail is required to accurately record and report on its revenue transactions.

There were no audit issues to report on to management. Issues that are repeats from prior audits are discussed in the sections that they pertain to.

## 14. Records Retention

### Background

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

The Court has a leased facility to store its records. The building is also used for other purposes, including housing administrative offices and storage of exhibits and other Court property. Our review of the lease and other facility expenditures is discussed in Section 18 of this report. We assessed the Court's compliance with the record retention requirements provided in statute and proceduralized in the FIN Manual through a self-assessment questionnaire. Furthermore, we observed and evaluated the Court's on-site and off-site records storage areas.

There were no issues to report to management regarding records retention based upon our review.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
<b>EXPENDITURES</b>				
935203 STORAGE	7,485.04	4,197.60	3,287.44	78.32

## 15. Domestic Violence

### Background

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

We identified the statutory requirements for assessments of criminal domestic violence fines, fees, penalties, and assessments, and obtained an understanding of how the Court ensures compliance with these requirements. We also selected a sample of FY 2007—2008 criminal domestic violence convictions, and reviewed corresponding CMS and case file information to determine whether mandated fines and fees were assessed.

### 15.1 Required Fines and Fees Were Not Always Assessed for Criminal Domestic Violence Cases Reviewed

#### Background

Based upon the above, IAS tests the assessment of fines and fees.

For instance, PC 1202.4(b) states that the court shall impose a minimum restitution fine of \$100 for a convicted offense of misdemeanor and \$200 for a felony offense. A compelling and extraordinary reason on record is necessary to not impose this fine.

Also, PC 1202.44 provides that if the conviction includes a conditional sentence or a sentence that includes a period of probation is imposed, the court shall;

*“...assess an additional probation revocation restitution fine in the same amount as that imposed pursuant to subdivision (b) of Section 1202.4.”*

Furthermore, PC 1465.8(a)(1) requires the court to impose a \$20 fee on every conviction for a criminal offense to ensure and maintain adequate funding for court security (court security fee). Though, effective July 28, 2009, the fee is increased to \$30 until July 1, 2011 per SB 13.

PC 1203.097(a) states that if a person is granted probation for a crime in which the victim is a person defined in Section 6211 of the Family Code, terms of probation shall include but not limited to a minimum payment of \$400 to be distributed to various local and State-level domestic violence program funds (domestic violence probation fine). If, after a hearing in court on the record, the court finds that the defendant does not have the ability to pay, the court may reduce or waive this fee.

#### Issues

In our previous 2006 Audit Report, Internal Audit Services (IAS) disclosed the following domestic violence fines and fees assessment findings:

- The Court did not impose the PC §1203.097 assessment
- The Court did not always assess the PC §1465.8 court security fee
- The Court did not assess the domestic violence restitution fine required under PC §1202.44
- The additional revocation restitution fine under PC §1202.44 was not assessed in the same amount where a PC §1202.4 restitution fine is assessed.
- According to PC §1203.097, the terms of probation, may include payments to battered woman's shelters but the Court chose not to require defendants to make payments to them in a number of sampled cases where probation was granted.

The Court in its audit response stated:

*“Court concurs. As part of the Court's effort to implement a comprehensive collections program, collection's unit staff is working with the bench to standardize sentencing and fine procedures”.*

However, during our review of 16 randomly and judgmentally sampled misdemeanor and felony cases in which the defendant was convicted of a domestic violence charge code in FY 2007—2008, we identified many of the same issues:

- The restitution fine pursuant to PC §1202.4(b) was not assessed for 4 of 16 test cases and no compelling and extraordinary reason/s was cited in the minute orders.
- The probation revocation restitution fine was not assessed in the same amount as PC §1202.4 – State Restitution fine for 4 of 16 test cases.
- We identified 1 of 16 test cases convicted with multiple charge codes. The case had two convictions but the Court assessed the \$20 court security fee only once not twice as required by PC §1465.8(a)(1).
- The minimum \$400 domestic violence probation fine was not assessed and no compelling and extraordinary reason/s was cited in the Order of Probation and minute orders for 1 of the 16 test cases pursuant to PC §1203.097(a)(1).

### **Recommendation**

To ensure that statutorily required minimum criminal domestic violence fines and fees are assessed, the Court should develop a bench schedule, highlight domestic violence-related fines, fees and assessments, and promote its use to judicial officers to better assist them in adjudicating required assessments for domestic violence cases. In addition, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why required minimum fines and fees are not assessed must be documented in minute orders as specified by the aforementioned statutes.

**Superior Court Response By: Michael Yuen**

**Date: 3/16/10**

Court agrees and has already developed a bench schedule of fines and fees as of 6/1/09.

## 16. Exhibits

### Background

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

We evaluated controls over exhibit handling and storage by interviewing court managers and staff with exhibit handling responsibilities, reviewing procedures and documents, and observed the physical conditions of exhibit storage areas. We also validated sample exhibit record transactions on-line to actual exhibit items to determine whether all exhibit items have been accurately accounted for.

### 16.1 Exhibit Rooms Lack Appropriate Physical Security and System Access Needs to be Limited

#### Background

Trial courts are responsible for safeguarding exhibits from their receipt to their return and/or purging. There are a number of key attributes to ensure the adequacy of physical security of exhibits, including:

- A secured designated exhibit room(s) or vault(s),
- Exhibits are systematically located and are segregated by category and/or the level of risk needed to control them,
- Custodians who are adjacent to/or domiciled in the exhibit room to receive, record, transfer, store, account for and, purge exhibits.
- A Security Liaison officer to evaluate and provide direction to secure exhibits,
- The ability to limit access to the exhibit inventory system, and
- Formalized comprehensive exhibit procedures (Courtroom or Court-wide).

#### Issues

After our meeting with the Criminal Division Manager, we performed a walk-through with the part-time custodian of the exhibit rooms, inquired about exhibit room physical security and, inquired about the access controls of the exhibit inventory system. The following conditions were noted as a result of these reviews:

- We confirmed with the part-time custodian that they did not have a designated court security liaison.
- During our walk-through of the Exhibit Rooms we noted the following security issues:
- One key opens one Exhibit Room but there is no key register or dual key nest to retain an extra/back-up key.

- Exhibit keys are not periodically audited to ensure they are not lost or stolen
- The court does not use a card reader to document access to the exhibit rooms.
- Currently, the court uses a combination lock on one exhibit room but there has been no review by a qualified individual from the Emergency Response System-Administrative Office of the Court (ERS) or the Sheriff to ensure that this lock meets GSA federal standards.
- There is no alarm system or CCTV cameras to monitor either exhibit room on a 24/7 basis. A CCTV provides additional monitoring of Exhibit Room access if the custodian is not domiciled in the Exhibit Room.
  - Cameras and CCTV would also provide a visual record should the custodian not record visitors on a log or when the custodian and her assistants access the exhibit room on weekends and/or after hours.
- There is no formal Access Log to document who and/or when visitors enter and exit the Exhibit Rooms. (The custodian keeps a record of visitors on her own and lists visitors by name, date and time of visit.) However, there is no independent review of her log.

### **Guns, Rifles and Other Weapons Not Retained In Most Secure Location**

We inquired about the different types of exhibits and whether they were segregated by risk levels. The part-time custodian advised us that exhibits were not separated such that the higher risk exhibits were placed in the exhibit room with a combination lock. Instead, exhibits of all risk levels were housed in both exhibit rooms. However, they were identified within each room by control number/case number and sometimes by risk type. Based on further inquiry, we determined that:

- Weapons and valuables were retained in the key-locked exhibit room rather than the combination exhibit room which would provide greater physical security.
- Guns were not always segregated from lower risk exhibits (banners, billboards and paper exhibits) and placed in a metal cabinet under lock and key.
- The Court removes ammunition from guns but does not retain ammunition in a separate bag or envelope away from the guns. When ammunition is retained in the same bag or envelope as the gun, there is a risk that the gun could be reloaded and used immediately.
- The custodian advised IAS that some guns were retained in a metal cabinet-locked-up in Exhibit Room #1. However, she advised us that none of these guns were tagged as “On Appeal”. Consequently, it is hard to easily determine which weapons are eligible for return or destruction/purging.

### **Bio-Medical Hazards**

The part-time custodian is responsible for handling and safeguarding bio-hazardous materials that she may come into contact with. We inquired as to whether the Court had such exhibits and she informed us that:

- The Court does have material and clothing containing blood, urine or material dampened by biological residues located in the exhibit room. These bio-hazardous materials are stored in bags which are tied-off but are not segregated from other exhibits. She also stated that they are not placed in heat-sealed bags.

### **Logical Security of the Exhibit/Subpoena System Access Limitations Can Be Improved**

We discussed the exhibits/subpoena inventory system with the part-time custodian and whether there were access limitations to this application. We were advised that;

- Access to the exhibit/subpoena system has been limited to five employees and requires passwords. However, there is no requirement to change passwords.
- All five users accessing the Exhibit/Subpoena system have the same level of access (i.e. read/write) and can update and/or delete information, and
- The exhibit/subpoena inventory system is not robust. Specifically, it is not capable of sorting exhibit record data to efficiently and effectively account for, inspect, inventory, transfer and/or purge exhibits.

### **Courtroom exhibit procedures and exhibit storage**

- Courtroom exhibit procedures have been written but are not included or referenced in a comprehensive Exhibit Manual.
- Following a trial, courtroom personnel inspect storage lockers in the courtrooms to ensure all exhibits are returned to the presenter and/or returned to the exhibit room. However, there is no documented record of which courtrooms have these storage lockers and the results of those inspections.

### **Recommendations**

The Court needs to enhance the overall physical security for exhibits in these areas;

- The Trial Court should designate a court security liaison to test, repair and train the custodian and her staff in the proper handling of security equipment.

Exhibits should be stored in the two exhibit rooms by the level of security appropriate for that exhibit. For example; those exhibits with higher risks should be retained in the exhibit room with the combination lock. Lower risk exhibits requiring less security should be retained in the exhibit room with the key lock.

- Consider using the ability granted in Penal Code §1417.3 to order the return of an exhibit when it poses “a security, storage, or safety problem.”
- Within each exhibit room segregate exhibits further by the type of exhibit (i.e. guns and other weapons should be separate from ammunition, drugs, valuables, and hazardous materials). While exhibits such as papers, documents, photographs, and subpoenas should be segregated for ease of inspection, inventory or purging.
- Consider moving the exhibit rooms to the Hall of Justice basement. This could provide needed space and enhance security and segregation of exhibits.
- Consider establishing a receiving room for the delivery of new exhibits. This would provide room for the custodian to check in new exhibits and place these into the exhibit inventory system.
- Consider relocating the custodian’s desk and computer next to the exhibit rooms to more effectively handle her exhibit functions, while controlling and accounting for access and visitors.
- Investigate returning more exhibits to the offering party as soon as allowed.

The Court should investigate the cost and feasibility of upgrading the one key lock exhibit room for consistency with the other exhibit's combination lock. If not feasible, the Court should maintain a key nest which is periodically and independently audited and locked when not in use. The Court may want to consider the following:

- Investigate the cost of and feasibility of installing an alarm system, closed circuit TV and/or a card system to monitor Court personnel in the exhibit rooms.
- Implement an Access Log to document visitors to the exhibit rooms and include; name, time and duration of visit, time left, and exhibit reviewed. The log should note who granted the access and the date that it was independently reviewed by the Fiscal Division.

Weapons and other valuables need to be retained in the combination lock exhibit room. The Court may want to ensure:

- Weapons are further separated in the combination lock exhibit room by being retained in a locked metal cabinet and away from the ammunition. The later should be stored in another locked metal cabinet.

Establish procedures when handling bio-hazardous materials to include the use of shrink-lock bags to ensure adequate protection at all times.

Limit access to the Exhibits/Subpoena system such that:

- Only designated employees have the ability to update this system while allowing others the ability to view exhibit/subpoena transactions on-line.
- Require passwords to be updated periodically (every 90 days).
- Enhance the exhibit/subpoena system to allow for sorting by all data elements to ease exhibits by type and location as an aide to inspection and inventory review.

The Court needs to document and/or reference its courtroom exhibit and/or storage procedures in an Exhibit Manual that include:

- Any courtroom exhibit procedures.
- Maintaining a list of those courtrooms with exhibit storage facilities.
- Documenting that courtroom exhibit inspections were performed and to verify that no exhibits were left in courtroom storage following trials.

**Superior Court Response By: Michael Yuen**  
Court agrees and will implement recommendations.

**Date: 3/1/10**

## **16.2 Court Lacks Full Time Custodian, Exhibit Procedures and Forms**

### **Background**

Exhibits are often presented in both criminal and civil cases. The term “exhibit” refers to evidence such as papers, documents, or other items produced during a trial or hearing and offered in proof of facts in a criminal or civil case. Exhibits may consist of photographs, contracts or deeds, weapons, drugs or drug paraphernalia, toxic substances such as PCP, ether, or phosphorous, cash or stolen goods such as stereo equipment or jewelry. The courtroom clerk is accountable for all exhibits while they are in the courtroom. At the conclusion of the trial or hearing, the courtroom clerk will contact the exhibit room to arrange delivery. The exhibit custodian then assumes responsibility for storing and safeguarding the evidence until final determination of the case which is based exclusively on information contained in the case file.

Trial courts are responsible for properly handling, safeguarding, recording and transferring exhibits. Those trial courts that successfully perform these duties maintain a full-time designated custodian and 1-2 assistant custodians. The custodian and assistant custodians consistently perform these functions according to policies and procedures outlined in a well written exhibit manual that is published that describes how to receive, store, account for, and transfer exhibits between the Court room and the exhibit room as well as handling and accounting for them at final determination and disposition. These policies and procedures include a set of standardized forms that are used to document the receipt of exhibits, include forms that label and describe the exhibit, report the time and place the exhibit was received, transferred in or out of the exhibit room and, final transfer /return or destruction.

### **Issues**

We met with the Criminal Division Manager at the Hall of Justice (HOJ) and her part-time custodian to discuss and review the Court’s exhibit procedures and the custodian’s functional responsibilities. The following conditions were identified as a result of our discussions.

#### **A. Court Lacks a Full-Time Custodian**

Many large courts in the State have full-time exhibit custodians and as well as assistants to process, record, and account for, transfer and purge exhibits. The Court’s Criminal Division located at the Hall of Justice oversees the responsibilities for exhibits and allocates one deputy clerk to handle all exhibit duties on a part-time basis. Internal Audit Services was advised that this part-time custodian devotes less than 15% of her time to exhibits while the vast majority of her time is used to perform criminal records functions. On Saturdays, she acts as the criminal bail collection clerk and if time permits, works on exhibits. Since she performs bail collection duties on Saturdays, she must take a day off during the week. On her day off, sick days and/or vacation she relies on two other deputy clerks to handle perform exhibits duties.

#### **B. Court Lacks Exhibit Manual of Procedures**

The Court has not developed and implemented an exhibit manual documenting its policies and procedures. These manuals normally contain the following;

- Standards for the proper handling, safeguarding, recording, transferring and purging of exhibits

- A policy statement that requires background checks for the exhibit custodian and her assistants
- A policy directive that requires all background checks to be documented and placed in the employee's personnel file
- A policy directive that states all custodians and assistant will be provided with a copy of the Exhibit Manual
- A policy statement that requires the custodian and assistant custodians to;
  - Read, and confirm that they have read and understood these policies and procedures as outlined in this manual.
  - Sign a document in which they agree to abide by the Exhibit Manual policies and procedures.
  - Should any time these policies and procedures be updated that, that the custodian and her assistants will be given a copy of these changes, read and agree to abide by these changes and
  - Sign a new statement that they have read them, agree to abide by them and, this statement will also placed in their personnel file.
- Procedural requirements that the combination lock and/or key locks will be changed whenever an employee transfers into or out as the custodian or assistant custodian and, if either exhibit personnel otherwise be compromised.
- Procedural requirements that include establishing an Incident Report whenever an exhibit is lost, stolen or damaged and if the Exhibit Rooms become compromised.
- Procedures should provide examples and directions for completing all forms used by the Exhibits unit, such as;
  - Tie-on tags forms for guns, rifles and other weapons;
  - forms for all valuables including money, jewelry, stocks and bonds, and other negotiable instruments
  - Pre-numbered, three-part transfer /receipt form to transfer exhibits from the courtroom to the exhibit room.
  - Standard forms on all exhibit bags and boxes
  - Information should include; exhibit number, case number, date of receipt, shelf and row stored in, name of visitors inspected and, when and what purpose, and pending removal and when purged the date, person picking-up and date destroyed
  - Pre-numbered, three-part transfer /receipt form to transfer exhibits from the courtroom to the exhibit room.

### **Recommendations**

The trial court, in order to properly handle, safeguard, record, transfer and purge exhibits in a timely and accurate manner needs to implement the following:

- A. Establish a full-time custodian position that would be responsible for handling all the exhibit related duties.
- B. Draft an Exhibit Manual that documents the Court's policies and procedures. The manual should include all forms used by the exhibit custodian in the handling of exhibits to their final determination.

**Superior Court Response By: Michael Yuen Date: 12/22/09**

Court agrees that the exhibit room needs to be properly maintained, and in fact has begun doing so. The Court has taken steps to clean out and organize the exhibit room. Further, an analysis will be performed to see if a custodian can be sustained on a long-term basis. Given the current fiscal climate that has necessitated a hiring freeze at the Court, a custodian will not be reality for quite some time. However, if the Court's analysis concurs with the audit recommendation, a custodian will be hired when the budget permits.

**16.3 Court Needs to Monitor and Control Exhibits from Receipt to Disposition****Background**

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

- A periodic and independent inspection by Court employees not handling exhibits
- A physical inventory of exhibits to confirm their existence and comparison of the records stored in a limited-access computer program and/or, a well maintained manual inventory system, and
- A methodology to purge exhibits in a timely manner and according to statutes and law.

**Issues**

Internal Audit Services provided an internal control questionnaire to the Criminal Division Manager-Hall of Justice (HOJ) and her part-time custodian for their completion. After reviewing their responses we met with them to discuss the Court's monitoring and control of the exhibit function and determined that:

- The Court currently has in excess of 4,000 exhibits in two HOJ exhibit rooms. Exhibit room #1 contains over 2,500 exhibits while exhibit room #2 had about 1,500. We inquired as to why the Court had so many exhibits. The custodian stated that;
  - The exhibit rooms contain exhibits which grow faster than the custodian has had time to purge them. One reason exhibits are growing is that the custodian is only a part-time custodian devoting about 1/7<sup>th</sup> or fifteen percent of her work week to the exhibits function. Her remaining work week is devoted to performing criminal records and acting as a bail collection clerk one shift a week.
  - The Criminal Manager pointed-out another reason. Upon her arrival as the new Criminal Division Manager, she noticed the door to Exhibit Room #1 was extremely difficult if not impossible to close. Only when she made a concerted effort to purge and return exhibits to the party who presented the exhibit at Court did the numbers of exhibits diminish. Since that date, she and the custodian have been able to purge some exhibits but must continue to purge them or else run the risk that the door will not close.
  - The court does not perform a surprise, independent inspection of the exhibit rooms at least every 120 days. The results of the inspection should be noted in a memorandum to the Criminal Manager and the Court's Chief Fiscal Officer.

### **Recommendations**

Although the Court is to be commended for beginning to return exhibits after the trial, given the number of exhibits, the Court should consider obtaining and using a computer-based exhibit inventory system that can sort exhibit records and provide exhibit reports that can be used to perform:

- Periodic independent inspections by a party not associated with Criminal Division (i.e. Fiscal Services) to ensure procedures are followed by staff and records are current.
- A physical inventory of exhibits to compare exhibits maintained to an on-line inventory system, and the case management system records to the case management files periodically. If done, the Court should maintain a record of this physical.

**Superior Court Response By: Michael Yuen**

**Date: 12/22/09**

Court agrees that the exhibit room needs to be properly maintained, and in fact has begun doing so. The Court has taken steps to clean out and organize the exhibit room. Once an inspection process is in place, independent inspections shall be conducted, and physical inventories shall be matched to online inventories.

## 17. Facilities

### Background

In 1997, the Lockyer-Isenberg Trial Court Funding Act of 1997 (Assembly Bill 233) provided that trial court operations are to be funded by the state, rather than primarily by the counties, as they have been prior to the enactment of the Act. Counties, however, continue to bear primary responsibility for trial court facilities.

In 2002, the Trial Court Facilities Act of 2002 (Senate Bill 1732) was enacted into law. The purpose of this act is to transfer the responsibility for trial court facilities funding and operation of California's more than 450 courthouse facilities from the counties to the state. Uniting responsibility for operations and facilities increases the likelihood that operational costs will be considered when facility decisions are made, and enhances economical, efficient, and effective court operations.

### Responsibility for Court Facilities

GC 70312 provides that if responsibility for court facilities is transferred from the county to the Judicial Council pursuant to this chapter, the county is relieved of any responsibility under Section **70311** for providing those facilities. The county is also relieved of any responsibility for deferred or ongoing maintenance for the facility transferred, except for the county facilities payment required by Section 70353.

### Transfer Status

According to the Office of Court Construction Management's (OCCM) "*Completed Transfer Agreements through September 30, 2009*", the City and County of San Francisco has entered into the following transfer agreements with the Judicial Council:

Building Name	Agreement Type	Executed Agreement type	Effective Date of Transfer
Polk Street Annex	Transfer of Responsibility	12/04/2008	12/04/2008
Civic Center Courthouse	Deferred Transfer of Title (The transfer of title will occur when the bonded indebtedness is fully discharged.)	12/31/2008	12/31/2008
Hall of Justice	Transfer of Responsibility	12/31/2008	12/31/2008
Youth Guidance Center	Transfer of Responsibility	12/31/2008	12/31/2008
Family Justice Center	Deferred Transfer of Title	03/27/2009	03/31/2009
Family Justice Center Site - Bldg 1			
Family Justice Center Site - Bldg 2			
Family Justice Center Site - Bldg 3			

The Family Justice Center consists of approximately 84,981 square feet land of land and Building 1, 2, and 3 (the "Real Property") located on the improved portion of the land. The land is a portion of a larger property commonly known as 375 Woodside Avenue, San Francisco, CA. On December 17, 2004, the Court and the City and County of San Francisco entered into a

Memorandum of Understanding (MOU) to conduct an interdepartmental transfer from the City and County departments that had jurisdiction over the Real Property to the Department of Administrative Services. The consideration paid for this Real Property was \$6,000,000 transferred from the Courthouse Construction Fund. A transfer of title will occur when future easement agreements are agreed upon by and the Real Property is released from the encumbrance of the existing debt encumbering the Real Property.

### General Ledger

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

Account	Combined Fund		Inc. (Dec.)	% Change
	2007-08	2006-07		
<b>Revenues:</b>				
821127 Local Fee 7	15,600.00-	6,000.00-	9,600.00	160.0
<b>Expenditures:</b>				
935203 STORAGE	7,485.04	4,197.60	3,287.44	78.3
* <b>935200 - RENT</b>	<b>7,485.04</b>	<b>4,197.60</b>	<b>3,287.44</b>	<b>78.3</b>
935301 JANITORIAL SERVICES	1,704,800.37	1,517,792.74	187,007.63	12.3
935303 JANITORIAL SUPPLIES	351.54	1,112.83	761.29-	68.4-
* 935300 - JANITORIAL	1,705,151.91	1,518,905.57	186,246.34	12.3
935401 REPAIRS	174.00		174.00	
935402 HVAC EQUIPMENT	6,115.17	301,992.60	295,877.43-	98.0-
935406 WOOD OR TILE FLOOR		3,420.00	3,420.00-	100.0-
935410 FUEL FOR EQUIPMENT		15.50	15.50-	100.0-
935499 MAINT & SUPPLIES		264.48	264.48-	100.0-
* <b>935400 - MAINTENANCE AND SUPP</b>	<b>6,289.17</b>	<b>305,692.58</b>	<b>299,403.41-</b>	<b>97.9-</b>
935601 ALTERATION & IMPROVE	122,431.61	268,033.97	145,602.36-	54.3-
* <b>935600 - ALTERATION</b>	<b>122,431.61</b>	<b>268,033.97</b>	<b>145,602.36-</b>	<b>54.3-</b>
935701 SIGNS & RELATED SPLY	148.71		148.71	
935703 FLAGS/BANNERS	65.13	5,819.03	5,753.90-	98.9-
935799 OTH FCLTY CSTS-GOODS	2,214.88		2,214.88	
* <b>935700 - OTHER FACILITY COSTS</b>	<b>2,428.72</b>	<b>5,819.03</b>	<b>3,390.31-</b>	<b>58.3-</b>
935801 WASTE REMOVAL SERVICE	5,842.33	4,692.71	1,149.62	24.5
935899 OTH FCLTY CSTS-SVC	18,436.11		18,436.11	
* 935800 - OTHER FACILITY COSTS	24,278.44	4,692.71	19,585.73	417.4
** <b>FACILITY OPERATION TOTAL</b>	<b>1,868,064.89</b>	<b>2,107,341.46</b>	<b>239,276.57-</b>	<b>11.4-</b>
<b>Other Expenditures:</b>				
938406 ARCHITECTURAL SVC	160,368.59	119,941.13	40,427.46	33.7
942901 County -- other services	432,533.65	616,713.49	-184,179.84	-29.86

IAS is involved on an on-going basis in reviewing facility transfers and facility construction projects for all trial courts through coordination with the AOC's Office of Courthouse Construction and Management (OCCM). IAS utilized the information obtained from this work and performed a review of facility related expenditures including lease agreements to make the determination whether the Court's expenditures are allowable or unallowable costs as defined and provided for in GC 77003 and CRC 10.810. Additionally, we reviewed procurement documentation and invoices, if selected, as part of our procurement and accounts payable testing discussed in Sections 9 and 11, respectively, of this report.

IAS also reviewed the local fee revenues reported by the Court for lease payments received from the two tenants at the Civic Center Courthouse.

#### Janitorial Services:

GL Account	FY 2007/2008	FY 2006/2007	Variance	Description of Expenditures	Facilities
935301- Janitorial Services	\$1,704,800	\$1,517,793	\$187,008	custodial services, scavenger, and interior painting	Civic Center Courthouse, Polk Street Annex
942901 - County - Other Services	432,534	616,713	-184,180	custodial services	Hall of Justice (HOJ)
Total	\$2,137,334	\$2,134,506	\$2,828		

The Court has an MOU with the City and County of San Francisco (CCSF) for it to provide janitorial services to the Court. In fiscal year 2007 – 2008, service costs included:

- An increase of \$187,000 in account # 935301 (Janitorial Services) was primarily due to \$124,000 of charges for interior painting services provided by the City and County of San Francisco (CCSF) that was misclassified as janitorial services. Also included in this account are expenditures for scavenger services that are non-CRC 10.810 allowable costs.
- A decrease in account # 942901 (County-Other Services) was primarily due to an over – accrual of \$80,000 in FY 2006/2007 for janitorial services paid to the CCSF for the Hall of Justice. This over-accrual resulted in the overstatement of FY 2006/2007 expenditures with a corresponding understatement in FY 2007/2008 expenditures.

Issues were also noted regarding the CCSF's methodology in charging the Court for janitorial services. See Audit Report Section 10.2.

#### Other Issues Noted

- The Court expended Court funds for non-California Rules of Court (CRC) 10.810 allowable expenditures and also misclassified some expenditures. See 17.1 below.
- Rental revenue arrangements were not formalized in a Memorandum of Understanding (MOU).

## 17.1 The Court Expended Court Funds on Facility Related Expenditures

### Background

#### Court Operations Defined

GC 77003 (a) enumerated what constituted “court operations” with GC 77003 (a) (8) further providing that court operations to include other matters listed as court operations in Rule 10.810 of the California Rules of Court as it read on January 1, 2007.

CRC 10.810 (b) (2) specifically excluded from the definition of “court operations” expenditures incurred for courthouse construction and site acquisition, including space rental (for other than court records storage), alterations/remodeling, and relocating court facilities.

CRC 10.810 (d) Function 10 (All Other Court Operations) provided examples of allowable cost items to include: furnishings, interior painting, replacement/maintenance of flooring, furniture repair, janitorial services, and space rental for court records.

CRC 10.810 (d) Function 11 (County General Services) provided examples of unallowable facility related cost items: construction services, purchase, installation, and maintenance of HVAC equipment, utility use charges, alterations and remodeling...

#### Court Funded Request (CFR) Process

GC 68085 (a) (2) (A) provided that the Judicial Council may authorize the direct payment or reimbursement or both of actual costs from the Trial Court Trust Fund or the Trial Court Improvement Fund to fund the costs of operating one or more trial courts upon the consent of participating courts. These paid or reimbursed costs may be for services provided to the court or courts by the Administrative Office of the Courts or *payment for services or property of any kind* contracted for by the court or courts or on behalf of the courts by the Administrative Office of the Courts.

The direct payment or reimbursement of costs from the Trial Court Trust Fund may be supported by the *reduction* of a participating court's allocation from the Trial Court Trust Fund to the extent that the court's expenditures for the program

are reduced and the court is supported by the expenditure... The Judicial Council shall establish procedures to provide for the administration of this paragraph in a way that promotes the effective, efficient, reliable, and accountable operation of the trial courts.

GC 68085 (B) provides that the term "costs of operating one or more trial courts" includes any expenses related to operation of the court or performance of its functions, including, but not limited to, statewide administrative and information technology infrastructure supporting the courts. The term "costs of operating one or more trial courts" is not restricted to items considered "court operations" pursuant to Section 77003, but is subject to policies, procedures, and criteria established by the Judicial Council, and *may not* include an item that is a cost that

must otherwise be paid by the county or city and county in which the court is located.

#### Administrative Office of the Courts – CFR Process

In order to implement the provision of GC 68085, the Administrative Office of the Court's (AOC) May 16, 2006 memorandum issued to the courts provided guidance regarding the CFR process. If a court has pressing facilities needs for which the county is not responsible and for which the court has available funds, the court can submit a CFR to the AOC for approval. The AOC will work with the court and from the information provided by the court (project scope, leased space, location, estimated one time and on-going costs, impacts to court operations, financial information, and others), a determination would be made regarding the viability including the court's ability to absorb the cost impact of the proposed project or acquisition.

Once the CFR is approved, the court would authorize the AOC to reduce the court's state allocation of trial court funds in an amount that corresponds to what the AOC would have expended for the facility acquisition or improvements. In addition, a memorandum of understanding (MOU) or other document between the court, the AOC, and/or the county would be prepared to document the transaction.

#### Two Court Funded Requests Submitted by the Court:

In October 2008, the Court submitted two (2) Court Funded Requests (CFRs) to the Administrative Office of the Courts (AOC) for the following projects:

Project Title	Approximate Cost (Not including Architectural and Soft Costs)	Description of Project
The HOJ Jury Assembly Room Project (Project # 0706)	\$689,537*	This project seeks to rehabilitate the jury assembly room at the Hall of Justice (HOJ) - costs to include: paint, carpet, furniture and equipment, and construction work to include millwork, electrical, and erecting a 7" partition wall.
The HOJ Courtrooms Refurbishment Project (Project # 0708)	1,635,897*	This project seeks to rehabilitate the 21 courtrooms at the Hall of Justice (HOJ) - costs to include: paint, carpet, furniture and equipment, and minor construction work to include minor electrical and plumbing work. Much of the furniture refurbishment and replacement are to fixed furniture.
Total	\$2,325,434	

\*See Table A below for architectural services costs incurred for these two CFRs.

The Court stated in the October 2008 CFR requests that it is seeking the use of court funds because the City and County of San Francisco, which is currently still responsible for maintaining the court facility as it has not yet transferred (but has since transferred as of December 2008), has budget shortfalls and has deferred many maintenance projects at the Hall of Justice.

In December 2008, the AOC informed the Court that although it supported the Court’s intent of the project as requested and described in the two CFR requests, additional information such as complete ADA accessibility and environmental hazards assessment of the Hall of Justice, complete total project budget, and funding sources for these projects are needed in order to adequately evaluate the projects.

The two CFR projects are currently on hold since the AOC have not made a determination regarding the viability of the projects.

Architectural Services

The Court contracted with an architectural and interior design firm for services ranging from cubicle redesign for ergonomic purposes to the remodeling and reconfiguration and construction of furniture. The Court’s contract with this architectural/interior design firm expired in May 2009. The contract was not renewed since the Court’s facilities were transferred to the Judicial Council and the Court will be going through the AOC for its facility related needs.

The Court reported the following in its general ledger account # 938406 (Architectural Services):

**Table A: Architectural Services**

Project #	Description	2007/2008	2006/2007	Total	Description of the Project
0706	SFHOJ (San Francisco Hall of Justice) Jury Preparation Room 307	\$56,339	\$7,167	\$63,506**	<u>The HOJ Jury Assembly Room Project:</u> According to the Court: Interior design planning for the jury assembly room refurbishment at the Hall of Justice.  (Related to the October 2008 CFR request of \$689,537).
0625	SFMC Traffic	6,817	72,559	79,376	According to the Court: Interior design planning of the Traffic Division counter (Room 145) at the Hall of Justice.
0708	SF - HOJ- Facility Upgrade	32,077	1,109	33,186**	<u>The HOJ Courtrooms Refurbishment Project:</u> According to the Court: Planning of the refurbishment of all the courtrooms at the Hall of Justice, including new carpet, paint, wall washing, and furniture refurbishment.  (Related to the October 2008 CFR request of \$1.6 million).
0635	Acoustical Study	0	6,490	6,490	According to the Court: Acoustics study at the Civic Center and Hall of Justice Courthouse due to extraordinarily high noise level.
0703	HOJ - qmatic (room 101 and 145)	1,328	5,537	6,865	According to the Court: Space planning work to explore how to implement new queuing equipment in Room 101 and 145 at the Hall of Justice. Work would have included options for reconfiguring existing modular furniture to accommodate the new furniture.
	Miscellaneous	10,085	1,414	11,499	
Sub-total - Architectural Services – row A		106,646	94,276	200,922	
Sub-total - Furniture and Office Accessories – row B		53,722	25,666	79,388	
Total		\$160,368	\$119,942	\$280,310	

\*\*\$96,692 - total architectural services paid related to the two CFR requests submitted to the AOC.

## Issues

During our review of the Court's facility related expenditures, IAS identified the following issues (see also related issues regarding the Court's procurement and contract management practices):

1. The Court expended court funds on non-CRC 10.810 allowable expenditures - \$279,635 in FY 2007/2008 and \$400,961 in FY 2006/2007. Except for the two CFRs submitted (see Table A, Project # 0706 and 0708) where architectural services were incurred, the Court did not submit to the AOC Court Funded Requests for the other facility related expenditures.

**Table B: Non-CRC 10.810 Allowable Expenditures**

Row	G/L Accounts	Non-Rule 10.810 Allowable Expenditures included in these G/L accounts			Description of Non-Rule 10.810 Allowable Expenditures Reported in these G/L accounts
		2007/2008	2006/2007	Total	
A	<b>Architectural Services /Remodeling:</b> 938406 Architectural Services	\$106,646	\$94,276	\$200,922	Architectural services for various projects.
B	935601 Alteration and Improvements	122,432	0	122,432	Paid to the City and County of SF Department of Public Works to bring the tenant improvement at the HOJ Department 29, room 201 into full compliance with the SF Building Codes.  (Note: In FY 2006/2007, the Court reported \$268,000 in alteration and improvements. This was funded by the AOC for the installation of bullet resistant windows at the Youth Guidance Center (YGC). )
C	<b>HVAC:</b> 935402 HVAC Equipment	6,115	301,993	308,108	In FY 2006/2007, the Court reported \$301,993 for expenditures incurred in the purchase and installation of two (2) Data-Aire 10 ton precision cooling system at the Hall of Justice. FY 2007/2008 also includes expenditures related to the 2006/2007 HVAC expenditures.
D	<b>Janitorial (including scavenger)</b> 935301 Janitorial Services	33,000	0	33,000	For scavenger expenditures at the Civic Center Courthouse.
E	935801 Waste Removal Service	5,842	4,693	10,535	For scavenger expenditures at the Polk Street Annex.
F	<b>Others:</b> 935899 Other Facility Costs	5,600	0	5,600	Design services for new jury seating for the 20 courtrooms at the Hall of Justice.
	<b>Total</b>	<b>\$279,635</b>	<b>\$400,961</b>	<b>\$680,596</b>	

### Architectural Services

CRC 10.810 (b) (2) specifically excluded from the definition of “court operations” expenditures for alterations/remodeling. In FY 2006/2007 and 2007/2008, the Court obtained the services of an architectural and interior design firm and paid a total of \$200,922 for architectural services (see table B above, row A) involving the alteration/remodeling work performed or proposed to be performed primarily at the Hall of Justice.

Included in the \$200,922 is \$96,692 (see Table A, project # 0706 and # 0708) paid for architectural services for the two Court Funded Requests (CFR) projects. According to the Court, the two projects started initially as simple furniture replacement but evolved into remodeling project since the architect/interior decorator recommended some construction work in order to creatively use the space at the Hall of Justice. Additionally, architectural/interior design services costs were incurred in order to provide the AOC with information regarding its CFR requests. In FY 2008/2009, the Court paid an additional \$53,000 for these two proposed CFR projects that have since been put on hold.

### Alteration and Improvement

This project was budgeted at \$287,000 and in addition to the \$122,000 paid to the City and County of San Francisco (CCSF) in FY 2007/2008, the Court paid \$137,000 in FY 2008/2009 for this project. Total paid to the CCSF for this project for the two fiscal years totaled \$259,000. According to the Court, it is negotiating with the City and County for reimbursements for amounts paid by the Court since the alteration and improvement work performed was a City and County responsibility.

2. The Court did not formally monitor the payments for architectural services. Although the invoices from the architectural/interior design firm were approved by either the previous Court Financial Officer or the assistant Chief Executive Officer, there was an absence of budget for architectural services for each project and the tracking of architectural services paid against the budget.
3. Misclassification of expenditures (FY 2007/2008 \$54,000 and FY 2006/2007 \$25,666, see Table A, row B) for furniture and office accessories into account # 938406 (Architectural Services).

Misclassification of \$124,000 expended for interior painting of court facilities in FY 2007/2008 to janitorial services account # 935301 (Janitorial Services).

### **Recommendations**

1. The Court must ensure that Court funds are expended only for expenditures that are considered “court operations” as defined and provided for in GC 77003 and in CRC 10.810. Since the Court’s facilities have since transferred from the City and County to the Judicial Council, the Court must contact the AOC’s Office of Courthouse Construction and Management for its facility related needs.
2. In addition to recommendation in # 1 above, for any future facility related expenditures that are approved by the AOC via the Court Funded Request (CFR) process, the Court

must also monitor the “soft costs” (for example architectural services) associated with the project.

3. The Court must ensure that expenditures are recorded in the proper general ledger account numbers.

**Superior Court Response By: Michael Yuen Date: 6/24/10**

All of the issues presented in this area are currently non-existent because they have either been resolved or because the AOC is not responsible for the Court’s facilities. Prior to the AOC assuming facilities responsibility, the County was responsible, and their understanding of what was their responsibility was not always consistent and often times was determined by availability of funding. The Court was not going to allow these disputes to either ruin our IT equipment (as was the case with the HVAC cooling project) or leave projects already underway stalled (as was the case with the Department 29 and Room 201 improvements). Further, projects that began as CRC 10.810 projects consisting of furniture, carpet, and paint (all CRC 10.810 allowable) have the potential to morph into expanded scopes that entail hard construction and other items that are not CRC 10.810 allowable. It was not feasible to freeze these projects just because of bureaucratic constraints, which is why they proceeded. The Court was transparent in reporting these under the AOC’s court funded requests (CFR) process, and in fact, the AOC required cost estimates and other details that are impossible to obtain without expanding the scope of a project beyond what is CRC 10.810 allowable. For these reasons, the Court disagrees that these expenses were improper. However, this is all moot because now that the AOC holds facilities responsibilities, the Court will seek all facilities work, including CRC 10.810 allowable work, through the AOC.

## **17.2 Rental Revenue Arrangements were not formalized in a Memorandum of Understanding**

### **Background**

The FIN Manual, Procedure Number 7.02 provides that an MOU is a written statement that outlines the terms of an agreement or transaction. It contains the basic elements of a contract and discloses the parties, the nature and substance of the agreement, and the consideration. MOUs are often used to document agreements between government entities either as a precursor to a contract or as a contract itself. Because of the historical relationship between the trial court and counties, MOUs are commonly used to establish agreements between the two.

### Local Fee 7

GL Account	Description	FY 2007/2008	FY 2006/2007	Variance
821127	Local Fee 7	\$15,600	\$6,000	\$9,600

Prior to the December 2008 transfer of responsibility of the Civic Center Courthouse (Courthouse) to the Judicial Council, the City and County of San Francisco (CCSF) entered into

a lease agreement with two tenants in the Courthouse: a California non-profit organization to operate the Children's Waiting Room with an annual rental payment set at \$1 per year and a family partnership to operate a cafeteria with rental payments set at \$200 per month prior to May 2007, \$1,500 per month from May 2007 to April 2008 and \$1,600 from May to June 2008.

The Court and the CCSF had an oral agreement for the Court to receive the rental payments from the two tenants and these rental payments were recorded by the Court in G/L account # 821127 (Local Fee 7).

As part of the transfer of the Civic Center Courthouse, the CCSF also assigned, delegated and transferred the two lease agreements (which include the right to receive rental payments) to the Judicial Council. Effective January 1, 2009, the Court no longer receives the rental payments from the cafeteria and the Children's Waiting Room lease.

### **Issue**

The Court had an arrangement with the CCSF to receive rental payments but the arrangements were not formalized in a Memorandum of Understanding (MOU).

### **Recommendation**

While oral agreements are generally enforceable, written agreements such as MOUs better protect all parties to the agreement. It is often difficult to appreciate the value of a written agreement when all parties are satisfied with the performance of the agreement. However, a well drafted, properly executed written agreement is very valuable when problems arise.

Effective January 1, 2009, the Court is no longer receiving the rental payments from the Civic Center Courthouse leases. IAS' recommendation is for the Court to ensure that for any future revenue sharing agreements with the City and County or other entities, the Court must have the arrangement documented in an MOU.

**Superior Court Response By: Michael Yuen Date: 5/20/10**

The Court agrees and has implemented the recommendation as of 1/1/09 as mentioned.

## 18. Bail

### Background

Penal Code §1269b states; (a) The officer in charge of a jail in which an arrested person is held in custody, an officer of the sheriff's department or police department of a city who is in charge of a jail or is employed at a fixed police or sheriff's facility and is acting under an agreement with the agency that keeps the jail in which an arrested person is held in custody, an employee of a sheriff's department or police department of a city who is assigned by the department to collect bail, the clerk of the superior court of the county in which the offense was alleged to have been committed, and the clerk of the court in which the case against the defendant is pending may approve and accept bail in the amount fixed by the warrant or arrest, schedule of bail, or order admitting to bail in cash or surety bond executed by a certified, admitted surety insurer as provided in the Insurance Code, to issue and sign an order for the release of the arrested person, and to set a time and place for the appearance of the arrested person before the appropriate court and give notice thereof.

While Penal Code §1269b is not definitive as to whether the sheriff, the police and/or the clerk of the superior court should approve and accept bail, it seems that the sheriff and/or police are more likely to man the jail than a superior court clerk.

### 18.1 Twenty-Four Hour Bail Collection Lacks Adequate Internal Controls

#### Background

When the Court was still a part of the County, the Court agreed to accept bail and bond payments because the Hall of Justice building also contains the County Jail. To the best of our knowledge, no other court in the state operates in this fashion.

While reviewing the Court's bail collection function, we noted the following cash handling practices and procedures. Such issues are typically discussed in the Cash Handling section of the audit report. Instead, these issues relate to a bail function which necessitated a separate discussion.

#### Issues

While IAS recommends the Court transfer this function to the County, to the extent the Court continues to perform this function, IAS identified the following concerns:

##### *A. Inappropriate Segregation of Duties and a Lack of On-site Supervision*

Proper segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction. The concept provides built in checks and balances that eliminate and/or mitigate opportunities to conceal errors or irregularities. Our review of the swing and graveyard shift schedules indicated that;

1. There is no supervisor on duty from 5:00 PM to 10:00 PM Monday through Friday.
2. There is no supervisor on duty during the weekend grave yard shift.

3. Prior to the shift change from grave yard to the day shift, there is only one employee present between 7:00 AM to 8:00 AM each day and there is no supervisor on duty at that time.

As a result, only one bail clerk performs this function for some and/or all of the swing and graveyard shifts. In addition, , there is no supervisor on duty 88 of the 168 total hours (52%) each week to monitor the bail collection function and ensure that all bail is collected and reconciled.

*B. Lack of Adequate Comprehensive Written Policies and Procedures*

In June 2009 the Criminal Division prepared its own written bail procedures which IAS later compared to cash handling procedures in FIN 2.02, Cash Handling. Our analysis of the court's written procedures follows. The procedures do not:

- Require the clerk to place collections into a lockable cash drawer during their shift or balance their bail collections to the Time Pay Account system (TPA).
- Expressly require the clerk to count cash taken at the counter in front of the payer.
- Include a requirement to provide the customer with a printed, sequentially numbered receipt.
- Require a supervisor's approval before returning a disputed amount to the customer.
- Specify that a bail clerk not handle payments made by relatives or personal friends.
- Require supervisors to review, approve, and date void transactions.
- Identify overages and shortages by payment.

*C. Inadequate Controlled Access to Assets*

IAS noted the bail window is within five feet of a door where court employees are constantly passing through during normal work hours. This lack of physical barriers may increase the court's susceptibility to thefts of opportunity.

*D. Proper Authorization and Documentation*

Clerks take cash, checks, money orders and credit cards at the bail window. However, they do not make a list of the customers submitting bail, the amount, time, and the case number. This information is entered into the TPA system and a receipt is provided to the customer. However, the clerk does not retain a copy of the transaction.

*E. No Periodic Unannounced Audits or Inspections are performed*

The Court does not perform reviews to ensure court employees comply with collection procedures or unannounced audits of bail collection.

**Recommendations**

To the extent the Court continues to collect bail as specified above, the Court must enhance its current bail collection procedures. Cash handling procedures are outlined in FIN 2.02, Cash Handling. The following procedures (extracted from the FIN Manual) should be incorporated into the court's written bail procedures including:

- A. The Court should review FIN Manual 2.02, 6.3.1 (Segregation of Duties) to enhance segregation of duties such that the Court shall evaluate its current plan and schedules to ensure that appropriate segregation is attained to safeguards assets and include supervisory review at all times.
- B. The court has established written bail policies and procedures but should expand on them to include certain procedures from FIN 10.02:
1. Paragraph 6.3.2(c) to address depositing revenue in a cash drawer, vault, or locked cabinet.
  2. Paragraph 10.6.3.10 for Daily Balancing and Closeout.
  3. Paragraph 6.3.2 (b) to count cash when receiving payment.
  4. Paragraph 6.3.7, to require a receipt be provided the customer.
  5. Paragraph 6.3.2.b, (i, ii, iii, iv, and v) requiring the supervisor to be present prior to retuning disputed amounts to customers, and to use other court employees when relatives or friends make payments.
  6. Paragraph 6.3.8 (Voids) shall be included where the supervisor's review and approval of void transactions is required.
  7. Paragraph 6.3.11 (Overages and Shortages) paragraphs 1-3 shall be included to properly identify and account for overages and shortages.
- C. The Court should review FIN 2.02, 6.3.4, paragraph 4, and include limits on access to assets to authorized personnel while restricting physical access to the bail collection area to others. This can be through the use of barriers, walls, or locked doors.
- D. The Court should review FIN 2.02, 6.3.5, paragraph 2, to ensure that when processing transactions evidence of authorization is maintained in the accounting files to document proper authorizations and conformance to the terms and conditions of the authorizations. Additionally, the Court should maintain a record of all transactions through the use of TPA receipt copies.
- E. The Court should review FIN 2.02, 6.3.4 (Supervision) to incorporate appropriate supervisory reviews to ensure:
1. All appropriate procedures are followed.
  2. Employees apply due care and diligence in the performance of their duties.
  3. Supervisors perform unannounced reviews of cash collections to assure employees comply with approved policies and procedures.

**Superior Court Response By: Michael Yuen Date: 6/24/10**

Court agrees with the issues and recommendations presented. However, the Court intends on pursuing the goal of transitioning the bail function to the Sheriff's Department rather than implement the recommendations. One step has already been taken in that as of 2/17/10, the Court no longer takes off-hours bail. The Sheriff's Department now performs this function, and with time, the Court hopes to have the Sheriff take over bail 24/7.

## 18.2 Twenty-Four Hour Bail Collection Does Not Appear To Be Cost Effective

### Background

The Court has continued a unique relationship with the County whereby the Court never closes the criminal division located at the Hall of Justice so that bail and bond payments can be made at any time during the day or night (24 hours a day/ 7 days a week). This relationship pre-dates the separation of the court and county pursuant to the Lockyer-Isenberg Trial Court Funding Act of 1997 (Chapter 850, Statutes of 1997). When the Court was still a part of the County, the Court agreed to accept bail and bond payments because the Hall of Justice building also contains the County Jail. To the best of our knowledge, no other court in the state operates in this fashion. Additionally, there appears to be an agreement with the arresting entity (i.e., local sheriff or police department) in which the Court holds the bail and payments until the court reopens the next court day.

### Issue

In our 2006 Audit Report, Internal Audit Services (IAS) performed an analysis of the cost incurred by the Court to perform the bail collection for the Sheriff. The analysis indicated that the cost to perform this function for the Sheriff did not appear to be cost justified. IAS recommended that this activity be performed by the Sheriff. The Court in its audit response stated;

*“Court concurs, and has pursued a policy of eliminating the taking of bail for the past 20 years. With the County and Court’s transition to a replacement of the various justice systems, bail tasks will be assumed by the Sheriff’s Department.”*

However, the Court is still performing this function for the Sheriff. Based upon data provided by the Court, IAS estimates the Court spent about \$730,000 in base salaries for FY 08 – 09 to perform this function for the Sheriff for which it is not reimbursed by the County for the CRC 10.810 unallowable portion. Moreover, using a 3% per annum salary each year since IAS identified this issue in FY 06 – 07; the Court has spent approximately \$ 2.1 million dollars on this activity.

### **Cost- Effectiveness of Bail Collection**

As stated, the Court spent about \$730,000 in base salaries for FY 08 – 09 and approximately \$2.1 million over the last 3 fiscal years using a 3% annual salary increase to perform 24-hour bail collection in the Hall of Justice (HOJ). This as noted above also includes a CRC 10.810 allowable portion for collections during normal court hours. To perform this function, the Court currently employs ten employees of which eight (including the supervisor) work the swing and graveyard shifts while two employees handle the day shift.

Based upon salary costs paid to the ten employees who staff HOJ and perform bail collections and the number of bail and bond payments received from June 1, 2009 through August 30, 2009, IAS determined (*See tables below for details*):

- *High costs of differential pay* – Swing and graveyard shifts account for 82% of the total payroll costs.

- Low frequency of processed bail – On average, the Court processes a total of 6 bail transactions over a 24-hour period which translates to approximately \$460 of payroll costs per transaction.
- Low frequency of cash bail – Cash bail transactions on average account for only 5% of total bail collected and 6% of total number of transactions processed or about 1 in every 20 collections.
- High value cash bail – Average amount per cash bail transaction is \$26,270.

**Table 1.** Estimated Payroll Costs to Operate 24-Hour Bail Collection for FY 08-09

<b>Employee Shift</b>	<b>Annual Cost</b> (2080 hours)	<b>Daily Cost</b> (8 hours)	<b>%</b>
Swing/Graveyard/Weekend	\$597,428.00	\$2,297.80	82%
Day	\$128,882.00	\$495.70	18%
<b>Totals</b>	<b>\$726,310.00</b>	<b>\$2,793.50</b>	
<b>Note:</b>			
\$ amounts based on employees' hourly wage as of 7/11/08			

**Table 2.** Bail Collection Activity for 3-Month Period in 2009

	<b>June</b> (30 days)	<b>July</b> (31 days)	<b>August</b> (30 days)	<b>Totals</b>	<b>%</b>
Total \$	\$ 3,792,108.00	\$ 6,456,828.00	\$ 8,340,772.00	<b>\$ 18,589,708.00</b>	
<i>Cash Bail</i>	153,000.00	635,250.00	131,200.00	<b>919,450.00</b>	5%
<i>Surety Bond</i>	3,639,108.00	5,821,578.00	8,209,572.00	<b>17,670,258.00</b>	95%
Total # of Transactions	137	203	213	<b>553</b>	
<i>Cash Bail</i>	8	17	10	<b>35</b>	6%
<i>Surety Bond</i>	129	186	203	<b>518</b>	94%
Avg. Daily Transactions	4.6	6.5	7.1	<b>6.1</b>	
<b>Note:</b>					
\$ amounts based on tallied transactions from the Daily Bail List					

Using the aforementioned information, the following reasons support the curtailment of the 24-hour bail function.

1. The 2006 audit identified that no bail and bond payments were received 57% of the time during off-hours (swing, graveyard and weekend shifts) and the cost to the Court was \$119,716 for Court staff over a 3-month period.
2. Only 6 transactions were processed on average daily over a 3-month period. Given that daily payroll cost is \$2,793.50, one transaction translates to \$460 in salary costs or, the equivalent of two deputy court clerks' daily salary.
3. Off-hours account for 82% of the total payroll costs to operate 24-hour bail collections which is unreasonable because of the infrequency of bail transactions processed as described in items 1 and 2.
4. Cash bail account for 5% of total bail collected over a 3-month period with an average of \$26,270 per transaction. The low frequency of cash bail transactions and the high value dollar amounts associated with each cash transaction justify stronger cash controls. When written cash handling procedures are present and adhered to, the very high risk nature

that cash bail could be lost, stolen, or misplaced is mitigated and the high personnel costs associated with its collection are more acceptable.

### **Court Updates to the Transfer of Bail Collection Function to the Sheriff**

IAS followed-up with the Chief Fiscal Officer (CFO) to determine the extent to which the Sheriff would be performing the bail collection function in the future and were advised that:

- The non-business hour (after-hours (5PM – 8AM), furlough days, and weekends) bail function will be taken over by the Sheriff, but at an undetermined date.

However, the Court and the Sheriff agree it should be sometime this fiscal year, but the Sheriff is focusing on transitioning to the Jail Management System (JMS) first. *This action was originally scheduled for November 15, 2009 and has been revised to a later undetermined date. It should be noted that this is probably the 4<sup>th</sup> delay in implementation that the Sheriff has experienced. Further, the transition to JMS and their taking over bail is will not coincide. In fact, it is more accurate to state that bail will transition several weeks AFTER they are fully transition to JMS because they need to make sure JMS is fully operational to meet their current functions before they take on new functions.*

- While the Sheriff plans to take over the non-business hours bail collection, the Court will continue to take bail during court hours.

### **Recommendations**

In the event that the Sheriff does not transition to JMS and the non-business hours bail collection process does not transition to the Sheriff by July 1, 2010, the Court should consider billing the Sheriff for Court staff's services and/or it should consider offsetting a portion of the Sheriff's security charges until such time that the Sheriff has physically taken charge of the bail collection function.

**Superior Court Response By: Michael Yuen Date: 6/24/10**

It should be noted that there is no place in the statutory codes or rules that renders bail as a county function. In fact, Penal Code § 1269 lays out that a Court can accept bail. Furthermore, CRC 10.810 does not contain any time parameters that define what normal court business hours constitute. Given these points, it should be clarified that the Court has not contradicted any law or regulation by accepting bail. Rather, the Court simply fell outside the current best practice of having county Sheriffs accept bail. That said, as stated during the prior audit from 2006, the Court has pursued a policy for several years to transfer this function to the Sheriff. This is a vital change that affects not only the Court and the Sheriff but law enforcement, defendants, and the defense bar among other in San Francisco as well. Vital change must be slow and deliberative to ensure nothing is lost in transitioning services. On 2/17/10, the vital change of accepting off hours bail was finally made, and the Sheriff now performs this function. The lengthy time spent planning and making this change has been beneficial, as the change has been seamless. Now that off hours bail has been transitioned, the Court will next focus on transitioning 24/7 bail to the Sheriff.

### 18.3 Court Needs to Strengthen Its Bail-Related Documentation and Procedures

#### Background

According to PC§1269b (c), the Court is required to prepare, adopt and annually revise a uniform countywide schedule of bail for all bailable felony offenses and for all misdemeanor and infraction offenses except Vehicle Code infractions. Moreover, subsection (f) states

*“The countywide bail schedule shall contain a list of the offenses and the amounts of bail applicable for each as the judges determine to be appropriate. If the schedule does not list all offenses specifically, it shall contain a general clause for designated amounts of bail as the judges of the county determine to be appropriate for all the offenses not specifically listed in the schedule.”*

Also, PC§1276 (a) states that when accepting a bail bond, it shall be;

*“...accepted or approved by a court or magistrate without further acknowledgment if executed by a licensed bail agent of the insurer under penalty of perjury and issued in the name of the insurer by a person authorized to do so by an unrevoked power of attorney on file in the office of the clerk of the county in which the court or magistrate is located.”*

#### Issues

During our review of the Court’s bail processing procedures and testing of bail assessments from judgmentally selected samples, we found the following issues:

- Court does not have a current listing of admitted surety insurers and licensed bail agents for the clerks to use as validation tools to ensure bondsman and bond insurer are licensed and admitted when accepting bail.
- 1 of 10 bail amounts in the test cases showed inconsistency with the Court’s bail schedule. Of the 3 violations in the case, only 1 is available in the bail schedule.

#### Recommendations

To improve the current bail procedures, the Court should consider the following:

- Update its surety insurer and licensed bail agent listing. Aside from requiring bail agents to show their licenses, these lists should be provided to court clerks accepting bail as additional validation tools to ensure that the bail agents are currently licensed and active and bail bonds were issued by admitted surety insurers. It is possible for a person to still be in possession of his or her license document but be unlicensed at the time bail is presented.
- Update its countywide bail schedule with all necessary and bailable felony and misdemeanor offenses. As mandated, a general clause should address offenses not listed specifically in the schedule.

Court agrees with the issues and recommendations presented. However, the Court intends on pursuing the goal of transitioning the bail function to the Sheriff's Department rather than implement the recommendations. One step has already been taken in that as of 2/17/10, the Court no longer takes off-hours bail. The Sheriff's Department now performs this function, and with time, the Court hopes to have the Sheriff take over bail 24/7.

## 19. Indigent Defense Fund

### Background

The Indigent Defense Administration (IDA) is a San Francisco County grant program committed to maintaining a panel of highly qualified criminal and juvenile attorneys for indigent adults and minors charged with crimes in San Francisco. The City and County of San Francisco are responsible for Indigent Defense Administration, while the revenues are allocated annually from the City's General Fund to this program. The majority of costs are paid to attorneys for legal representation for indigents. The money used to fund this program is allocated annually from the City's General Fund.

### 19.1 Court Costs Are Not Reimbursed for the Indigent Defense Program MOU

#### Background

In accordance with Government Code section 77003 (detailed also as California Rule of Court 10.810), indigent criminal and juvenile delinquency defense is specifically excluded as an allowable court cost. Courts can provide the service and be reimbursed for their costs.

The Court entered into a memorandum of understanding (MOU) to perform administrative services for the Indigent Defense Fund Program with the Mayor's Budget Office of the City and County of San Francisco (City) on June 18, 2003. This agreement delegated to the Court the responsibility for this program, including contract administration and payment for services that were set forth in the contract for indigent defense administrative (IDA) services between the Court and Bar Association of San Francisco (BASF). Other key points in this agreement included:

- Annual funding for the Indigent Defense Fund (IDF) Program would continue to be provided to the Court for the program from the City's General Fund.
- All costs for the Indigent Defense Program will be included within the City's annual appropriation to the Court for the program.
- The Mayor's Office sought to ensure program administrative costs were covered, in part, through program savings.
- The Mayor's Office and the Court desired to set forth the full and entire understanding of both parties regarding the program's administration.

In FY 2007 – 08, the City appropriated \$9,530,293 for this program with the bulk of the dollars going to attorney defense costs. Since the execution of the MOU in FY 2003 – 04, the Court has assigned Indigent Defense Fund program administrative duties to several court staff members as a part of their overall duties. Specifically:

- One supervisory and one senior fiscal technician were assigned to review and/or enter journal entries into the County FAMIS financial system.
- A staff analyst was assigned to provide BASF preparatory information for monthly joint reporting.

- A senior fiscal technician was assigned to provide preparatory paperwork for SB 90 State reimbursements.
- A system programmer was assigned to generate the necessary reports and data required by BASF for its monthly reporting requirements and to provide BASF general troubleshooting assistance.

As described above and according to Court fiscal management, the program involved a total of five (5) Court employees to fulfill the administrative duties outlined in the MOU. While no employee devoted his/her full time to the assignments, time requirements ranged from 2% to 50% of the assigned employee's time.

Additionally, the MOU provides a very "broad" description of costs that can be included in the programs budget. This allows a lot of flexibility for the Court to bill for costs incurred. Section 3, paragraph 1 of the MOU states:

*"All costs for the Indigent Defense Program will be included within the City's annual appropriation to the Court for the program, including administrative costs and billing database system development costs."*

FIN 7.02, 6.1 (5) of the *Trial Court Financial Policies and Procedures Manual (TCFPPM)* specifies that MOU terms and conditions while being allowed to be flexible need to cover specific areas such as payment terms and frequency. The MOU in place for this program does not discuss billing terms. Regardless, the Court must ensure that it appropriately bills and collects for all costs incurred.

### **Issue**

The Court has performed Indigent Defense administration (IDA) work prior to Trial Court Funding in 1997. The MOU agreed to by the Court and the City/County of San Francisco in FY 2003 – 2004 formalized this service of the Court. The MOU defined the scope of services to be performed by the Court; however, the MOU does not contain requirements for bills or payment terms and frequency. Regardless of that, the Court must bill for the costs incurred but apparently did not. The discussion below details costs incurred and apparently not billed by the Court utilizing information provided by the Court.

As previously stated above, the City makes annual appropriations to the Court for all costs associated provided to it for the Indigent Defense Program including administrative costs and database development costs. During interviews with court management and review of records, IAS was advised and believes from our review that none of the appropriations including the \$9,530,293 received in FY 2007 – 2008 were used to reimburse the Court nor did the Court invoice the City for its indigent defense program administrative costs. This most probably applies to the other years also according to our interviews.

Our review of the MOU also revealed that the City contributed \$60,000 of the \$90,000 for costs associated to the new billing database called *Conflicts Attorney Billing System* or CABS. The Court agreed in the MOU to pay the \$30,000 difference. However, the Court could not

determine how much of the \$30,000 was allocated to IDA development (CRC 10.810 non-allowable) or, to the court-appointed-council billing system (court allowable) portion of the FY 2003–04 CABS expenditures because those employees that worked this project no longer with the Court and the Court did not track the information otherwise.

IAS analyzed the administrative and indirect costs over the last six (6) fiscal years since the inception of the MOU in FY 2003 – 2004 and determined that over that period, the Courts may have incurred total administrative costs in excess of \$800,000. Table 1 below lists the estimated annual administrative costs amounts that make-up the \$800,956.

**Table 1. Estimated Administrative Court Costs for Indigent Defense Administration (IDA) Since FY 03 – 04**

	A	B	C	D	E	F	
	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	Total
Salaries & Benefits	90,685	94,464	98,400	102,500	152,590	158,693	697,332
Indirect Costs	13,476	14,037	14,622	15,232	22,675	23,582	103,624
<b>Total IDA Costs</b>	<b><u>\$104,161</u></b>	<b><u>\$108,501</u></b>	<b><u>\$113,022</u></b>	<b><u>\$117,732</u></b>	<b><u>\$175,264</u></b>	<b><u>\$182,275</u></b>	<b><u>\$800,956</u></b>
<b>% of Appropriation</b>						<b><u>1.84%</u></b>	

**Table Legend:**

<p><b>Col E -</b> Baseline data used to estimate other years' costs. Salaries &amp; Benefits (SB) and Indirect Costs (IC) calculated using:</p> <ul style="list-style-type: none"> <li>* FTE for each Court employee per Court fiscal's estimation</li> <li>* Employee salaries and benefits per Schedule 7A</li> <li>* Indirect cost rate (ICR) used is 14.86% per Court's approved rate</li> </ul> <p style="text-align: center;">% of Appropriation = (\$175,264/\$9,530,293)*100%</p>
<p><b>Other data used to estimate other years' costs in Cols A-D &amp; F</b></p> <ul style="list-style-type: none"> <li>* 4% annual salary increase per Schedule 7A in FY 07-08</li> <li>* ICR of 14.86% as approved in FY 07-08</li> </ul>
<p><b>Col F -</b> SB = \$152,590 *(104%); IC = SB*14.86%</p>
<p><b>Col D -</b> SB = \$106,771*(100%-4%); IC = SB*14.86%</p> <p>\$106,771 amount based on FY 07-08 data with a system programmer FTE of 20% compared to 50% as used in Col E. <u>Reason:</u> Transition to CABS in FY 07-08 required more system programmer workload. Court anticipates decrease as CABS becomes more stable.</p>
<p><b>Cols C to A -</b> SB calculation starts with \$102,500 in Col D and decreases by 4% annually. Annual IC will be 14.86% of calculated SB.</p>

IAS also believes that there are other unaccounted costs related to the development and implementation of the new billing database system that have not been invoiced to the County. According to the MOU, though, cost of development in excess of \$90,000 is required to be renegotiated and added as an addendum to the MOU. Those costs would also not be rule 10.810 allowable.

- Additional Development Costs – CABS was deployed in September 2007 after almost 4 years of development, which more likely exceeded the estimated fiscal year 2003-2004 \$90,000 total cost per the MOU.

- Testing and Enhancements – According to the Court, preliminary deployment of the system had significant issues thus resulting in additional costs of added workload to the Court’s assigned personnel excluding necessary technical system enhancements.
- Training and Implementation – BASF began using CABS one year after the Court. In doing so, the Court was tasked to provide training and technical support to BASF users.
- System Maintenance –CABS is housed in the Court’s servers, Court IT is responsible for maintaining and monitoring the database’s performance. The Court, however, stated that it finds it difficult to quantify this cost.

### **Recommendations**

1. Since the actual amount of rule 10.810 IDF non-allowable costs cannot be determined with certainty and the administrative service costs from FY 2003–04 through to FY 2008–09 can only be estimated, the Court should work with the County on a mutually agreeable amount. Prospectively, the Court should not allow much time to expire before seeking reimbursement from the County; to this end, IAS recommends recovering costs from the County soon after the Court incurs the expenditure(s) but no later than the fiscal year following the expenditure.
2. Court should review the MOU and ensure that it covers all necessary terms and conditions, especially billing terms and frequency of bills.

**Superior Court Response By: Michael Yuen**

**Date: 5/25/10**

Court agrees and will work toward recovering costs of administering indigent defense services from the City and county of San Francisco.

## 20. Court Interpreters

### Background

Government Code §68560 (f) states competent interpreters services in the courts and judicial and administrative agencies should be provided through programs to recruit, train, test, certify, and evaluate interpreters. Continuing education and evaluation would also help ensure adequate interpreter services to the courts.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2008	JUNE 30, 2007		
834010 PROGRAM45.45-CRT INT	1,932,629.00-	1,714,289.00-	218,340.00	(12.74)
** 834000-PROGRAM 45.45 - REIMBU	1,932,629.00-	1,714,289.00-	218,340.00	(12.74)
938502 COURT INT - TRAVEL	37,467.10	33,438.39	4,028.71	12.05
938503 COURT INT - REGISTRD	42,046.55	79,715.16	37,668.61-	(47.25)
938504 COURT INT - CERT	405,012.90	314,554.68	90,458.22	28.76
938505 COURT INT - NONREG	40,327.57	38,807.16	1,520.41	3.92
938506 COURT INT - NONCERT	113,246.72	93,584.34	19,662.38	21.01
938507 COURT INT - ASL	58,845.51	37,031.10	21,814.41	58.91
* 938500 - COURT INTERPRETER SE	696,946.35	597,130.83	99,815.52	16.72

### 20.1 Court Must Establish Procedures to Review Court Interpreter's Skills

#### Background

California Rule of Court (CRC) 2.891 states that each trial court must establish a procedure for biennial, or more frequent, review of the performance and skills of each court interpreter certified under Government Code section 68560 et seq. The court may designate a review panel, which must include at least one person qualified in the interpreter's language. The review procedure may include interviews, observations of courtroom performance, rating forms, and other evaluation techniques.

According to the Supervisor of Court Interpreters, there is no provision in the Interpreter Memorandum of Understanding (MOU) wherein the Court can evaluate an interpreter's performance. Currently, the Interpreter Supervisor is informally apprised of an interpreter's skills or lack thereof by the judges, attorneys, and other parties who used interpreter services.

#### Issue

The Court informed Internal Audit Services (IAS) there are no formal procedures established to comply with CRC 2.891.

## **Recommendation**

Although the Court is performing an informal review of the court interpreters' skills, it must establish formal procedures which comply with CRC 2.891.

**Superior Court Response By: Michael Yuen**

**Date: 12/23/09**

Although the Court is performing an informal review of the court interpreters' skills, it must establish formal procedures which comply with CRC 2.891.

This I/M is not completely accurate. The Court Interpreters MOU, which is a regional MOU that applies to all courts in Region 2 and was bargained with assistance from the AOC, states the following in Article 32.

*“It is the intent of the Courts in Region 2 to provide regular performance evaluations of The bargaining unit of employees. The performance review process shall be subject to meet and confer at the Regional level prior to implementation.”*

This section appears to conflict with CRC 2.891 since the MOU states that the process must be subject to meet and confer on the regional level, yet the CRC states that each Court must set a process.

The Court agrees that an evaluation process should exist, as one does for all Court employees as articulated in the Court's Employee Reference Guide, but the Court also believes the conflict between the Interpreters MOU and CRC 2.891 must be sorted out before a process for interpreters can be established. The AOC should provide guidance on this conflict.

## 21. Miscellaneous

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

Account	Combined Fund		Inc. (Dec.)	% Change
	2007-08	2006-07		
823101 Donations	2,000.-		2,000.-	
921505 Escheatment	0	486.00	486.00	0
99200 Indirect Costs Recovery	0		0	0

Our review of the Court's FY 2007-2008 general ledger, IAS noted that the court accepted a donation for \$2,000 that had a restriction that the funds be used for the drug court. The Court should review and adhere to Procedure No. FIN 16.01 that provide uniform guidelines to use when deciding what unsolicited gifts of personal property it may accept and to acknowledge, document, monitor, account for and report on such donations.

During the audit, IAS inquired as to whether the Court had escheatment procedures and whether the Court had; a.) any civil money that had been deposited that it was holding in trust for the rightful owner, or b.) had any money covered by a check that the court issued that remained unclaimed or that the check remained uncashed for three years. The Court advised IAS that that it had no unclaimed checks that remained uncashed but it also advised us that they had no escheatment procedures. On April 1, 2010, we reviewed the general ledger for FY 2007/08 and confirmed that there were no funds to be escheated by the Court. However, our review of the general ledger for FY 2006/07 indicated that the Court did escheat \$486. As a result, we followed- up with the Fiscal Services Director and provided him with escheatment procedures and the related statutes to assist him should the court escheat any future civil deposits or any of its unclaimed and uncashed checks.

Finally, IAS performed a limited follow-up review of the Court's comments in the Compliance Self-Assessment in section 16.2, Indirect Rate Proposal (ICRP). We determined that the Court prepared and remitted its approved and required documentation including calculations used to determine how its simplified method of calculating indirect costs were determined in order to obtain approval from the regional budget analyst at the Administrative Office of the Courts. IAS reviewed a copy of the FY 2007-2008 Approved Indirect Cost Rates by Superior Court which indicated that the Court's indirect cost rates was approved on June 24, 2009 and is among the lowest 8% of all courts statewide indirect cost structure at 14.86. Finally, our review of the FY 2007-2008 indicated that the Court did not have any department indirect cost allocations and/or recoveries.

There was only one minor issue that is listed in Appendix A to this report.

**APPENDIX A**

**Superior Court of California,  
County of San Francisco**

**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 completed 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 complete 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.**

**May 2010**

Issues Control Log

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1 Court Administration</b>								
	1.1	36	Court's Case Management System Continues to Not Track and Report on Submitted Cases. <b>REPEAT ISSUE</b>		C	Court agrees with bullet points #1, 3, 4, 5, 6, & is currently performing #7. However, the Court disagrees with bullet points #2 & #8. The Court believes the current format provides the PJ with a better oversight of judicial officers.	Michael Yuen	6/02/10 and TBD as budget & time permit
<b>2 Fiscal Management</b>								
	2.1	31	Court's Accounting of Payroll and Payroll Related Expenditures Needs Improvement		C	The Court agrees with findings and recommendations. The systems related issues can be attributed to the antiquated County payroll system that the Court must reconcile to the PHOENIX system.	Michael Yuen	4/12/2010
	2.2	32	Court's Payroll Processing Practices Need Improvement	I		The court disagrees in parts with Issues #1 and #2 because the payroll system is a county function and court follows county rules. Court agrees with Issue #2.2 but disagrees with Issues 2.1, and 2.3 while it neither agrees or disagrees with issue #3. See IAS additional comments.	Michael Yuen	7/30/2010
	2.3	30	Court is Currently Using Out-dated Personnel Rules and its Updated Personnel Rules are Still Not Issued		C	Court agrees that the personnel rules should be completed and has continued and will continue to work with Labor to complete them.	Michael Yuen	4/12/2010
<b>3 Fund Accounting and Budgets</b>			<b>No issues to report based upon our review.</b>					
<b>4 Accounting Principles and Practices</b>								
	4.1	25	The Court Needs to Continue to Strengthen the Accounting, Reporting and Monitoring of Grant Revenue and Expenditures		C	Court agrees and will comply with recommendations. It should be noted, however, that the Court does indeed make every effort to make timely reimbursement requests, and our tardiness is a result of an antiquated county payroll system. This system does not allow for real-time tracking of staff's time in different funding sources. Therefore, the Court's Fiscal Staff must do this on a manual basis, which includes scrutinizing every staff's timesheet in certain programs, which is a very labor intensive and timely process that usually causes the delay in reimbursements.	Michael Yuen	3/16/2010
	<b>Log Only</b>	<b>43</b>	The Court Needs to Continue to Strengthen its Recordkeeping of Grant Expenditures	I		Court agrees and will implement the recommendation.	Michael Yuen	5/20/2010

Issues Control Log

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
5	Cash Handling							
	5.1	5	Cash Handling, Daily Balancing and Closeout Lacks Supervisors Approval - REPEAT ISSUE	I		Court agrees with findings and will implement a court-wide cash handling, balancing, and closeout policy by 7/01/10.	Michael Yuen	7/1/2010
	5.2	3	Void Transactions Not Reported, Reviewed and Approved by Supervisor		C	The Court has implemented a process change where effective March 2009, a supervisor is required to approve all voids and valid reasons must be presented.	Michael Yuen	3/1/2010
	5.3	2	Payments Received Through the Mail Not Handled Properly		C	The Court agrees and will devise and implement a mail payments handling process.	Michael Yuen	10/1/2009
	5.4	6	Judges and Block Stamps Not Adequately Controlled		C	The Court agrees and will incorporate the recommendations. Specifically, the Court will ensure an annual inventory is taken of stamps, lock all stamps overnight, and secure stamps away from being easily reachable from over the counter.	Michael Yuen	9/11/2009
	5.5	12	Comprehensive Collections Unit Enhancements Needed	I		Court agrees with findings and recommendations. The Court's CCU has already procured the services of two outside collections agencies and has been sending cases to these agencies as of March 2010. When time and resources permit, the Court will implement the other recommendations raised as our CCU grows and gains more experience.	Michael Yuen	7/1/2011
	5.6	15	Court Has Undocumented Fee Waiver Procedures	I		The Court agrees and has already discontinued our practice as of May 2009.	Michael Yuen	5/1/2009
	5.7	37	Calculation and Distribution of Court Collections Are Not Always Correct or In Compliance with Certain Statutes and Guidelines		C	Court agrees and will work on making recommended revisions by 7/1/10.	Michael Yuen	7/1/2010
	Log Only	4	Manual Receipts Distribution, Retention and Disposal Authorization		C	The Court agrees and will incorporate these recommendations.	Michael Yuen	9/11/2009
	Log Only	11	Excess Change Fund in Safe and Records Change Fund Security		C	The Court agrees and will implement these recommendations.	Michael Yuen	11/20/2009
	Log Only	14	Suspended Payments Not Reviewed Since System Reports are Not Available	I		Court agrees and will implement recommendation. The staff person who was the real expert for the Court's traffic management system passed away suddenly in July 2008. Since the system is a customized system developed in the early 1980s, it is difficult to find someone with the expertise to performing programming to the system. As such, the Court will need to train someone to produce a suspended payment report or we will advise the auditors that this will not be possible due to lack of resources and expertise, prior to the next audit.	Michael Yuen	1/1/2011
	Verbal	13	Miscellaneous Cash Handling, Change Fund and Safe Operational Issues and Comments		C	The court agrees and will implement the recommendations.	Michael Yuen	11/20/2009

Issues Control Log

FUNCTION		RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Verbal	7	Notices Not Posted		C	Court agrees and will implement recommendation. The staff person who was the real expert for the Court's traffic management system passed away suddenly in July 2008. Since the system is a customized system developed in the early 1980s, it is difficult to find someone with the expertise to performing programming to the system. As such, the Court will need to train someone to produce a suspended payment report or we will advise the auditors that this will not be possible due to lack of resources and expertise, prior to the next audit.	Michael Yuen	1/1/2011
		Verbal	1	Court's Change Fund Procedures need Enhancements		C	The Court agrees and has already discontinued our practice as of May 2009.	Michael Yuen	5/1/2009
6	Information Systems								
		6.1	29	Physical and Logical Safeguards over IT Assets and Emergency Contingency Planning Need Improvement <b>REPEAT ISSUE</b>		C	The Court appreciates the recommendations of this audit and will pass along the issues for vetting by the Court's IT Committee. The court portions of HOJ have transferred responsibility to the AOC, the Court looks forward to working with the AOC to make facility modifications to better protect the Court's equipment.	Michael Yuen	4/12/2010
7	Banking and Treasury								
		Log Only	34	Bank Reconciliations Were Not Reviewed and Approved by a Supervisor		C	Court agrees and has begun having supervisory review of reconciliations beginning 9/21/09.	Michael Yuen	9/21/2009
8	Court Security								

FUNCTION		RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		8.1	9	Court Security Risks Caused by Lack of Security Controls and Existing Structural Limitations		C	The Court concurs with every finding and recommendation and has already implemented recommendations 1 through 4. However, contrary to the audit team's belief that recommendations 4 and 5 can be "implemented with minimal financial burden to the Court", these are really County issues – not Court. The Court requires all Court employees to go through the front doors and their required security screenings at YGC and HOJ. As for loading docks at the YGC and HOJ, these are wholly County-responsible functions, as these two facilities are County-managed buildings. An example of how the Court would manage a loading dock is present at CCC, where the loading dock is completely secure and requires Sheriff's Department personnel who are providing court security to accept deliveries and let delivery personnel into the building. Likewise, recommendations 7 through 11 are also County-responsible functions as dictated by the Joint Occupancy Agreement (JOA) that has been executed for HOJ and the proposed JOA for YGC. The Court has raised these concerns to the County but to no avail. Perhaps added pressure from the AOC would be helpful.	Michael Yuen	11/1/2009

Issues Control Log

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>9 Procurement</b>								
	<b>9.1</b>	<b>16</b>	Unallowable Expenditures, Lack of Sole Source Documentation and Other Procurement Exceptions	<b>I</b>		The Court agrees with the findings and recommendations. Minor issues, such as ensuring agendas for meetings where business lunches take place and completed sole source justification documents are retained in accounting files as well as establishing budgets for contracts and projects have already taken place. As for reporter transcripts, the Court is working with the County to have the County bear all future costs of County-requested transcripts.	Michael Yuen	1/1/2010
<b>10 Contracts</b>								
	<b>10.1</b>	<b>20</b>	Contract Lacked Costs or Blanket Purchase Order and Procurements Lacked Competitive Bids had Missing, Incomplete and Incorrect Documentation		<b>C</b>	Court provided responses to each of the 16 contract issues. See Issue 10.1 for specific court and IAS comments. In most cases, the court agreed that they agreed with IAS and will comply with FIN Manual.	Michael Yuen	1/4/2010
	<b>10.2</b>	<b>27</b>	Memorandums of Understanding Lack Detailed Costs, Scope of Work, Indirect Cost Methodology and Other Concerns		<b>C</b>	Court agrees and will comply with recommendations	Michael Yuen	7/1/2010
	<b>10.3</b>	<b>35</b>	Monitoring and Tracking of DMV Access and Compliance with DMV Requirements Need Improvement	<b>I</b>		Court agrees and will comply with recommendations. In May 2010 Court completed recommendations #3 and #4. Court is concurrently evaluating SATS user list and evaluating SATS access to comply with points #4 And #5. Over the next year, the Court will attempt to establish an MOU with DMV to satisfy point #1 and will access feasibility of implementing it with SATS or if it could implement with a new Traffic DMS.	Michael Yuen	7/1/2011
	<b>10.4</b>	<b>40</b>	Court Costs Not Reimbursed by the City/County for Civil Grand Jury Services	<b>I</b>		Court agrees and is working toward (toward) recovering costs of administering civil grand jury services from the City and County of San Francisco	Michael Yuen	9/1/2010
<b>11 Accounts Payable</b>								
	<b>11.1</b>	<b>18</b>	Lack of Presiding Judge's Approval for International and Out-of-State Travel and Other Concerns Regarding Travel <b>REPEAT ISSUE</b>		<b>C</b>	The Court agrees and as of 7/1/09, has already started to provide more scrutiny to TECs to ensure compliance with FIN.	Michael Yuen	7/1/2009
	<b>11.2</b>	<b>17</b>	Unallowable Expenditures and a Lack of Approval of Forms and Receipts		<b>C</b>	The Court agrees and as of 7/1/09, has already started to provide more scrutiny to TECs to ensure compliance with FIN.	Michael Yuen	7/1/2009

6/24/2011

Key: As of close of fieldwork:  
 I - Incomplete  
 C - Complete

Issues Control Log

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
12								
Fixed Assets Management								
	12.1	24	Court Needs to Improve its Control over Fixed Assets and Inventory Items <b>REPEAT ISSUE</b>	I		The Court agrees that our fixed asset management needs improvement. The Court had wished that an asset management module in SAP would be up by now, but apparently it is not occurring as quickly as desired. Therefore, as time and resources permit, the Court will look into implementing a better way of asset management.	Michael Yuen	12/22/2009
13								
Audits			There were no audit issues to report on to management. Issues that are repeats from prior audits are discussed in the sections that they pertain to.					
14								
Records Retention			No issues to report based upon our review.					
15								
Domestic Violence								
	15.1	26	Required Fines and Fees Were Not Always Assessed for Criminal Domestic Violence Cases Reviewed <b>REPEAT ISSUE</b>		C	Court agrees and has already developed a bench schedule of fines and fees as of 6/1/09.	Michael Yuen	6/1/2009
16								
Exhibits								
	16.1	21	Exhibit Rooms Lack Appropriate Physical Security and System Access Needs to be Limited		C	Court agrees and will implement recommendations.	Michael Yuen	8/1/2010
	16.2	8	Court Lacks Full Time Custodian, Exhibit Procedures and Forms	I		Court agrees that the exhibit room needs to be properly maintained, and in fact has begun doing so. The Court has taken steps to clean out and organize the exhibit room. Further, an analysis will be performed to see if a custodian can be sustained on a long-term basis. Given the current fiscal climate that has necessitated a hiring freeze at the Court, a custodian will not be reality for quite some time. However, if the Court's analysis concurs with the audit recommendation, a custodian will be hired when the budget permits.	Michael Yuen	1/1/2011
	16.3	22	Court Needs to Monitor and Control Exhibits from Receipt to Disposition		C	Court agrees that the exhibit room needs to be properly maintained, and in fact has begun doing so. The Court has taken steps to clean out and organize the exhibit room. Once an inspection process is in place, independent inspections shall be conducted, and physical inventories shall be matched to online inventories.	Michael Yuen	3/1/2010

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>17</b>	<b>Facilities</b>							
	17.1	41	The Court Expended Court Funds on Facility Related Expenditures		C	All of the issues presented in this area are currently non-existent because they have either been resolved or because the AOC is not responsible for the Court's facilities. Prior to the AOC assuming facilities responsibility, the County was responsible, and there understanding of what was their responsibility was not always consistent and often times was determined by availability of funding. The Court was not going to allow these disputes to either ruin our IT equipment (as was the case with the HVAC cooling project) or leave projects already underway stalled (as was the case with the Department 29 and Room 201 improvements). Further, projects that began as CRC 10.810 projects consisting of furniture, carpet, and paint (all CRC 10.810 allowable) have the potential to morph into expanded scopes that entail hard construction and other items that are not CRC 10.810 allowable. It was not feasible to freeze these projects just because of bureaucratic constraints, which is why they proceeded. The Court was transparent in reporting these under the AOC's court funded requests (CFR) process, and in fact, the AOC required cost estimates and other details that are impossible to obtain without expanding the scope of a project beyond what is CRC 10.810 allowable. For these reasons, the Court disagrees that these expenses were improper. However, this is all moot because now that the AOC holds facilities responsibilities, the Court will seek all facilities work, including CRC 10.810 allowable work, through the AOC.	Michael Yuen	1/1/2010
	17.2	42	Rental Revenue Arrangements were not formalized in a Memorandum of Understanding		C	The Court agrees and has implemented the recommendation as of 1/1/09 as mentioned.	Michael Yuen	1/1/2009
<b>18</b>	<b>Bail</b>							
	18.1	10	Twenty-Four Hour Bail Collection Lacks Adequate Internal Controls REPEAT	I		Court agrees with the issues and recommendations presented. However, the Court intends on pursuing the goal of transitioning the bail function to the Sheriff's Department rather than implement the recommendations. One step has already been taken in that as of 2/17/10, the Court no longer takes off-hours bail. The Sheriff's Department now performs this function, and with time, the Court hopes to have the Sheriff take over bail 24/7.	Michael Yuen	First Step completed on 2/17/2010. To be completed 7/01/11

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	18.2	33	Twenty-Four Hour Bail Collection Does Not Appear To Be Cost Effective REPEAT	I		It should be noted that there is no place in the statutory codes or rules that renders bail as a county function. In fact, Penal Code § 1269 lays out that a Court can accept bail. Furthermore, CRC 10.810 does not contain any time parameters that define what normal court business hours constitute. Given these points, it should be clarified that the Court has not contradicted any law or regulation by accepting bail. Rather, the Court simply fell outside the current best practice of having county Sheriffs accept bail. That said, as stated during the prior audit from 2006, the Court has pursued a policy for several years to transfer this function to the Sheriff. This is a vital change that affects not only the Court and the Sheriff but law enforcement, defendants, and the defense bar among other in San Francisco as well. Vital change must be slow and deliberative to ensure nothing is lost in transitioning services. On 2/17/10, the vital change of accepting off hours bail was finally made, and the Sheriff now performs this function. The lengthy time spent planning and making this change has been beneficial, as the change has been seamless. Now that off hours bail has been transitioned, the Court will next focus on transitioning 24/7 bail to the Sheriff.	Michael Yuen	7/1/2011
	18.3	28	Court Needs to Strengthen Its Bail-Related Documentation and Procedures	I		Court agrees with the issues and recommendations presented. However, the Court intends on pursuing the goal of transitioning the bail function to the Sheriff's Department rather than implement the recommendations. One step has already been taken in that as of 2/17/10, the Court no longer takes off-hours bail. The Sheriff's Department now performs this function, and with time, the Court hopes to have the Sheriff take over bail 24/7.	Michael Yuen	First Step completed on 2/17/2010
<b>19</b>			<b>Indigent Defense Fund</b>					
	19.1	19	Court Costs Are Not Clearly Stated in the Indigent Defense Program MOU		C	Court agrees and will work towards recovering costs of administering IDA services from City & County of San Francisco.	Michael Yuen	9/1/2010
<b>20</b>			<b>Court Interpreters</b>					
	20.1	23	Court Must Establish Procedures to Review Court Interpreter's Skills	I		The Court agrees that an evaluation process should exist, as one does for all Court employees as articulated in the Court's Employee Reference Guide, but the Court also believes the conflict between the Interpreters MOU and CRC 2.891 must be sorted out before a process for interpreters can be established. The AOC should provide guidance on this conflict.	Michael Yuen	Pending resolution between regional MOU for Court Interpreters and CRC 2.891
<b>21</b>			<b>Miscellaneous</b>					
	Verbal Only	44	Court shall comply with all guidelines detailed in the FIN Manual at Procedures No. FIN 16.01		C	Court provided information on Escheatment 7 Donations -no further action required.	Michael Yuen	5/28/2010