



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

**REPORT OF
INTERNAL AUDIT SERVICES**

APRIL 2011



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

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Superior Court of California, County of San Joaquin

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MANAGEMENT SUMMARY

Introduction

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

The audit of the Superior Court of California, County of San Joaquin (Court) was initiated by IAS in September 2009. Depending on the size of the court, the audit process typically involves three or four audit cycles encompassing the following primary areas:

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

IAS audits cover all four of the above areas. The audit process involves the review of the Court's compliance with California 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 2005–2006. IAS followed up on issues identified in this prior audit to determine whether the Court adequately resolved previous issues.

Compliance with the Financial Integrity and State Manager's Accountability Act (FISMA) is also an integral part of the audit process. The primary focus of a FISMA review is to evaluate the Court's internal control structure and processes. While IAS does not believe that FISMA applies to the judicial branch, IAS understands that it represents good public policy and conducts internal audits incorporating the following FISMA concepts relating to internal control:

- A plan of organization that provides segregation of duties appropriate for proper safeguarding of assets;
- A plan that limits access to assets to authorized personnel;
- A system of authorization, record keeping, and monitoring that adequately provides effective internal control;
- An established system of practices to be followed in the performance of duties and functions; and
- Personnel of a quality commensurate with their responsibilities.

IAS believes that this audit provides the Court with a review that also accomplishes what FISMA requires.

IAS audits are designed to identify instances of non-compliance, such as with the FIN Manual and FISMA. Some of these instances of non-compliance are highlighted in the

Audit Issues Overview below. Although IAS audits do not emphasize or elaborate on areas of compliance, we did identify examples in which the Court was in compliance with the FIN Manual and FISMA. Specifically, except for those issues reported in this report, some of the areas where IAS found the Court in compliance included the following:

- An organizational plan that provides for an effective segregation of duties to properly safeguard 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 that are knowledgeable and motivated to take accountability and responsibility for the performance of their duties.

To enable the Court to continue to improve and strengthen its system of internal controls, it is important that the Court note those areas of noncompliance reported below and in the body of this report. The Court should actively monitor the issues reported in this audit, and any issues identified by its own internal staff that may perform periodic reviews of Court operations and practices, to ensure it implements prompt, appropriate, and effective corrective action.

Audit Issues Overview

This internal audit identified areas of noncompliance that were consolidated into the reportable issues included in this report, as well as other areas of noncompliance that IAS did not consider significant enough to include in the report, but were nonetheless communicated to court management. IAS provided the Court with opportunities to respond to all the issues identified in this report and included these responses in the report to provide the Court's perspective. IAS did not perform additional work to verify the implementation of the corrective measures asserted by the Court in its responses.

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

Cash Handling

To protect the integrity of the court and its employees and promote public confidence, the FIN Manual provides courts with uniform guidelines for receiving and accounting for payments from the public. Specifically, the FIN Manual requires courts to observe certain guidelines to assure the safe and secure collection and accurate accounting of all payments. For example, at the beginning of each day, cashiers receive a nominal amount of money, secured in individually locked drawers or bags, to enable them to return change on cash transactions. Cashiers should verify receipt of their beginning cash funds with their supervisor, and any beginning cash discrepancies should be resolved before the cashier starts their daily cash collection duties.

In addition, the FIN Manual requires supervisory court staff to review and approve void transactions, and all void receipts should be retained, not destroyed.

Also, the FIN Manual states that all cashiers must balance and closeout their own cash drawer or register at the end of the workday. Balancing and closeout includes activities such as completing and signing the daily report, turning in the daily report with money collected to the supervisor, and verifying the daily report with the supervisor.

Further, the FIN Manual provides courts with the following guidance for processing payments received through the mail:

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

The FIN Manual also requires, in part, that an employee other than the person who prepares the deposit (preferably a supervisor or higher level of management) verify, sign, and date the deposit slip, or other similar document, evidencing that receipts have been deposited intact.

Finally, the FIN Manual requires courts to document and obtain AOC approval of their alternative procedures if court procedures differ from the procedures in the FIN Manual. Alternative procedures not approved by the AOC are not considered valid for audit purposes.

Our review of the Court's cash handling practices and associated documents found that the Court follows inconsistent cash handling and accounting practices. Specifically, the Court could strengthen its procedures in the following areas:

Cash Collections – Court cashiers at two of its nine locations share one cash drawer, which makes it difficult, if not impossible, to hold any one cashier accountable for any cash discrepancies. Further, seven locations could not demonstrate supervisory review of each cashier's beginning cash to ensure cashiers are beginning their shift with the correct amount of cash.

Void Transactions – Four Court locations do not always retain the original voided receipt. Further, at one of these four locations, the Void Payment Acknowledgement Form is not always signed by a manager, supervisor, or lead clerk and retained to demonstrate supervisory review and approval of the void transaction. Also, three locations could not always demonstrate that a supervisor reviewed and approved the void transactions.

Daily Closeout Process – Eight locations could not demonstrate supervisory review of the daily closeout process. Also, cashiers at one location do not always sign their end-of-day balancing reports, and cashiers at a third location do not always prepare an adding machine tape to verify the total amount of checks collected. Further, Court personnel at a fourth

location perform the daily closeout process the next business day rather than at the end of the day, delaying the possible discovery and investigation of out-of-balance transactions and cash receipts.

Mail Payments – The Court does not require two-person teams to open the mail nor does it use a mail payment log to track the mail payments it received. In addition, clerks assigned to open mail at five locations also perform the incompatible function of processing mail payments the same day. Further, clerks processing mail and drop-box payments at four locations also perform the incompatible function of processing counter payments on the same day. Not requiring a two-person team to open mail and not completing a mail payment log may provide individuals who handle mail and subsequently process mail and counter payments on the same day with an opportunity to take money without being detected.

Also, three locations do not adequately secure unprocessed mail payments. Instead, unprocessed mail payments are left unsecured on clerks' desks overnight, leaving the Court at risk of having mail payments lost or stolen.

In addition, one location does not always process mail payments by the next business day and does not maintain an aging schedule of unprocessed mail payments. Moreover, this Court location, along with two other locations, does not have a process for escalating and communicating to Court management information about the volume of unprocessed mail payments, which would enable the Court to redirect available resources to help Court locations process mail payments by the next business day.

Bank Deposits – Two locations could not demonstrate supervisory review of prepared bank deposits. Further, Court personnel at one of these locations verify the daily closeout and balance as well as perform the incompatible function of preparing the bank deposit. Without supervisory review of the bank deposit, the Court risks having daily collections lost or stolen.

The Court indicated that due to staffing restrictions and the already time consuming process of opening and processing mail, the court is struggling with the two- person team needed to open the mail and log all checks received, particularly at the branch locations. The Court indicated that it is working on developing an alternative procedure that will comply with the recommendation. The Court agreed with the remaining audit recommendations and indicates taking corrective action to address the noted issues.

Revenue Distribution

State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. Courts rely on the *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C* issued by the State Controller's Office (SCO Appendix C) and the *Uniform Bail and Penalty Schedule (UBS)* issued by the Judicial Council to calculate and distribute these court collections to the appropriate State and local funds. Courts use either an automated system, manual process, or a combination of both to perform the often complex calculations and distributions required by law.

The Court uses one case management system (CMS) for traffic case types and another CMS for criminal case types. However, only the traffic CMS has the fiscal capability to calculate the required distributions of the fees, fines, penalties, and other assessments the Court collects. Therefore, the Court downloads the criminal case collection information to the traffic CMS and uses it to calculate the associated distributions. Monthly, the Court submits to the County a “Total Distribution” spreadsheet that lists the month’s collections distributed by applicable code section.

Our review of the calculated distributions of the Court collections noted various calculation and distribution errors for many of the cases we selected to review. For example, the Court did not calculate and distribute the 30 percent allocation for railroad public safety and education for the one railroad case we reviewed. In addition, the Court incorrectly calculated the 20 percent State Surcharge when it calculated the surcharge using the base fine net of the special base fine reductions rather than calculating the surcharge using the original base fine for the two DUI and one reckless driving cases we reviewed. Other calculation and distribution errors were noted on the other cases we reviewed, such as red light bail forfeiture, red light traffic school, unattended child, child seat bail forfeiture, child seat traffic school, traffic violator school, and health and safety cases.

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

Trust Accounting

Courts hold trust funds in a fiduciary capacity on behalf of others and are responsible for properly managing, monitoring, and safeguarding these funds. Specifically, the FIN Manual requires courts to implement procedures and controls to manage and safeguard court funds. For example, courts are required to reconcile all bank accounts at least monthly, and more frequently if required, to maintain adequate control over trial court funds. This would involve a complete reconciliation between the bank account, fiscal system, and the case management system, which is the detailed sub-ledger system of trust account activity.

Our review of the Court’s trust accounting practices revealed that the Court is not current with its trust account reconciliations. Specifically, the Court stated that since April 2008 it has not been able to perform reconciliations due to problems with its CMS system reports. The Court is currently working with the AOC to address this issue, among others it is experiencing with its CMS. In the meantime, the Court is working on developing a special report to reconcile its trust accounts. However, the Court has only one part-time employee working on developing this report and expects that it will be well into the 2011 calendar year before it becomes current in its trust account reconciliations.

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

Procurement Practices

As stewards of public funds, trial courts have an obligation to use sound procurement practices to demonstrate that goods and services are purchased in a fair and reasonable manner, and that

public funds were used economically. To obtain the best value for a purchase, courts should solicit competing offers from multiple, well-qualified vendors. At the same time, they should consider the amount of time and resources dedicated to such activities.

The FIN Manual provides uniform guidelines for courts to use in procuring necessary goods and services, and to document their procurement practices. For example, the procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee who has been given the responsibility for approving the requisition. Upon approval of the purchase requisition, the trial court employee responsible for the procurement process must follow the appropriate steps to obtain bids, quotes, or proposals (offers) from qualified vendors, suppliers, bidders, proposers, or contractors unless a sole source procurement has been authorized. When offers are received and analyzed to select the one that offers the best value to the court, a draft purchase order is created or contract drafted, if an award is to be made. Following any negotiations and any applicable protest period, the Presiding Judge or Court Executive Officer may execute the purchase order or contract. The receipt of the goods or services is documented prior to partial or final payment.

The FIN Manual contains suggested incremental approval levels for requisitions/procurements. It also states that any alternative thresholds (e.g., approval levels that are different from those suggested) and AOC-approved alternative procedures must be documented, incorporated into the local court procurement manual, and distributed to court personnel. After approval of the purchase requisition, the FIN Manual provides guidelines for purchasing thresholds and methods for procurements.

Further, to demonstrate that courts and vendors complied with trial court procurement procedures and the terms of the purchase order or contract, courts should maintain procurement files. Maintaining well-documented procurement files ensures transparency of the court's procurement process. The FIN Manual states that a properly documented procurement file provides an audit trail from the initiation of the requirement to the delivery of goods, provides a complete basis for informed decisions at each step of the acquisition process, supports the actions taken, provides information for later review, and facts in the event of litigation or an investigation. Documents that must be included in the procurement file include the rationale for the method of procurement (quotes, sealed bid, proposal, etc.), list of each offer received, internal approvals, notice of award, required insurance documents, and notice to proceed.

Finally, the FIN Manual provides the requirements courts must follow when using purchase cards. Among these requirements, all procurements executed using a purchase card must be initiated by an approved purchase requisition and may not be used to circumvent established procurement procedures. In addition, purchase cards may only be used for purchases with a maximum of \$1,500 per transaction. Further, documentation such as receipts and purchase requisitions are needed to verify purchases prior to issuing payment to the purchase card company. Finally, individual court employee travel expenses may be reimbursed, or purchased with a court credit card that is used only for travel expenses, or centrally purchased using a court travel account.

Our review revealed that the Court does not always follow the FIN Manual procurement guidelines. Specifically, the Court could not demonstrate prior written authorization for 20 procurements we reviewed. Also, the Court could not demonstrate prior written authorization for 20 of the 29 purchase card transactions we reviewed. For two of the other nine purchase card transactions, the Court provided purchase requisitions that did not have approval signatures. Further, one of the 29 purchase card transactions reviewed exceeded the \$1,500 per transaction limit and another five purchase card transactions were approved by a court manager not listed on the Court's current approval matrix. Finally, at the time of our review, the Court could not provide documentation to support the procurement process it used for 14 of the 20 procurements we reviewed. After following up with the Court, it asserted that it did not know the procurement method used for two procurements. Additionally, the Court asserted that eight other procurements were either competitive or sole-source procurements; however, the Court indicated that, except for one procurement, the document retention period had expired or the county had managed the procurement. Further, the Court asserted that the final four procurements were either through State master agreements or were mini purchases which did not require procurement files.

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

STATISTICS

The Superior Court of California, County of San Joaquin (Court) operates the Stockton Courthouse, Stockton Courthouse Annex, Juvenile Justice Center in French Camp, Tracy branch, Manteca branch, and two branches in Lodi. The Court has 31 judges and subordinate judicial officers and employs approximately 395 court staff to fulfill its administrative and operational activities. It incurred total trial court expenditures of more than \$43 million for the fiscal year that ended June 30, 2010.

Before 1997, courts and their respective counties worked within common budgetary and cost parameters—often the boundaries of services and programs offered by each blurred. The courts 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 each court.

For fiscal year 2009–2010, the Court received various services from the County of San Joaquin (County). For instance, the Court received County-provided services such as payroll processing, collections, janitorial, telecommunications, mailroom, duplicating, and shredding services. At the time of our review, all County-provided services were covered under a Court-County MOU with the exception of the janitorial and shredding services. The Court also received court security services from the County Sheriff that were covered under an MOU with the Sheriff.

The charts that follow contain general Court statistical information.

| | |
|-------------------------------------------------------------|---------|
| County Population (Estimated as of January 1, 2010) | 694,293 |
| Source: California Department of Finance | |
| Number of Court Locations | 6 |
| Number of Courtrooms | 33 |
| Source: Superior Court of California, County of San Joaquin | |
| Number of Case Filings in FY 2008–2009: | |
| Criminal Filings: | |
| ▪ Felonies | 7,406 |
| ▪ Non-Traffic Misdemeanor | 12,478 |
| ▪ Non-Traffic Infractions | 7,827 |
| ▪ Traffic Misdemeanors | 25,342 |
| ▪ Traffic Infractions | 114,747 |
| Civil Filings: | |
| ▪ Civil Unlimited | 3,553 |
| ▪ Motor Vehicle PI/PD/WD | 440 |
| ▪ Other PI/PD/WD | 330 |

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ▪ Other Civil Complaints & Petitions ▪ Small Claims Appeals ▪ Family Law (Marital) ▪ Family Law Petitions ▪ Probate ▪ Limited Civil ▪ Small Claims | 2,693 89 2,841 8,011 769 17,017 3,645 |
| <p>Juvenile Filings:</p> <ul style="list-style-type: none"> ▪ Juvenile Delinquency – Original ▪ Juvenile Delinquency – Subsequent ▪ Juvenile Dependency – Original ▪ Juvenile Dependency – Subsequent | 963 827 575 6 |
| <p>Mental Health Filings</p> | 1,095 |
| <p>Source: Judicial Council of California's 2010 Court Statistics Report and Superior Court of California, County of San Joaquin</p> | |
| <p>Select FY 2009-2010 Financial Information:</p> <p>Trial Court Trust Fund Total Financing Sources</p> <p>Trial Court Trust Fund Expenditures</p> <p>Non-Trial Court Trust Fund Total Financing Sources</p> <p>Non-Trial Court Trust Fund Expenditures</p> <p>Total Personal Services Costs (TCTF)</p> <p>Total Temporary Help Costs (TCTF)</p> <p>Total Personal Services Costs (NTCTF)</p> <p>Total Temporary Help Costs (NTCTF)</p> | \$41,495,163 \$42,418,840 \$1,534,918 \$1,450,185 \$28,017,813 \$127,005 \$532,334 \$65,048 |
| <p>Source: Fourth Quarter FY 2009–2010 Quarterly Financial Statements</p> | |
| <p>Judicial Officers as of June 30, 2009:</p> <p>Authorized Judgeships</p> <p>Authorized Subordinate Judicial Officers</p> | 32.0 4.5 |
| <p>Source: Judicial Council of California's 2010 Court Statistics Report</p> | |
| <p>Court Staff as of June 30, 2009:</p> <p>Total Authorized FTE Positions</p> <p>Total Filled FTE Positions</p> <p>Total Fiscal Staff</p> | 364.61 339.65 8.75 |
| <p>Source: Fourth Quarter FY 2009–2010 Quarterly Financial Statements and FY 2009–2010 Schedule 7A</p> | |
| <p>FY 2009–2010 Average Daily Collections</p> | \$113,789 |
| <p>Source: Superior Court of California, County of San Joaquin</p> | |

FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has identified accountability as the paramount objective of financial reporting. The GASB has further identified two essential components of accountability, fiscal and operational. **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 Administrative Office of the Courts (AOC) developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of San Joaquin (Court), implemented this fiscal system and processes fiscal data through the AOC Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three schedules are:

1. Balance Sheet (statement of position);

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

The fiscal year 2008–2009 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for “information purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

There are three basic fund classifications available for courts to use: Government, Proprietary and Fiduciary. The Court 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. Small Claims Advisory Fund – 120003
 2. Dispute Resolution Fund – 120004
 3. Grand Jury Fund – 120005
 4. Other County Services Fund – 120009
 5. 2% Automation/Micrographics Fund - 180004
 - **Grants**
 1. Assembly Bill (AB)1058 Family Law Facilitator Program – 1910581
 2. AB1058 Child Support Commissioner Program – 1910591
 3. Substance Abuse Focus Program – 1910601
 4. California Drug Court Program – 1910621
 5. Juvenile Dependency Courtroom Case Mgr Pilot Program - 1910641
 6. Grant Arrest Policy Program – 1930051
 7. Expansion of DUI Court-Office of Traffic Safety – 1930061
- **Fiduciary**
 - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”¹ Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of

¹ GASB Statement No. 34, paragraph 69.

time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The funds used here is:

- Trust – 320001
- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government’s own programs, such funds are specifically excluded from the government-wide financial statements.² **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
 - Distribution – 400000
 - Civil Filing Fees Fund – 450000

² GASB Statement No. 34, paragraph 12.

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

| | 2010 | | | | | 2009 | |
|-------------------------------------------------|-----------------------|-------------------|-------------------|----------------------|---------------------|-----------------------------------|-----------------------------------|
| | GOVERNMENTAL FUNDS | | | CAPITAL PROJECT FUND | FIDUCIARY FUNDS | TOTAL FUNDS (Info. Purposes Only) | TOTAL FUNDS (Info. Purposes Only) |
| | General | Special Revenue | Grant | | | | |
| ASSETS | | | | | | | |
| Pooled Cash | \$ (6,489,504) | \$ 34,091 | \$ 60,091 | \$ 6,419,562 | \$ 111,771 | \$ 136,011 | \$ - |
| Operations | (18,244) | - | - | - | - | (18,244) | 71,131 |
| Trust | - | - | - | - | 3,496,833 | 3,496,833 | 3,685,275 |
| Civil Filing Fees | - | - | - | - | - | - | 1,447,941 |
| Jury | - | - | - | - | - | - | - |
| On Hand | 10,010 | - | - | - | - | 10,010 | 9,960 |
| Distribution | - | - | - | - | 28,396 | 28,396 | 439,950 |
| Revolving | 5,000 | - | - | - | - | 5,000 | 5,000 |
| With County | 458,794 | 110,051 | (60,091) | - | - | 508,754 | 241,178 |
| Outside of AOC | - | - | - | - | 4,605 | 4,605 | 7,127 |
| Total Cash | \$ (6,033,944) | \$ 144,142 | \$ 0 | \$ 6,419,562 | \$ 3,641,605 | \$ 4,171,365 | \$ 5,907,562 |
| Short Term Investment | \$ 9,590,998 | \$ 731 | \$ - | \$ 29,467 | \$ 2,068,527 | \$ 11,689,723 | \$ 10,832,132 |
| Total Investments | \$ 9,590,998 | \$ 731 | \$ - | \$ 29,467 | \$ 2,068,527 | \$ 11,689,723 | \$ 10,832,132 |
| Accrued Revenue | \$ 6,676 | \$ 47 | \$ - | \$ 7,826 | \$ 9 | \$ 14,557 | \$ 42,655 |
| Accounts Receivable | 95,499 | - | 295,575 | - | - | 391,074 | 277,372 |
| Civil Jury Fees | 26,123 | - | - | - | - | 26,123 | 2,276 |
| Due From Other Funds | 374,280 | - | - | - | - | 374,280 | 179,190 |
| Due From Other Gov. | 31,013 | 40,760 | 109,712 | - | - | 181,485 | 68,008 |
| Due From Other Courts | - | - | - | - | - | - | - |
| Due From State | 429,349 | - | 32,225 | - | - | 461,574 | 581,421 |
| Total Receivables | \$ 962,941 | \$ 40,807 | \$ 437,512 | \$ 7,826 | \$ 9 | \$ 1,449,094 | \$ 1,150,922 |
| Prepaid Expenses - General | \$ 19,323 | \$ - | \$ - | \$ - | \$ - | \$ 19,323 | \$ 19,740 |
| Travel Advances | - | - | - | - | - | - | - |
| Total Prepaid Expenses | \$ 19,323 | \$ - | \$ - | \$ - | \$ - | \$ 19,323 | \$ 19,740 |
| Other Assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Other Assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Assets | \$ 4,539,318 | \$ 185,680 | \$ 437,512 | \$ 6,456,855 | \$ 5,710,141 | \$ 17,329,506 | \$ 17,910,356 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Accrued Liabilities | \$ 181,856 | \$ 22,537 | \$ 31,934 | \$ - | \$ - | \$ 236,327 | \$ 232,128 |
| General Accounts Payable | 6,159 | - | 319 | - | - | 6,478 | 1,871 |
| Due to Other Funds | - | 27 | 372,360 | - | 1,893 | 374,280 | 179,190 |
| TC145 Liability | - | - | - | - | 1,688,001 | 1,688,001 | 1,447,941 |
| Due to the State | 22,500 | - | - | - | - | 22,500 | 71,196 |
| Due to Other Governments | 5,539 | - | - | 6,419,562 | - | 6,425,101 | 6,593,660 |
| Treasury Interest Payable | - | - | - | - | 153 | 153 | - |
| Total Accounts Payable and Accrued Liab. | \$ 216,054 | \$ 22,564 | \$ 404,613 | \$ 6,419,562 | \$ 1,690,047 | \$ 8,752,840 | \$ 8,525,986 |
| Civil - Condemnation | \$ - | \$ - | \$ - | \$ - | \$ 693,026 | \$ 693,026 | \$ 1,439,037 |
| Civil - Unreconciled | - | - | - | - | 10,447 | 10,447 | 1,240,325 |
| Civil - Other | - | - | - | - | 397,337 | 397,337 | - |
| Civil - Interpleader | - | - | - | - | 1,529,151 | 1,529,151 | - |
| Civil - Appeal Transcripts | - | - | - | - | 30,355 | 30,355 | 37,905 |
| Civil - Small Claims | - | - | - | - | 70,024 | 70,024 | 13,491 |
| Civil - Eviction Deposit | - | - | - | - | 6,130 | 6,130 | - |
| Civil - Witness Fees | - | - | - | - | 750 | 750 | - |
| Criminal - General, Traffic, Victim Rest. | - | - | - | - | 408,373 | 408,373 | 666,853 |
| Criminal - Fines Due to Others | - | - | - | - | 520,433 | 520,433 | 439,950 |
| Funds Held Outside of the AOC | - | - | - | - | 4,605 | 4,605 | 7,127 |
| Trust Interest Payable | - | - | - | - | 177,599 | 177,599 | 174,794 |
| Total Trust Deposits | \$ - | \$ - | \$ - | \$ - | \$ 3,848,229 | \$ 3,848,229 | \$ 4,019,483 |
| Accrued Payroll | \$ 734,261 | \$ 5,385 | \$ 32,899 | \$ - | \$ - | \$ 772,545 | \$ 679,582 |
| Accrued Benefits | - | - | - | - | - | - | - |
| Benefits Payable | 15,320 | - | - | - | - | 15,320 | 11,684 |
| Deferred Compensation Payable | - | - | - | - | - | - | - |
| Deductions Payable | - | - | - | - | - | - | - |
| Payroll Clearing | - | - | - | - | - | - | - |
| Total Payroll Liabilities | \$ 749,581 | \$ 5,385 | \$ 32,899 | \$ - | \$ - | \$ 787,865 | \$ 691,266 |
| AB145 Due to Other Government Agency | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Reimbursements Collected | 5,150 | - | - | - | - | 5,150 | 5,675 |
| Revenue Collected in Advance | - | - | - | - | - | - | - |
| Liabilities For Deposits | 21,847 | 127 | - | - | 10,043 | 32,017 | 12,425 |
| Jury Fees - non-interest | - | - | - | - | 145,506 | 145,506 | 98,856 |
| Fees - partial payments and overpayments | - | - | - | - | 16,316 | 16,316 | 10,509 |
| Other miscellaneous | 34,696 | - | - | - | - | 34,696 | - |
| Total Other Liabilities | \$ 61,693 | \$ 127 | \$ - | \$ - | \$ 171,865 | \$ 233,685 | \$ 127,465 |
| Total Liabilities | \$ 1,027,328 | \$ 28,076 | \$ 437,512 | \$ 6,419,562 | \$ 5,710,141 | \$ 13,622,619 | \$ 13,364,200 |
| Fund Balance - Restricted | | | | | | | |
| Contractual | \$ 888,535 | \$ - | \$ - | \$ 37,293 | \$ - | \$ 925,828 | \$ 1,912,686 |
| Statutory | - | 157,604 | - | - | - | 157,604 | 319,567 |
| Fund Balance - Unrestricted | | | | | | | |
| Designated | 2,623,455 | - | - | - | - | 2,623,455 | 2,313,903 |
| Undesignated | - | - | - | - | - | - | - |
| Total Fund Balance | \$ 3,511,990 | \$ 157,604 | \$ - | \$ 37,293 | \$ - | \$ 3,706,887 | \$ 4,546,156 |
| Total Liabilities and Fund Balance | \$ 4,539,318 | \$ 185,680 | \$ 437,512 | \$ 6,456,855 | \$ 5,710,141 | \$ 17,329,506 | \$ 17,910,356 |

SOURCE: Phoenix Financial System and 4th Quarter Financial Statements

**SAN JOAQUIN SUPERIOR COURT
TRIAL COURT OPERATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30
(UNAUDITED)**

| | 2010 | | | | | 2009 | | | |
|-------------------------------------------------------|----------------------|-------------------|---------------------|----------------------|-----------------|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | GOVERNMENTAL FUNDS | | | CAPITAL PROJECT FUND | FIDUCIARY FUNDS | TOTAL FUNDS (Info. Purposes Only) | BASELINE BUDGET | TOTAL FUNDS (Info. Purposes Only) | BASELINE BUDGET |
| | General | Special Revenue | Grant | | | | | | |
| REVENUES | | | | | | | | | |
| State Financing Sources: | | | | | | | | | |
| Trial Court Trust Fund | \$ 37,574,502 | \$ - | \$ - | \$ - | \$ - | \$ 37,574,502 | \$ 38,410,566 | \$ 39,362,636 | \$ 39,265,867 |
| Trial Court Improvement Fund - Reimbursement | \$ 73,820 | - | - | - | - | 73,820 | 61,812 | 74,831 | 141,512 |
| Trial Court Improvement Fund - Block | - | - | - | - | - | - | - | - | - |
| Judicial Administration Efficiency & Mod Fund | - | - | - | - | - | - | - | 37,532 | 37,532 |
| Judges' Compensation (45.25) | \$ 304,000 | - | - | - | - | 304,000 | 275,000 | 274,665 | 304,000 |
| Court Interpreter (45.45) | \$ 1,451,865 | - | - | - | - | 1,451,865 | 1,656,120 | 1,452,021 | 1,551,317 |
| Civil Coordination Reimbursement (45.55) | \$ 2,562 | - | - | - | - | 2,562 | - | - | - |
| MOU Reimbursement (45.10 and General) | \$ 803,330 | - | - | - | - | 803,330 | 819,846 | 954,616 | 785,615 |
| Other miscellaneous | - | - | - | - | - | - | - | 134,561 | 134,048 |
| | \$ 40,210,079 | \$ - | \$ - | \$ - | \$ - | \$ 40,210,079 | \$ 41,223,344 | \$ 42,290,863 | \$ 42,219,891 |
| Grants: | | | | | | | | | |
| AB 1058 Commissioner/Facilitator | \$ - | \$ - | \$ 1,000,552 | \$ - | \$ - | \$ 1,000,552 | \$ 937,710 | \$ 1,166,400 | \$ 1,170,353 |
| Other AOC Grants | 80,028 | - | 71,311 | - | - | 151,339 | 22,000 | 21,111 | 23,250 |
| Non-State Grants | 75,364 | - | 313,599 | - | - | 388,963 | 321,870 | 593,430 | 619,122 |
| | \$ 155,392 | \$ - | \$ 1,385,462 | \$ - | \$ - | \$ 1,540,854 | \$ 1,281,580 | \$ 1,780,941 | \$ 1,812,725 |
| Other Financing Sources: | | | | | | | | | |
| Investment Income | \$ 40,969.00 | \$ 829 | \$ - | \$ 37,293 | \$ - | \$ 79,091 | \$ 125,080 | \$ 171,699 | \$ 255,634 |
| Donations | - | - | - | - | - | - | - | - | - |
| Local Fee and Non-fee Revenue | \$ 320,863.00 | - | - | - | - | 320,863 | 328,399 | 316,721 | 413,750 |
| Enhanced Collections | \$ 146,073.00 | - | - | - | - | 146,073 | 64,082 | 5,786 | - |
| Prior year adjustments | \$ (2,162.00) | 1,007 | - | - | - | (1,155) | - | (34,727) | - |
| County Program - restricted | - | 586,473 | - | - | - | 586,473 | 584,777 | 374,181 | 325,969 |
| Reimbursement Other | \$ 60,098.00 | - | - | - | - | 60,098 | 58,000 | 56,890 | 55,000 |
| Sale of Fixed Assets | - | - | - | - | - | - | - | - | - |
| Other miscellaneous | \$ 87,818.00 | - | - | - | - | 87,818 | 76,475 | 19,495 | 1,000 |
| | \$ 653,659 | \$ 588,309 | \$ - | \$ 37,293 | \$ - | \$ 1,279,261 | \$ 1,236,813 | \$ 910,045 | \$ 1,051,353 |
| Total Revenues | \$ 41,019,130 | \$ 588,309 | \$ 1,385,462 | \$ 37,293 | \$ - | \$ 43,030,194 | \$ 43,741,737 | \$ 44,981,848 | \$ 45,083,969 |
| EXPENDITURES | | | | | | | | | |
| Personal Services: | | | | | | | | | |
| Salaries and Wages | \$ 17,886,750 | \$ 155,305 | \$ 729,072 | \$ - | \$ - | \$ 18,771,127 | \$ 18,604,384 | \$ 19,480,720 | \$ 20,631,716 |
| Employee Benefits | 9,386,093 | 65,276 | 327,652 | - | - | 9,779,021 | 11,280,384 | 9,043,250 | 9,548,145 |
| | \$ 27,272,843 | \$ 220,581 | \$ 1,056,724 | \$ - | \$ - | \$ 28,550,148 | \$ 29,884,768 | \$ 28,523,970 | \$ 30,179,861 |
| Operating Expenses and Equipment: | | | | | | | | | |
| General Expense | \$ 664,849 | \$ 39,277 | \$ 18,689 | \$ - | \$ - | \$ 722,815 | \$ 948,091 | \$ 1,210,453 | \$ 1,250,467 |
| Printing | 204,353 | 341 | 607 | - | - | 205,301 | 234,905 | 229,234 | 278,120 |
| Communications | 378,698 | - | 2,701 | - | - | 381,399 | 441,455 | 432,569 | 441,008 |
| Postage | 255,437 | 30 | 1,261 | - | - | 256,728 | 245,027 | 242,760 | 241,324 |
| Insurance | 9,787 | - | - | - | - | 9,787 | 10,700 | 12,814 | 9,597 |
| In-State Travel | 22,460 | 3,371 | 3,959 | - | - | 29,790 | 61,064 | 87,163 | 100,214 |
| Out-of-State Travel | - | - | - | - | - | - | - | - | - |
| Training | 3,234 | - | 1,115 | - | - | 4,349 | 5,265 | 17,661 | 22,549 |
| Facilities Operations | 441,913 | 18 | 7,726 | - | - | 449,657 | 799,876 | 758,843 | 790,808 |
| Security Contractual Services | 7,632,495 | - | 141,994 | - | - | 7,774,489 | 8,665,640 | 7,660,047 | 8,755,569 |
| Utilities | 804 | - | - | - | - | 804 | 73,460 | 71,034 | 64,000 |
| Contracted Services | 2,633,507 | 176,064 | 18,795 | - | - | 2,828,366 | 2,941,927 | 3,120,943 | 2,902,319 |
| Consulting and Professional Services | 1,551,799 | 215,749 | 72,394 | - | - | 1,839,942 | 1,768,706 | 1,512,267 | 1,438,246 |
| Information Technology | 301,570 | 1,000 | 6,520 | - | - | 309,090 | 286,500 | 297,566 | 253,413 |
| Major Equipment | - | - | - | - | - | - | 20,000 | - | - |
| Other Items of Expense | 16,959 | - | - | - | - | 16,959 | 22,060 | 27,195 | 28,079 |
| | \$ 14,117,865 | \$ 435,850 | \$ 275,761 | \$ - | \$ - | \$ 14,829,476 | \$ 16,524,676 | \$ 15,680,550 | \$ 16,575,713 |
| Special Items of Expense | | | | | | | | | |
| Grand Jury | \$ - | \$ 94,866 | \$ - | \$ - | \$ - | \$ 94,866 | \$ 103,000 | \$ 102,334 | \$ 80,000 |
| Juror Costs | 394,535 | - | - | - | - | 394,535 | 428,000 | 416,040 | 381,000 |
| Debt Service/Penalties | - | - | - | - | - | - | - | 128 | - |
| Judgments, Settlements and Claims | - | - | - | - | - | - | - | - | - |
| Distributed Administration | (114,711) | - | 114,711 | - | - | - | - | - | (227) |
| Prior Year Adjustment to Expense | 438 | - | - | - | - | 438 | - | (169,042) | - |
| | \$ 280,262 | \$ 94,866 | \$ 114,711 | \$ - | \$ - | \$ 489,839 | \$ 531,000 | \$ 349,461 | \$ 460,773 |
| Total Expenditures | \$ 41,670,970 | \$ 751,297 | \$ 1,447,196 | \$ - | \$ - | \$ 43,869,463 | \$ 46,940,444 | \$ 44,553,981 | \$ 47,216,347 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | \$ (651,840) | \$ (162,988) | \$ (61,734) | \$ 37,293 | \$ - | \$ (839,269) | \$ (1,026,698) | \$ 427,867 | \$ (2,132,378) |
| OPERATING TRANSFERS IN (OUT) | (62,758) | 1,024 | 61,734 | - | - | - | - | - | - |
| FUND BALANCES (DEFICIT) | | | | | | | | | |
| Beginning Balance (Deficit) | 4,226,588 | 319,568 | - | - | - | 4,546,156 | 4,546,156 | 4,118,289 | 4,118,289 |
| Ending Balance (Deficit) | \$ 3,511,990 | \$ 157,604 | \$ - | \$ 37,293 | \$ - | \$ 3,706,887 | \$ 3,519,458 | \$ 4,546,156 | \$ 1,985,911 |

SOURCE: Phoenix Financial System

**SAN JOAQUIN SUPERIOR COURT
 TRIAL COURT OPERATIONS FUND
 STATEMENT OF PROGRAM EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30
 (UNAUDITED)**

| | 2010 | | | | | | | 2009 | | |
|------------------------------------------------|----------------------|----------------------------------|--------------------------|------------------------|----------------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Personal Services | Operating Expenses and Equipment | Special Items of Expense | Internal Cost Recovery | Prior Year Adjustment to Expense | Operating Transfers | TOTAL ACTUAL EXPENSE | BASELINE BUDGET | TOTAL ACTUAL EXPENSE | BASELINE BUDGET |
| PROGRAM EXPENDITURES: | | | | | | | | | | |
| Judges and Courtroom Support | \$ 10,094,139 | \$ 854,537 | \$ - | \$ - | \$ - | \$ - | \$ 10,948,676 | \$ 11,634,834 | \$ 11,075,703 | \$ 11,579,033 |
| Traffic & Other Infractions | 2,574,471 | 297,493 | - | - | - | - | 2,871,964 | 2,976,985 | 2,806,286 | 2,888,972 |
| Other Criminal Cases | 3,878,389 | 361,167 | - | 6,758 | - | - | 4,246,314 | 4,558,858 | 4,274,115 | 4,529,156 |
| Civil | 2,964,182 | 40,701 | - | - | - | - | 3,004,883 | 3,108,710 | 3,270,232 | 3,357,372 |
| Family and Children Services | 2,300,977 | 88,387 | - | 114,072 | - | - | 2,503,436 | 2,539,617 | 2,603,306 | 2,886,043 |
| Probate, Guardianship & Mental Health Services | 751,699 | 4,668 | - | - | - | - | 756,367 | 854,151 | 887,878 | 920,527 |
| Juvenile Dependency Services | 243,970 | 72,809 | - | - | - | - | 316,779 | 286,742 | 276,900 | 268,959 |
| Juvenile Delinquency Services | 406,159 | 124,658 | - | - | - | - | 530,817 | 565,871 | 597,528 | 620,620 |
| Other Support Operations | 1,057,570 | 591,451 | - | - | - | - | 1,649,021 | 1,789,617 | 1,630,581 | 1,802,717 |
| Court Interpreters | 884,805 | 682,871 | - | - | - | - | 1,567,676 | 1,656,120 | 1,572,969 | 1,590,968 |
| Jury Services | 187,188 | 180,030 | 394,536 | - | - | - | 761,754 | 836,786 | 813,689 | 760,172 |
| Security | - | 7,780,814 | - | - | - | - | 7,780,814 | 8,687,840 | 7,715,305 | 8,778,619 |
| Trial Court Operations Program | \$ 25,343,549 | \$ 11,079,586 | \$ 394,536 | \$ 120,830 | \$ - | \$ - | \$ 36,938,501 | \$ 39,496,131 | \$ 37,524,492 | \$ 39,983,158 |
| Enhanced Collections | 60,806 | 99,056 | - | - | - | - | \$ 159,862 | 64,562 | 5,930 | - |
| Other Non-Court Operations | 41,010 | 176,064 | 94,866 | - | - | - | 311,940 | 320,222 | 310,076 | 287,822 |
| Non-Court Operations Program | \$ 101,816 | \$ 275,120 | \$ 94,866 | \$ - | \$ - | \$ - | \$ 471,802 | \$ 384,784 | \$ 316,006 | \$ 287,822 |
| Executive Office | 749,569 | 4,881 | - | (29,967) | - | - | \$ 724,483 | \$ 768,449 | \$ 775,914 | \$ 850,986 |
| Fiscal Services | 780,041 | 258,186 | - | (29,784) | - | - | 1,008,443 | 1,054,373 | 1,002,501 | 983,404 |
| Human Resources | 584,200 | 25,654 | - | (21,773) | - | - | 588,081 | 624,849 | 598,675 | 603,232 |
| Business & Facilities Services | 294,543 | 918,832 | - | (11,686) | - | - | 1,201,689 | 1,653,498 | 1,880,123 | 1,756,171 |
| Information Technology | 696,429 | 2,267,217 | - | (27,620) | - | - | 2,936,026 | 2,958,360 | 2,625,312 | 2,751,574 |
| Court Administration Program | \$ 3,104,782 | \$ 3,474,770 | \$ - | \$ (120,830) | \$ - | \$ - | \$ 6,458,722 | \$ 7,059,529 | \$ 6,882,525 | \$ 6,945,367 |
| Prior year adjustment to expense | - | - | - | - | 438 | - | 438 | - | (169,042) | - |
| TOTAL | \$ 28,550,147 | \$ 14,829,476 | \$ 489,402 | \$ - | \$ 438 | \$ - | \$ 43,869,463 | \$ 46,940,444 | \$ 44,553,981 | \$ 47,216,347 |

SOURCE: 4th Quarter Financial Statement (QFS)

PURPOSE AND SCOPE

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

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

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

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

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on September 11, 2009.

The entrance meeting was held with the Court on September 11, 2009.

Audit fieldwork commenced on April 12, 2010 (However, the FY 2010-11 budget impasse until mid-October 2010 restricted travel to the Court from July until mid-October 2010.)

Fieldwork was completed in January 2011.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary review of the audit results was held on April 18, 2011, with the following:

- Hon. Robin Appel, Presiding Judge
- Rosa Junqueiro, Court Executive Officer
- Linda Courtright, Court Fiscal Officer

IAS received the Court's final management responses to the IAS recommendations on July 29, 2011. IAS incorporated the Court's final responses in the audit report and after obtaining additional clarification on estimated completion dates, subsequently provided the Court with a draft version of the audit report for its review and comment on September 1, 2011. The Court did not consider another review of the audit report necessary before IAS presented the report to the Judicial Council.

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Background

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

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

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|-------------------------------------|---------------------------|---------------|---------------|----------|
| | 2010 | 2009 | | |
| Expenditures | | | | |
| 906303 SALARIES - COMMISSIONERS | 520,581.55 | 610,219.06 | (89,638) | -14.7% |
| 906311 SALARIES - SUPERIOR COURT | 269,110.99 | 271,468.72 | (2,358) | -0.9% |
| 906350 FURLOUGH SAVINGS - COMMIS | (25,342.40) | - | (25,342) | -100.0% |
| 906351 FURLOUGH CLOSURE - COMMIS | 25,342.40 | - | 25,342 | 100.0% |
| * 906300 - SALARIES - JUDICIAL OFFI | 789,692.54 | 881,687.78 | (91,995) | -10.4% |
| 908301 OVERTIME | 2,836.68 | 13,488.52 | (10,652) | -79.0% |
| * 908300 - OVERTIME | 2,836.68 | 13,488.52 | (10,652) | -79.0% |
| ** SALARIES TOTAL | 18,771,126.38 | 19,480,720.17 | (709,594) | -3.6% |
| 920502 DUES & MEMBERSHIPS-LEGAL | 3,275.00 | 3,675.00 | (400) | -10.9% |
| 920503 DUES & MEMBERSHIPS-OTHER | 2,281.50 | 3,084.00 | (803) | -26.0% |
| * 920500 - DUES AND MEMBERSHIPS | 5,556.50 | 6,759.00 | (1,203) | -17.8% |
| 933101 TRAINING | - | 1,445.00 | (1,445) | -100.0% |
| 933102 TUITION REIMBURSEMENT (NO | 3,234.31 | 3,513.00 | (279) | -7.9% |
| 933103 REGISTRATION FEES - TRAIN | 1,115.00 | 4,509.72 | (3,395) | -75.3% |
| 933104 TUITION AND REGISTRATION | - | 8,000.00 | (8,000) | -100.0% |
| 933108 TRAINING SUPPLIES | - | 193.02 | (193) | -100.0% |
| * 933100 - TRAINING | 4,349.31 | 17,660.74 | (13,311) | -75.4% |

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

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch* (operating guidelines). Requirements include

restrictions on the payment of professional association dues for individuals making over \$100,000 a year.

- Compliance with CRC relating to cases taken under submission.
- Notification requirements regarding lawsuits.
- Approval requirements regarding training.

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

The following issues were considered significant enough to bring to management's attention. Appendix A contains additional minor issues.

1.1 The Court Has Not Developed a Written Business Continuity Plan

Background

The Business Continuity Plan (BCP) is a framework used by courts to re-establish core operational functions and technological systems swiftly and smoothly after all or a portion of these functions or systems have been disrupted during a major mishap or disaster (e.g., fire, flood, earthquake, etc.) A key component of the BCP is the Disaster Recovery Plan (DRP) where the technical aspects of re-establishing core information technology (IT) systems and applications are addressed. The key benefit of a well-developed BCP and DRP is that they provide the court with a predetermined game plan under which it can operate in the critical hours after a major business disruption. The plans provide the presiding judge and court executive management knowledge and awareness to assess the extent of the business disruption and to formulate a strategy that will promote appropriate maintenance of court operations and resumption of court leadership.

The BCP and DRP (BCP/DRP) should include the following minimum components:

- Process Management – establish plan objectives, the management team, and the operations and technology experts that are responsible for initiating, operating, and maintaining the BCP/DRP plan.
- Risk Assessment and Business Impact Analysis – identify the critical operational functions and processes of the court that must be re-established depending on identified recovery time objectives.
- Recovery Strategies – identify alternate recovery sites for critical business processes, if court facilities are not usable, and/or establish procedures for contracting with vendors to acquire or re-activate support functions and systems (e.g. County-owned systems).
- Business Continuity Management Procedures – identify appropriate and adequate resources to execute documented emergency response and recovery procedures to re-

establish critical functions, systems and applications within the needed time period. Identify and document crisis communication procedures to inform judges and court staff about the business disruption and how to resume court operations.

- Training and Awareness Plan – develop and document periodic training plans.
- Plan Testing Procedures – assign, document and communicate roles and responsibilities for BCP testing and use various testing approaches (e.g. disaster simulations, full plan tests).
- Auditing and Maintenance Procedures – establish periodic BCP/DRP plan updates to ensure compliance and adequacy.

Issues

We interviewed Court IT personnel to obtain an understanding of the Court's disaster recovery procedures. Based on our interviews, we identified the following weaknesses:

1. Although the Court has a draft DRP, it has not developed a written BCP. Also, the Court's draft DRP does not address remote storage of emergency materials, conditions under which the backup recovery site would be used, or procedures for notifying the backup recovery site.

In addition, the Court has not tested its backup recovery site or its existing evacuation plan.

2. The Court does not have readily available for an emergency a copy of the County's BCP/DRP that covers the CJIS and AMOS systems. Also, the Court's MOU with the County does not include annual testing of the County's BCP/DRP covering the CJIS and AMOS systems.

Recommendations

To ensure it is prepared to successfully recover and operate in the critical hours after a major business disruption, the Court should consider the following:

1. Develop a written BCP/DRP plan that contains the components described above, as well as address the remote storage of emergency materials, conditions for using its backup recovery site, and procedures for notifying the backup recovery site. The Court's BCP/DRP plan should also include procedures to test its backup recovery site and its evacuation plan.
2. Obtain a copy of the County's BCP/DRP related to the CJIS and AMOS systems. The Court should also consider revising its MOU with the County to include annual testing of the BCP/DRP related to the CJIS and AMOS systems.

Superior Court Response

The Court agrees with the finding(s). During March 2011, the Court's Business Services Manager and IT Manager attended a two day AOC Continuity of Operations training to assist the Court with ongoing development of a BCR, and a DPR.

Unfortunately the Court has experienced a setback due to the untimely death of its IT Manager. In addition, due to significant lack of financial resources, the Court will be unable to replace the IT Manager until there is funding to do so. As a result, it will take an undetermined amount of time for the Court to finalize both plans.

The Court fully understands the importance of these plans and will continue to press forward to completion. In addition, the Court has already obtained a copy of the County's BCP/DRP related to the CJIS and AMOS systems.

2. Fiscal Management and Budgets

Background

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

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|--------------------------------------------|---------------------------|----------------------|------------------|---------------|
| | 2010 | 2009 | | |
| Expenditures | | | | |
| 900301 SALARIES - PERMANENT | 17,699,003.26 | 18,123,292.18 | (424,289) | -2.3% |
| 900320 LUMP SUM PAYOUTS | 87,540.93 | 5,355.24 | 82,186 | 1534.7% |
| 900350 FURLOUGH & SALARY REDUCTI | (823,302.36) | - | (823,302) | -100.0% |
| 900351 FURLOUGH CLOSURE (NON-JUD | 823,302.36 | - | 823,302 | 100.0% |
| * 900300 - SALARIES - PERMANENT | 17,786,544.19 | 18,128,647.42 | (342,103) | -1.9% |
| 903301 TEMPORARY EMPLOYEES - ON | 192,052.97 | 456,896.45 | (264,843) | -58.0% |
| * 903300 - TEMP HELP | 192,052.97 | 456,896.45 | (264,843) | -58.0% |
| 906303 SALARIES - COMMISSIONERS | 520,581.55 | 610,219.06 | (89,638) | -14.7% |
| 906311 SALARIES - SUPERIOR COURT | 269,110.99 | 271,468.72 | (2,358) | -0.9% |
| 906350 FURLOUGH SAVINGS - COMMIS | (25,342.40) | - | (25,342) | -100.0% |
| 906351 FURLOUGH CLOSURE - COMMIS | 25,342.40 | - | 25,342 | 100.0% |
| * 906300 - SALARIES - JUDICIAL OFFI | 789,692.54 | 881,687.78 | (91,995) | -10.4% |
| 908301 OVERTIME | 2,836.68 | 13,488.52 | (10,652) | -79.0% |
| * 908300 - OVERTIME | 2,836.68 | 13,488.52 | (10,652) | -79.0% |
| ** SALARIES TOTAL | 18,771,126.38 | 19,480,720.17 | (709,594) | -3.6% |

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|-------------------------------------|---------------------------|---------------|---------------|----------|
| | 2010 | 2009 | | |
| Expenditures | | | | |
| 910301 SOCIAL SECURITY INS & MED | 1,071,085.34 | 1,118,345.48 | (47,260) | -4.2% |
| 910302 MEDICARE TAX | 254,637.62 | 266,949.81 | (12,312) | -4.6% |
| * 910300 - TAX | 1,325,722.96 | 1,385,295.29 | (59,572) | -4.3% |
| 910401 DENTAL INSURANCE | 211,492.17 | 198,219.87 | 13,272 | 6.7% |
| 910501 HEALTH INSURANCE | 3,152,094.78 | 2,690,232.01 | 461,863 | 17.2% |
| 910503 RETIREE BENEFIT | 260,485.99 | 155,283.45 | 105,203 | 67.7% |
| * 910400 - HEALTH INSURANCE | 3,624,072.94 | 3,043,735.33 | 580,338 | 19.1% |
| 910601 RETIREMENT (NON-JUDICIAL | 4,301,203.75 | 4,072,578.41 | 228,625 | 5.6% |
| 912301 RETIREMENT (SUBORDINATE A | 130,134.56 | 140,177.96 | (10,043) | -7.2% |
| * 910600 - RETIREMENT | 4,431,338.31 | 4,212,756.37 | 218,582 | 5.2% |
| 912501 STATUTORY WORKERS COMPENS | 273,972.00 | 263,399.00 | 10,573 | 4.0% |
| * 912500 - WORKERS' COMPENSATION | 273,972.00 | 263,399.00 | 10,573 | 4.0% |
| 913301 UNEMPLOYMENT INSURANCE | 51,290.92 | 53,845.77 | (2,555) | -4.7% |
| 913501 LIFE INSURANCE | 17,070.88 | 17,046.07 | 25 | 0.1% |
| 913601 VISION CARE INSURANCE | 31,798.37 | 31,773.72 | 25 | 0.1% |
| * 912700 - OTHER INSURANCE | 100,160.17 | 102,665.56 | (2,505) | -2.4% |
| 913701 OTHER JUDGES BENEFITS | 4,830.89 | 17,071.73 | (12,241) | -71.7% |
| * 913700 - SUPERIOR COURT JUDGES BE | 4,830.89 | 17,071.73 | (12,241) | -71.7% |
| 913850 BENEFIT REDUCTION SAVINGS | (67,467.45) | - | (67,467) | -100.0% |
| 913851 BENEFIT REDUCTION | 67,467.45 | - | 67,467 | 100.0% |
| 913899 OTHER BENEFITS | 18,923.96 | 18,326.87 | 597 | 3.3% |
| * 913800 - OTHER BENEFITS | 18,923.96 | 18,326.87 | 597 | 3.3% |
| ** STAFF BENEFITS TOTAL | 9,779,021.23 | 9,043,250.15 | 735,771 | 8.1% |
| *** PERSONAL SERVICES TOTAL | 28,550,147.61 | 28,523,970.32 | 26,177 | 0.1% |
| Liabilities | | | | |
| 374702 BENEFITS PAYABLE-MEDICAL | 10,010.39 | 6,642.44 | 3,368 | 50.7% |
| 374703 BENEFITS PAYABLE-DENTAL E | 2,710.91 | 1,715.02 | 996 | 58.1% |
| 374704 BENEFITS PAYABLE-VISION E | 70.82 | 122.04 | (51) | -42.0% |
| 374706 BENEFITS PAYABLE-FLEX SPE | 2,527.73 | 3,204.11 | (676) | -21.1% |
| 375001 ACCRUED PAYROLL | 772,544.80 | 679,582.18 | 92,963 | 13.7% |
| *** 701100 OPERATING TRANSFERS IN | (70,570.30) | (12,345.80) | (58,225) | -471.6% |
| *** 701200 OPERATING TRANSFERS OUT | 70,570.30 | 12,345.80 | 58,225 | 471.6% |

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

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

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

2.1 The Court Needs to Improve Its Payroll Processing Practices

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, FIN 2.02, requires courts to maintain effective internal control systems as an integral part of their management practices. An effective system of internal controls minimizes the court's exposure to risks and negative perceptions. The components of an effective system of internal controls include, but are not limited to the following:

- Comprehensive policies and procedures for court employees to follow in performing their duties;
- Appropriate supervision to assure that approved procedures are followed;
- Sufficient internal review to ensure that all financial transactions are properly and accurately recorded and reported; and
- Approval and proper authorization and documentation to provide evidence of effective control over its assets by court employees acting within the scope of their authority.

Issues

Our review of the Court's payroll processing practices included a review of its personnel policies and procedures documented in its March 2002 Personnel Rules (Personnel Rules). Although our review found that its Personnel Rules provide policy and procedures that are generally consistent with an effective system of internal controls, our review of the Court's payroll processing practices identified the following weaknesses:

1. The Court does not require all of its employees to complete and submit timesheets certifying their time worked and leave taken. Consequently, the Court risks paying employees for time not worked. For example, our review of selected timesheets for 10 Court employees revealed that one Court employee did not submit a timesheet to document leave taken as required by the Personnel Rules.
2. The Court's process for pre-authorizing overtime does not adequately demonstrate that the overtime was approved before the overtime was worked. Specifically, although the Court's Personnel Rules require managers to pre-authorize employee overtime, these rules do not require managers to document this pre-authorization before the employees work the overtime. Instead, the Personnel Rules allow managers to demonstrate their pre-approval of employee overtime by signing the timesheets that employees prepare and submit at the end of the pay period, subsequent to the employee working the overtime.

3. The County, as the Court's payroll processor, mails checks and paystubs to Court employees' homes rather than providing checks and paystubs to the Court for physical distribution to each Court employee. Consequently, the Court risks making payments to fictitious employees.

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. Require all employees to complete and submit timesheets certifying their time worked and leave taken each pay period. Supervisors should review and approve these timesheets ensuring they are complete and accurate. The Court's payroll processor should ensure timesheets are approved before processing and distributing pay.
2. Develop and implement a Request for Pre-authorized Overtime form and require managers to sign the form to document pre-authorization of the overtime before the employee works the overtime. The employee should subsequently submit this pre-authorized overtime form with their timesheet to support pre-approval of the overtime worked.
3. Coordinate with the County to have Court employee checks and paystubs delivered to the Court for physical distribution to Court employees by a designated Court employee. Checks and paystubs for absent Court employees should be returned to the Court's Human Resources division for investigation and handling.

Superior Court Response

We have reviewed the September 14, 2010 Issues Memorandum IM-4. We agree with the AOC's Internal Audit findings 1 and 2 and have taken corrective actions. We disagree with audit finding 3 but have included a review by the court that will help to ensure the court is not making payments to fictitious employees. Below are our responses to the audit issues:

1. The Court established a new policy requiring employees to complete and sign the time off request (timesheet) and submit it to their supervisor or manager for approval. The supervisor or manager will sign the timesheet after reviewing and ensuring the timesheet is complete and the information accurate.

The Court Human Resources Technician (payroll processor) will ensure the timesheet has been approved by the supervisor or manager prior to posting the time into the payroll system. The Senior Human Resources Analyst will review the system payroll data for accuracy before the County Auditor's Office records payroll for distribution to Court employees.

2. Currently all overtime requests must be approved by the Court Executive Officer prior to a supervisor or manager allowing staff to work overtime. Timesheets have been modified to include a box that supervisors or managers must check indicating overtime was approved prior to allowing the employee to work overtime. Courtroom staff can work

overtime without prior approval pursuant to the Court's Personnel Rules. In this case, court runs late into the lunch hour or after normal work hours. Courtroom staff must complete a timesheet indicating the overtime hours (or minutes) they worked and submit the timesheet to their supervisor or manager to verify court ran over. The supervisor or manager will initial the timesheet indicating the overtime is approved before submitting the timesheet to payroll for processing.

3. The County Auditor's office processes our payroll and paychecks. It is the County's policy that paychecks must either be electronically deposited to the employee's bank or financial institution, or the paycheck must be mailed via US Postal Service to their home address. The County does not physically distribute any payroll checks so the Court will not be able to comply with the recommendation to have the County deliver to the Court employee's checks for physical distribution. However, the Court's Senior Human Resources Analyst will print out a list of all court staff from the Court's position control list and match the list with the names on payroll at least quarterly to ensure that the names are legitimate court staff.

3. Fund Accounting

Background

Trial courts must account for their receipt and use of public funds using the fund accounting and reporting standards published by the Government Accounting Standards Board. To assist courts in meeting this objective, the FIN Manual provides guidelines for courts to follow. FIN 3.01, 3.0, requires trial courts to establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the courts' financial operations. FIN 3.01, 6.1.1 defines a "fund" as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. A set of governmental, fiduciary, and proprietary funds have been set up in the Phoenix Financial System to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|--------------------------------------------|---------------------------|---------------------|----------------|---------------|
| | 2010 | 2009 | | |
| Fund Balances | | | | |
| 535001 RESERVE FOR ENCUMBRANCES | 13,841.86 | 4,759.19 | 9,083 | 190.8% |
| 552001 FUND BALANCE-RESTRICTED | 2,232,253.35 | 869,627.94 | 1,362,625 | 156.7% |
| 553001 FUND BALANCE - UNRESTRICT | 2,313,903.12 | 3,248,661.00 | (934,758) | -28.8% |
| 615001 ENCUMBRANCES | (13,841.86) | (4,759.19) | (9,083) | -190.8% |
| *** Fund Balances | 4,546,156.47 | 4,118,288.94 | 427,868 | 10.4% |
| Revenues | | | | |
| 899910 PRIOR YEAR ADJUSTMENTS - | (1,155.27) | (34,727.36) | 33,572 | 96.7% |
| ** 890000-PRIOR YEAR REVENUE | (1,155.27) | (34,727.36) | 33,572 | 96.7% |
| Expenditures | | | | |
| 999910 PRIOR YEAR ADJUSTMENTS - | 437.99 | (169,042.06) | 169,480 | 100.3% |
| * 999900 -PRIOR YEAR EXPENSE ADJUST | 437.99 | (169,042.06) | 169,480 | 100.3% |

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|--------------------------------------|---------------------------|---------------|---------------|-------------|
| | 2010 | 2009 | | |
| Revenues | | | | |
| 812110 TCTF-PROGRAM 45.10-OPERAT | 36,373,943.69 | 38,367,389.28 | (1,993,446) | -5.2% |
| 812140 TCTF-PROGRAM 45.10-SMALL | 10,900.00 | 11,210.00 | (310) | -2.8% |
| 812141 TCTF-PROGRAM 45.10-ADMIN | 1,975.00 | 2,375.00 | (400) | -16.8% |
| 812142 TCTF-PROGRAM 45.10-ADMIN | 625.00 | 625.00 | 0 | 0.0% |
| 812143 TCTF-PROGRAM 45.10-FEE WA | 1,922.00 | - | 1,922 | 100.0% |
| 812144 TCTF-PROGRAM 45.10-CLERKS | 27,563.58 | 17,040.00 | 10,524 | 61.8% |
| 812145 TCTF-PROGRAM 45.10-EXTRA | 2,652.00 | 29,062.00 | (26,410) | -90.9% |
| 812146 TCTF-PROGRAM 45.10-COPY P | 90,557.50 | 94,450.00 | (3,893) | -4.1% |
| 812147 TCTF-PROGRAM 45.10-COMPAR | 1.00 | 3.00 | (2) | -66.7% |
| 812148 TCTF-PROGRAM 45.10-MANUAL | 11,460.00 | 13,560.00 | (2,100) | -15.5% |
| 812149 TCTF-PROGRAM 45.10-REIMBU | 61,994.15 | 62,793.00 | (799) | -1.3% |
| 812150 TCTF-PROGRAM 45.10-ESTATE | 65.00 | - | 65 | 100.0% |
| 812151 TCTF-10-CUSTODY/VISITATIO | 11,685.00 | 13,155.00 | (1,470) | -11.2% |
| 812153 TCTF-PROGRAM 45.10-GUARDI | 1,490.00 | - | 1,490 | 100.0% |
| 812154 TCTF-PROGRAM 45.10-INFO P | 440.00 | 360.00 | 80 | 22.2% |
| 812155 TCTF-PROGRAM 45.10-ASSESS | 79,755.00 | 63,640.00 | 16,115 | 25.3% |
| 812158 TCTF-10-CUSTODY/VISITATIO | 7,790.00 | 8,770.00 | (980) | -11.2% |
| 812159 TCTF-10-CIVIL ASSESSMENT | 817,309.00 | 607,652.00 | 209,657 | 34.5% |
| 812160 TCTF-10-MICROGRAPHICS | 72,349.00 | 70,552.00 | 1,797 | 2.5% |
| 812163 TCTF-PROGRAM 45.10-COURT | 25.00 | - | 25 | 100.0% |
| ** 812100-TCTF - PGM 10 OPERATIONS | 37,574,501.92 | 39,362,636.28 | (1,788,134) | -4.5% |
| 821123 LOCAL FEE 3 | 111,021.00 | 110,501.00 | 520 | 0.5% |
| 821127 LOCAL FEE 7 | 6,559.47 | 6,645.53 | (86) | -1.3% |
| 821129 LOCAL FEE 9 | 97.10 | 80.27 | 17 | 21.0% |
| 821130 LOCAL FEE 10 | 5,813.00 | 4,951.00 | 862 | 17.4% |
| 821131 LOCAL FEE 11 | 7,616.00 | 9,632.00 | (2,016) | -20.9% |
| 821132 LOCAL FEE 12 | 460.05 | 344.65 | 115 | 33.5% |
| 821133 LOCAL FEE 13 | 4,906.01 | (0.03) | 4,906 | 16353466.7% |
| 821134 LOCAL FEE 14 | 143.00 | - | 143 | 100.0% |
| 821190 VC11205m TRAFFIC SCHOOL | 52,707.99 | 56,162.00 | (3,454) | -6.2% |
| 821191 VC40508.6 DMV HISTORY/PRI | 79,807.74 | 81,405.78 | (1,598) | -2.0% |
| ** 821000-LOCAL FEES REVENUE | 269,131.36 | 269,722.20 | (591) | -0.2% |
| 831010 GF-AB2030/AB2695 SERVICE | 26,578.00 | 28,916.00 | (2,338) | -8.1% |
| 831012 GF-PRISONER HEARING COST | 155,338.30 | 147,313.15 | 8,025 | 5.4% |
| ** 831000-GENERAL FUND - MOU/REIMBUR | 181,916.30 | 176,229.15 | 5,687 | 3.2% |
| 832010 TCTF MOU REIMBURSEMENTS | 220,080.00 | 247,571.15 | (27,491) | -11.1% |
| 832011 TCTF-PGM 45.10-JURY | 334,436.83 | 359,150.23 | (24,713) | -6.9% |
| 832012 TCTF-PGM 45.10-CAC | 51,357.00 | 50,001.34 | 1,356 | 2.7% |
| 832013 TCTF-PGM 45.10-ELDER ABUS | 15,540.00 | 10,730.00 | 4,810 | 44.8% |
| 832014 TCTF-PGM 45.10-OTHER | - | 110,934.00 | (110,934) | -100.0% |
| ** 832000-PROGRAM 45.10 - MOU/REIMBU | 621,413.83 | 778,386.72 | (156,973) | -20.2% |
| 833010 PROGRAM 45.25-JUDGES SALA | 304,000.00 | 274,665.49 | 29,335 | 10.7% |
| ** 833000-PROGRAM 45.25 - REIMBURSEM | 304,000.00 | 274,665.49 | 29,335 | 10.7% |
| 834010 PROGRAM 45.45-COURT INTER | 1,451,865.00 | 1,452,021.00 | (156) | 0.0% |
| ** 834000-PROGRAM 45.45 - REIMBURSEM | 1,451,865.00 | 1,452,021.00 | (156) | 0.0% |
| 835010 PROGRAM 45.55-CIVIL COORD | 2,562.00 | - | 2,562 | 100.0% |
| ** 835000-PROGRAM 45.55 - REIMBURSEM | 2,562.00 | - | 2,562 | 100.0% |
| 836010 MODERNIZATION FUND | - | 37,532.00 | (37,532) | -100.0% |
| ** 836000-MODERNIZATION FUND - REIMB | - | 37,532.00 | (37,532) | -100.0% |
| 837010 IMPROVEMENT FUND REIMBURS | 73,819.82 | 74,831.02 | (1,011) | -1.4% |
| ** 837000-IMPROVEMENT FUND - REIMBUR | 73,819.82 | 74,831.02 | (1,011) | -1.4% |
| 861010 CIVIL JURY REIMBURSEMENT | 60,098.39 | 56,890.01 | 3,208 | 5.6% |
| ** 860000-REIMBURSEMENTS - OTHER | 60,098.39 | 56,890.01 | 3,208 | 5.6% |
| *** TRIAL COURTS REIMBURSEMENTS | 4,823,002.90 | 5,005,676.51 | (182,674) | -3.6% |

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

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

There were no significant issues identified during this audit to report to management in this section.

4. Accounting Principles and Practices

Background

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

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

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

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|-------------------------------------------|---------------------------|---------------------|------------------|---------------|
| | 2010 | 2009 | | |
| Revenues – Grants | | | | |
| 838010 AB1058 GRANTS | 1,000,552.03 | 1,166,399.89 | (165,848) | -14.2% |
| 838020 OTHER AOC GRANTS | 151,340.00 | 21,110.96 | 130,229 | 616.9% |
| ** 838000-AOC GRANTS - REIMBURSEME | 1,151,892.03 | 1,187,510.85 | (35,619) | -3.0% |
| 839010 NON-AOC GRANTS | 388,962.98 | 593,429.73 | (204,467) | -34.5% |
| ** 839000-NON-AOC GRANTS - REIMBUR | 388,962.98 | 593,429.73 | (204,467) | -34.5% |
| Revenues – Trust | | | | |
| 118000 CASH-TRUST ACCOUNT | 3,500,886.41 | 3,759,392.63 | (258,506) | -6.9% |
| 118002 CASH TRUST IN-TRANSIT | 150.00 | - | 150 | 100.0% |
| 118100 CASH-TRUST CLEARING | (4,202.91) | (74,117.34) | 69,914 | 94.3% |

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|----------------------------------|---------------------------|--------------|---------------|----------|
| | 2010 | 2009 | | |
| Liabilities – Trust | | | | |
| 353002 CIVIL TRUST-CONDEMNATION | 693,026.00 | 1,439,037.25 | (746,011) | -51.8% |
| 353003 CIVIL TRUST-OTHER(RPRTR | 397,336.89 | - | 397,337 | 100.0% |
| 353004 JURY FEES- NON-INTEREST B | 145,506.43 | 98,856.02 | 46,650 | 47.2% |
| 353006 CRIMINAL - GENERAL | 377,146.00 | 624,034.00 | (246,888) | -39.6% |
| 353007 CRIMINAL TRUST - VICTIM R | 31,226.52 | 42,818.74 | (11,592) | -27.1% |
| 353021 CIVIL TRUST - INTERPLEADE | 1,529,151.07 | - | 1,529,151 | 100.0% |
| 353023 CIVIL TRUST - APPEAL TRAN | 30,355.00 | 37,905.00 | (7,550) | -19.9% |
| 353024 CIVIL TRUST - SMALL CLAIM | 70,023.55 | 13,491.25 | 56,532 | 419.0% |
| 353025 CIVIL TRUST - EVICTION DE | 6,129.57 | - | 6,130 | 100.0% |
| 353026 CIVIL TRUST - WITNESS FEE | 750.00 | - | 750 | 100.0% |
| 353030 PARTIAL PAYMENT OF FEES | 6,323.60 | 4,478.60 | 1,845 | 41.2% |
| 353031 OVERPAYMENT OF FEES | 9,992.25 | 6,030.25 | 3,962 | 65.7% |
| 353040 CIVIL UNRECONCILED TRUST | 10,447.37 | 1,240,325.41 | (1,229,878) | -99.2% |
| 353051 CRIMINAL FINES DUE TO OTH | 520,433.29 | 439,949.59 | 80,484 | 18.3% |
| 353080 LIABILITIES FOR DEPOSITS | 10,042.76 | 5,347.76 | 4,695 | 87.8% |
| 353090 FUNDS HELD OUTSIDE OF THE | 4,604.93 | 7,127.20 | (2,522) | -35.4% |
| 353999 TRUST INTEREST PAYABLE | 177,598.73 | 174,794.45 | 2,804 | 1.6% |

Assets

| | | | | |
|----------------------------------|---------------|---------------|-------------|---------|
| 100000 POOLED CASH | 537,201.75 | - | 537,202 | 100.0% |
| 100011 OPS DEPOSIT | 3,046.68 | - | 3,047 | 100.0% |
| 100025 DISB CHECK-OPERATIONS | (363,192.08) | - | (363,192) | -100.0% |
| 100026 DISB CHECK-TRUST | (39,720.69) | - | (39,721) | -100.0% |
| 100027 DISB OUTGOING EFT | (1,326.10) | - | (1,326) | -100.0% |
| 111000 CASH-OPERATIONS ACCOUNT | 3,408.95 | 408,132.98 | (404,724) | -99.2% |
| 111002 CASH OPERATIONS IN-TRANSI | - | - | 0 | 0.0% |
| 111100 CASH-OPERATIONS CLEARING | (21,652.48) | (337,002.11) | 315,350 | 93.6% |
| 114000 CASH-REVOLVING | 5,000.00 | 5,000.00 | 0 | 0.0% |
| 117000 CASH DISTRIBUTION ACCOUNT | 28,396.00 | 439,949.59 | (411,554) | -93.5% |
| 117500 CASH CIVIL FILING FEES | - | 1,447,940.71 | (1,447,941) | -100.0% |
| 118000 CASH-TRUST ACCOUNT | 3,500,886.41 | 3,759,392.63 | (258,506) | -6.9% |
| 118002 CASH TRUST IN-TRANSIT | 150.00 | - | 150 | 100.0% |
| 118100 CASH-TRUST CLEARING | (4,202.91) | (74,117.34) | 69,914 | 94.3% |
| 119001 CASH ON HAND | 10,010.00 | 9,960.00 | 50 | 0.5% |
| 120001 CASH WITH COUNTY | 508,754.35 | 241,178.37 | 267,576 | 110.9% |
| 120002 CASH OUTSIDE OF AOC | 4,604.93 | 7,127.20 | (2,522) | -35.4% |
| 120050 SHORT TERM INVESTMENTS | 11,689,723.75 | 10,832,132.08 | 857,592 | 7.9% |
| *** Cash and Cash Equivalents | 15,861,088.56 | 16,739,694.11 | (878,606) | -5.2% |
| 130001 A/R-ACCURED REVENUE | 14,556.96 | 42,654.69 | (28,098) | -65.9% |
| 131201 ACCOUNTS RECEIVABLE | 391,074.01 | 277,371.93 | 113,702 | 41.0% |
| 134001 A/R -CIVIL JURY FEES | 26,123.30 | 2,276.09 | 23,847 | 1047.7% |
| 140001 A/R - DUE FROM OTHER FUND | 374,280.35 | 179,189.75 | 195,091 | 108.9% |
| 150001 A/R - DUE FROM OTHER GOVE | 181,485.27 | 68,008.40 | 113,477 | 166.9% |
| 152000 A/R-DUE FROM STATE | 461,573.73 | 581,421.18 | (119,847) | -20.6% |
| ** Receivables | 1,449,093.62 | 1,150,922.04 | 298,172 | 25.9% |
| 172001 PREPAID EXPENSES | 19,323.37 | 19,740.00 | (417) | -2.1% |
| ** Prepaid Expenses | 19,323.37 | 19,740.00 | (417) | -2.1% |
| *** Accounts Receivable | 1,468,416.99 | 1,170,662.04 | 297,755 | 25.4% |

Liabilities

| | | | | |
|----------------------------------|--------------|--------------|-----------|---------|
| 301001 A/P - GENERAL | 318.56 | 1,489.43 | (1,171) | -78.6% |
| 301002 A/P - CLEARING GR/IR ACCT | 6,158.95 | 381.51 | 5,777 | 1514.4% |
| 311401 A/P - DUE TO OTHER FUNDS | 374,280.35 | 179,189.75 | 195,091 | 108.9% |
| 321501 A/P DUE TO STATE | 22,500.00 | 71,196.22 | (48,696) | -68.4% |
| 321600 A/P - TC145 LIABILITY | 1,688,000.88 | 1,447,940.71 | 240,060 | 16.6% |
| 322001 A/P - DUE TO OTHER GOVERN | 6,425,100.62 | 6,593,660.32 | (168,560) | -2.6% |
| 323010 TREASURY INTEREST PAYABLE | 153.05 | - | 153 | 100.0% |
| 330001 A/P - ACCRUED LIABILITIES | 236,326.90 | 232,127.78 | 4,199 | 1.8% |
| *** Accounts Payable | 8,752,839.31 | 8,525,985.72 | 226,854 | 2.7% |
| 816110 OTHER STATE RECEIPTS | - | 134,561.00 | (134,561) | -100.0% |
| ** 816000-OTHER STATE RECEIPTS | - | 134,561.00 | (134,561) | -100.0% |

| | | | | |
|-----------------------------------------|------------------|------------------|---------------|---------------|
| 822101 NON-FEE REV 1 | - | 11.72 | (12) | -100.0% |
| 822102 NON-FEE REV 2 | 6,346.45 | 12,811.15 | (6,465) | -50.5% |
| 822104 NON-FEE REV 4 | - | 511.00 | (511) | -100.0% |
| 822120 CRC3.670f COURT CALL | 45,385.00 | 33,665.00 | 11,720 | 34.8% |
| ** 822000-LOCAL NON-FEES REVENUE | 51,731.45 | 46,998.87 | 4,733 | 10.1% |
| 823001 MISCELLANEOUS REVENUE | 13,636.27 | 19,494.71 | (5,858) | -30.1% |
| 823011 JUDGES VOLUNTARY DONATION | 74,181.51 | - | 74,182 | 100.0% |
| ** 823000-OTHER - REVENUE | 87,817.78 | 19,494.71 | 68,323 | 350.5% |

We compared year-end general ledger account balances between the prior two fiscal year trial balances and reviewed accounts with material balances that experienced significant variances from year-to-year. We also assessed the Court's procedures for processing and accounting trust deposits, disbursements, and refunds to determine whether it has adequate controls over trust funds. Additionally, we reviewed various FY 2009 – 2010 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant guidance. We reviewed selected grants that the Court administered 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 reimbursement for allowable expenditures.

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

5. Cash Collections

Background

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

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

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

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

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

The following issues were considered significant enough to bring to management's attention. Appendix A contains additional minor issues.

5.1 The Court Needs to Improve Its Control and Oversight over Handwritten Receipts

Background

FIN Manual, FIN 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. Specifically, FIN 10.02, 6.3.7, states, in part, that all payments to the court must be acknowledged by a sequentially numbered receipt that provides sufficient information, including receipt number, date of payment, case number, and amount received, to create an adequate audit trail that ensures proper distribution of the monies received. The court

shall keep a record of all receipts issued, and periodically monitor receipt sequence numbers to identify gaps and assure that all receipts are accounted for.

In addition, FIN 10.02, 6.3.9, indicates that in the case of a failure of the automated accounting system, a handwritten receipt shall be given to the customer, with one copy of the handwritten receipt attached to the payment and another copy of the handwritten receipt retained by the court. Handwritten receipt transactions must be processed as soon as possible after the automated system is restored.

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

Issues

Our review of handwritten receipts at the Courts' nine cash processing locations found that it lacked consistent control and oversight over handwritten receipts. Specifically, we noted the following weaknesses:

1. Supervisors at three locations do not secure handwritten receipt books when not in use. Instead, the receipt books are placed where they are readily accessible, such as the front counter.
2. Four locations had handwritten receipt books that contained missing receipts that the locations could not account for. Two of these locations also used the handwritten receipts out of numerical sequence.

Also, our review of selected handwritten receipts, 10 at each of the Court's nine locations, revealed that five locations do not always complete pertinent information on the handwritten receipts. For example, at one location, a case number was not noted on three handwritten receipts, the amount paid was not spelled out on seven handwritten receipts, the name of the person paying was not noted on one handwritten receipt, and the department receiving the payment was not noted on one handwritten receipt. At another location, the case number was not noted on one handwritten receipt, and another handwritten receipt did not note a case number or the dollar amount paid resulting in the location not being able to determine the amount of money collected.

Further, our review of these selected handwritten receipts revealed that six locations did not always enter handwritten receipt transactions timely into the CMS. For example, one location entered three handwritten receipts into the CMS between five and 64 business days after collection, a second location entered eight handwritten receipts into the CMS between two and 13 business days after collection, and a third location entered three handwritten receipts into the CMS between two and seven business days after collection.

3. Finally, our review found that four of the Court's locations used handwritten receipts for reasons other than for when the CMS is down. Specifically, one location issues

handwritten receipts for victim restitution payments that are subsequently forwarded to the County. Another location issues handwritten receipts for unlawful detainer writ payments, where LPCs research to ensure all steps have been completed prior to issuing the writ, and for jury sanction payments, where a case file has not been created. A third location issues handwritten receipts for payments made on filings with documents that need judicial review prior to being filed. Finally, a fourth location issues handwritten receipts when its Legal Process Clerks (LPCs) receive trust payments associated with a different location but are not authorized to enter the trust payments into the CMS on behalf of that other location.

Recommendations

To ensure adequate control and oversight over handwritten receipts, the Court should consider the following:

1. Require managers or supervisors to secure and maintain physical custody of the handwritten receipt books when not in use.
2. Require managers or supervisors to periodically review the handwritten receipt books to ensure that all handwritten receipts are accounted for, used in sequential order, include all pertinent information, including the case number and amount received, and entered into the CMS as soon as possible after the CMS is restored and available for posting payments.
3. Instead of issuing handwritten receipts and forwarding victim restitution payments to the County, the Court should consider either instructing that victim restitution payments be made directly to the County, or process and deposit the victim restitution payments into the CMS as trust payments on behalf of the County. Similarly, process and deposit unlawful detainer, jury sanction, and filings needing judicial review payments into the CMS as trust payments that the Court can later apply as appropriate when it determines the final disposition.

Finally, for payments LPCs receive that are associated with a different location and that the LPC is not authorized to enter into the CMS, an authorized manager, supervisor, or lead LPC should process and enter into the CMS the payment into the trust.

4. If the Court cannot implement the FIN Manual procedures and process payments as recommended, the Court should prepare an alternative procedure request and submit it to the AOC for approval. The request should identify the FIN Manual procedures the Court cannot implement, the reasons why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

Superior Court Response

The Court has reviewed the issues and recommendations related to the control and oversight of handwritten receipts. Our responses are as follows:

Issue 1. Securing handwritten receipt books – The court agrees there is an issue with the securing of handwritten receipt books at some of our court locations. We will require managers and supervisors to secure and maintain physical custody of the handwritten receipt books when not in use.

Issue 2. Missing receipts, out of sequence receipts, completion of pertinent information on receipts and the timely entering of hand written receipts into CMS issues. - The Court agrees with issue 2 and will implement the audit recommendations. We will require managers and/or supervisors to review at least quarterly the handwritten receipt books to ensure all receipts are accounted for. When the CMS goes down, handwritten receipt books will be issued to staff and subsequently returned to the manager and/or supervisor when the CMS is restored to use. The manager and/or supervisor will review the books when returned to ensure the receipts were issued in sequential order, that staff completed receipts with all pertinent information and that receipts are entered into the CMS no later than 1 business day following the day the CMS system was restored to use. When discrepancies are discovered, they will be discussed immediately with staff, documented and retained with the receipt book for audit purposes.

Issue 3. Using handwritten receipts for instances other than CMS being down. – The Court agrees that handwritten receipts should not be used except when CMS is down. The instances where the court has used handwritten receipts and our responses are as follows:

1. Victim Restitution - After investigating the handwritten receipt the auditor found that prompted this finding, our manager over criminal found it was a payment that was taken in the courtroom at the request of a judge 2 years ago. This was an isolated event. I met with one of our courtroom supervisors and she will remind staff that the court does not have a mechanism to collect and disburse victim restitution. Also, with handwritten receipts secured by only managers and/or supervisors, they would be aware of this situation if it happened in the future and would instruct the clerk and/or judge in the proper procedure.
2. UD Writs – We have reiterated with staff that hand written receipts are only to be used when the CMS system is down. Also, with handwritten receipts secured by only managers and/or supervisors, they would be aware of this situation if it happened in the future and would instruct the clerk in the proper procedure.
3. Juror Sanctions – This issue arose because jurors would come to the counter to pay right from court after being sanctioned, before a JUR case had been opened in our CMS (V3). Because V3 will not let a receipt be issued until a case is opened, staff would issue a handwritten receipt. A new procedure has been developed and implemented that allows a clerk at the counter to open the JUR case and issue a receipt in V3 thus preventing the use of handwritten receipts.
4. Payments needing judicial review prior to filing – Our staff have been told that handwritten receipts are only to be issued in the event a CMS is down. Using handwritten receipts for payments needing judicial review prior to filing may have been an access and/or training issue so we are enforcing the rule that handwritten receipts be secured by only managers and/or supervisors. If receipt books have to be obtained from the manager or

supervisor it gives them an opportunity to review the situations and train clerks in the correct procedures thus avoiding the use of handwritten receipts.

5. Trust payments associated with different locations – Our staff have been told that handwritten receipts are only to be issued in the event a CMS is down. To avoid turning away customers wanting to establish trust for another location as much as possible, we have given the manager and supervisor Global Accounting access to our traffic CMS (Amos) which enables them to establish trusts for other locations. If by chance the supervisor or manager is not there, if the customer pays with a check, their canceled check is their receipt. If they want to pay in cash, staff will instruct the customer to go pay at the correct location.

5.2 The Court Needs to Strengthen Its Cash Handling Procedures

Background

To protect the integrity of the court and its employees and promote public confidence, the FIN Manual, FIN 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This procedure requires courts to observe certain guidelines to assure the safe and secure collection and accurate accounting of all payments. For example, FIN 10.02, 6.3.1, states that cashiers receive a nominal amount of money, secured in individually locked drawers or bags, to enable them to return change on cash transactions. Cashiers should verify receipt of their beginning cash funds with their supervisor, and any beginning cash discrepancies should be resolved before the cashier starts their daily cash collection duties.

In addition, FIN 10.02, 6.3.8, requires supervisory court staff to review and approve void transactions as follows:

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.

Also, FIN 10.02, 6.3.10, states that at the end of the workday, all cashiers must balance and closeout their own cash drawer or register. Balancing and closeout include completing and signing the daily report, attaching a calculator tape for checks, turning in the daily report with money collected to the supervisor, and verifying the daily report with the supervisor.

Further, FIN 10.02, 6.4, provides courts with the following guidance for processing payments received through the mail:

- Two-person teams are used to open and process mail to maintain accountability for payments received in the mail.
- Checks and money orders received in the mail should be processed on the day they are received and listed on a cash receipts log. The log should record certain key information, such as case number, check amount, check number, and date received, and be signed by the person logging the payments.

- Checks and money orders received through the mail but not processed on the day received should be placed in a locked area and processed on the next business day after notifying the supervisor.

FIN 13.01, 6.3, requires, in part, that an employee other than the person who prepares the deposit (preferably a supervisor or higher level of management) verify, sign, and date the deposit slip, or other similar document, evidencing that receipts have been deposited intact.

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

Issues

Our review of the Court's cash handling practices and associated documents found that the Court follows inconsistent cash handling and accounting practices. Specifically, the Court could strengthen its procedures in the following areas:

1. **Cash Collections** – All Court cashiers at two of the Court's nine locations share one cash drawer, which makes it difficult, if not impossible, to hold any one cashier accountable for any cash discrepancies. Further, seven of the Court's nine locations could not demonstrate supervisory review of each cashier's beginning cash, such as through a sign-out/sign-in log, to ensure cashiers are beginning their shift with the correct amount of cash.
2. **Void Transactions** – Four of the Court's nine locations do not always retain the original voided receipt. Further, at one of these four locations, the Void Payment Acknowledgement Form is not always signed by a manager, supervisor, or lead LPC and retained to demonstrate supervisory review and approval of the void transaction.

Also, three of the Court's nine locations could not always demonstrate that a supervisor reviewed and approved the void transactions. Specifically, since the Court locations did not always keep the original voided receipts, our review focused on whether a manager, supervisor or lead Legal Process Clerk (LPC) voided the transactions in the location's case management system (CMS). Our review of 43 void transactions at these three locations revealed that at one location, someone other than a manager, supervisor, or lead LPC voided two transactions. At another location, a lead LPC voided 10 of their own transactions and someone other than a manager, supervisor, or lead LPC voided another transaction. Further, someone other than a manager, supervisor, or lead LPC voided three transactions at a third location.

3. **Daily Closeout Process** – Eight of the Court's nine locations could not demonstrate supervisory review of the daily closeout process. As a result, one cash bag at one location had four unprocessed cash payments with dates ranging from June 2008 to March 2010. Also, cashiers at another location do not always sign their end-of-day balancing reports, and cashiers at a third location do not always prepare an adding machine tape to verify the total amount of checks collected. Further, Court personnel at a fourth location perform the daily

closeout process the next business day rather than at the end of the day, delaying the possible discovery and investigation of out-of-balance transactions and cash receipts.

4. Mail Payments - The Court does not require two-person teams to open the mail nor does it use a mail payment log to track the mail payments it received. In addition, LPCs opening mail at five of the nine Court locations also perform the incompatible function of processing mail payments the same day. Further, LPCs processing mail and drop-box payments at four of the Court's nine locations also perform the incompatible function of processing counter payments on the same day. Not requiring a two-person team to open mail and not completing a mail payment log may provide individuals who handle mail and subsequently process mail and counter payments on the same day with an opportunity to take money without being detected.

Also, three of the Court's nine locations do not adequately secure unprocessed mail payments. Instead, unprocessed mail payments are left unsecured on clerks' desks overnight. By not securing the unprocessed mail payment, the Court is at risk of having mail payments lost or stolen.

In addition, one of these locations does not always process mail payments by the next business day and does not maintain an aging schedule of unprocessed mail payments. This location receives mail payments for copies of case documents. According to the Court location, some cases require more research or are voluminous, therefore delaying the mail payment processing. However, the Court location is at risk of having mail payments lost or stolen when it does not process mail payments by the next business day from date of receipt. Further, by not maintaining an aging schedule, the Court location cannot adequately monitor the age of unprocessed mail payments. Moreover, this Court location, along with two other locations, does not have a process for escalating and communicating to Court management this information about the volume of unprocessed mail payments, which would enable the Court to redirect resources to help Court locations with mail payments not processed by the next business day.

5. Bank Deposits – Two of the Court's nine locations could not demonstrate supervisory review of prepared bank deposits, such as with the supervisor's signature or initials on the deposit slips. Further, Court personnel at one of these locations verify the daily closeout and balance as well as perform the incompatible function of preparing the bank deposit. Without supervisory review of the bank deposit, the Court risks having daily collections lost or stolen.

Recommendations

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

1. Assign individual cash bags to each cashier and make each cashier responsible and accountable for their assigned cash bag. Also, require that supervisors or lead LPCs document their review of each cashier's beginning cash, such as through a sign-out/sign-in log, to ensure any discrepancies are resolved before each cashier begins his or her daily cash collection activities.

2. Configure the Court's CMS so that only managers, supervisors, and lead LPCs can void transactions, other than their own, in the CMS. Also, require that managers, supervisors, and lead LPCs retain voided original receipts, when possible, on file for future reference, as well as sign and retain the Void Payment Acknowledgement Form to demonstrate their review and approval of void transactions.
3. Require each location to perform the daily closeout process at the end of each day rather than the next business day. Also, require supervisors to ensure cashiers perform all necessary end-of-day balancing functions, including preparing an adding machine tape to verify the total amount of checks collected and signing their cashier balancing reports. In addition, require supervisors to sign and date the closeout/balancing reports to demonstrate their review of the daily closeout process.
4. Ensure that each Court location uses two-person teams to open and process mail, and record mail payments on a mail payment log. Each location should also safeguard and secure unprocessed mail payments in a safe until it can enter them into the CMS. In addition, Court locations should process mail payments by the next business day, maintain an aging schedule of unprocessed mail payments, and establish an escalation process to inform Court management of the volume of mail payments not processed by the next business day.
5. Require supervisors to sign and date all deposit slips to demonstrate their review of the deposit.
6. Prepare alternative procedure requests and submit them to the AOC for approval if the Court cannot implement the FIN Manual procedures and process payments as recommended. The requests should identify the FIN Manual procedures the Court cannot implement, the reasons why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

Superior Court Response

Issue 1: The Court agrees that we need to standardize our cash collection procedures at all locations. Individual cash bags will be assigned to each cashier on a daily basis. We have created a sign-out/sign-in log that supervisors, managers or lead clerks will complete each day when issuing cashiers their change bags. Thorough completion of the log will assure bags that are checked-out are checked-in and that the counting of the cash at each of these intervals has been completed.

Issue 2: The Court agrees with the recommendations of issue 2. Managers will be sent instructions to retain a copy of all voided transactions and to make sure either a manager, supervisor or lead LPC signs and retains the Void Payment Acknowledgement Form. Also, we will reiterate with managers that only managers, supervisors and a designated lead clerk (LPCIII) should have system access to void transactions and that anyone that has system access to void should never void their own transaction.

Issue 3: The court agrees with all the recommendations of issue 3. The court will require each location to perform the daily closeout process at the end of each day. Supervisors will be required to review, sign and date their staff's closeout/balancing reports to demonstrate their review of the process and that staff have performed all the necessary end-of-day balancing functions.

Issue 4: Due to staffing restrictions and the already time consuming process of opening and processing mail, the court is struggling with the 2 person team needed to open the mail and log all checks received, particularly at the branch locations. I am working with managers to see if we can come up with an alternative procedure that will comply with the procedure. We agree we should safeguard and secure unprocessed mail payments until they can be entered into the CMS and we agree we should make every effort to process all mail payments by the next business day. We will also consider putting those checks in "suspense" that are unable to be processed but we are hopeful that once we reiterate with staff and hold them accountable, we should rarely need to do that.

Issue 5: We agree that supervisors should sign and date all deposit slips to demonstrate their review of the deposit. In Stockton procedures have been changed where either supervisors or lead clerks verify deposits from cashiers every day. We will work with the branch courts to make sure they are following this procedure as well.

In the accounting department, staff who do the deposits no longer verify the daily closeout and balance function.

6. Information Systems

Background

Courts make wide use of information technology (IT) to support their court operations. For example, courts use IT services to operate and maintain automated case management systems, accounting systems, and local area networks. Because these information systems are integral to daily court operations, courts must maintain and protect these systems from interruptions and must have plans for system recovery should it experience an unexpected system mishap.

Additionally, because courts maintain sensitive and confidential information in these systems, courts must also take steps to control and prevent unauthorized access to these systems and the information contained in them.

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|--------------------------------------|---------------------------|------------|---------------|----------|
| | 2010 | 2009 | | |
| Expenditures | | | | |
| 943202 IT MAINTENANCE - HARDWARE | 487.08 | 3,844.18 | (3,357) | -87.3% |
| 943203 IT MAINTENANCE - SOFTWARE | 21,082.37 | 45,883.16 | (24,801) | -54.1% |
| * 943200 - IT MAINTENANCE | 21,569.45 | 49,727.34 | (28,158) | -56.6% |
| 943301 IT COMMERCIAL CONTRACTS | 136,918.41 | 169,402.32 | (32,484) | -19.2% |
| * 943300 - IT COMMERCIAL CONTRACT | 136,918.41 | 169,402.32 | (32,484) | -19.2% |
| 943501 IT REPAIRS & SUPPLIES | 4,073.18 | 12,853.58 | (8,780) | -68.3% |
| 943502 IT SOFTWARE & LICENSING F | 146,528.60 | 61,582.43 | 84,946 | 137.9% |
| 943509 MAINFRAME ACCESSORIES AND | - | 4,000.00 | (4,000) | -100.0% |
| * 943500 - IT REPAIRS/SUPPLIES/LICE | 150,601.78 | 78,436.01 | 72,166 | 92.0% |
| ** INFORMATION TECHNOLOGY (IT) TOTAL | 309,089.64 | 297,565.67 | 11,524 | 3.9% |

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

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

The following issues were considered significant enough to bring to management's attention. Appendix A contains additional minor issues.

6.1 The Court Needs to Strengthen Its Procedures for Controlling Access to Sensitive Electronic Data Records

Background

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

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

- Maintain a current list of individuals who are authorized to access electronic DMV files.
- Allow audits or inspections by DMV authorized employees at court premises for the purpose of determining compliance with the terms of the MOU.
- Establish security procedures to protect DMV information from unauthorized access, including ensuring that each employee having access to DMV records signs an individual security statement which must be re-certified annually.
- Electronically log and store all DMV record access information for a period of two years from the date of the transaction. The log information must be preserved for audit purposes and must include, at a minimum, the following: (a) transaction and information codes, (b) court code, (c) record identifiers, (d) individual user identifiers, and (e) date and time of transaction.

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

Issue

Although the Court understands and takes seriously its responsibility to keep DMV data secure and protected, our review of Court procedures to control and monitor access to DMV data identified the following exceptions:

1. The Court has not updated its current MOU with DMV, which expired June 30, 1993. Further, the Court does not require its employees that have access to sensitive DMV data to sign the Form INF 1128 security statement as required by DMV. Instead, Court employees sign a Use of CLETS Criminal Justice Information and Department of Motor Vehicles Record Information form acknowledging understanding prohibitions and penalties regarding the misuse of DMV and CLETS information.

2. The Court does not have a process to notify the county information systems division to delete DMV user IDs upon employee separation from the Court. Consequently, our review of the Court's DMV user ID list revealed 65 user IDs assigned to individuals who no longer were Court employees at the time of our review. Although the Court stated that the county information systems division automatically deletes DMV user IDs after 60 days of inactivity, we noted many individuals who no longer work for or retired from the Court.
3. The Court does not monitor DMV query and transaction activity to detect inappropriate access to DMV data. As a result, our review of 10 DMV ANI queries revealed that the Court was unaware that one Court employee researched herself and could not provide a legitimate business reason why another person was researched.
4. Out of 10 fail to appear (FTA) cases we selected to review, the Court did not place a DMV hold on the two FTA cases where a DMV hold should have been placed. The Court stated that it has been experiencing system issues since early 2010 where the system does not always send a hold request to DMV. The Court is currently working with the county information systems division to correct the issue.

Recommendation

To ensure it takes responsible steps to meet the conditions required by DMV, the Court should consider the following:

1. Update its MOU with DMV and establish a process to ensure that all employees requiring access to DMV databases sign and renew their Information Security Statement, Form INF 1128, annually.
2. Establish a formal process to delete or inactivate DMV user IDs immediately upon an employee's separation from employment with the Court.
3. Establish procedures to monitor DMV query and transaction activity to detect and deter inappropriate use of the DMV database.
4. Continue working with the county information systems division to resolve the system issue preventing DMV holds from being placed on appropriate FTA cases.

Superior Court Response

Issue 1. After contacting the DMV, the Court learned that the DMV had abolished MOU's for government end users. Instead agencies submit a 60+ page Security Requirement Package. After the DMV reviews and approves the package, in lieu of the MOU that was sent out for signatures, they send an approval letter to the agency, no signatures required. The agency must re-apply every 4 years.

The Court is adding the Information Security Statement, Form INF 1128 to the new employee orientation packet that new employees are given when hired. Human Resources will make sure

employees sign the forms and signed forms will be kept in each employee's personnel file. HR will see to it that the forms are reviewed and signed annually.

Issue 2. The Court will develop a check list of all items given to staff when hired such as keys, employee IDs, parking passes etc and court equipment issued for their jobs such as laptops and cell phones if applicable. This list will also include all court data systems the employee has access to, ie. DMV, CJIS, V3, SAP, E-mail. Human Resources will keep the list in the employee's personnel file. When an employee terminates employment HR will work with the employee's manager to make sure everything on the list assigned to that employee is returned and that access to all court systems is inactivated. There will be one person designated for each data system to manage activation/deactivation. The employee's manager will be responsible for notifying this person to deactivate the employee's access.

Issue 3. If there is a complaint of misuse of DMV, the County IT Department can run a report that gives us the following information – who accessed the information, date and time access was made, what transaction code was used, what information they inquired on.

The Court will ask the County IT Department to run a quarterly report of all DMV transactions for the purpose of an internal audit.

Issue 4. We will continue to work, with the County IT Department to make sure this issue is resolved.

6.2 Information System User Account Requirements Should Be Strengthened

Background

Similar to other government agencies, courts maintain information systems that contain sensitive and confidential data that they are responsible for securing and safeguarding from unauthorized access. For example, court information systems contain or access sensitive criminal information and confidential personal information that court employees access and update on a daily basis. In September 1996, the National Institute of Standards and Technology (NIST), a federal agency that is responsible for preparing standards and guidelines for the security of sensitive federal information systems, published *Generally Accepted Principles and Practices for Securing Information Technology Systems*. These principles and practices include common information security practices such as the following for the identification and authentication of system users:

- System users should identify themselves through a unique user ID,
- The system should link actions to specific users,
- Authorized system user IDs should be kept current by adding new users and deleting former users,
- System user IDs should be disabled after a specific period of inactivity (e.g., 3 months, 6 months, etc.)

Other NIST publications recommend additional logical security controls for systems, including the ability to limit the number of multiple logon sessions for the same user ID (with a default of one simultaneous logon session) and the ability to lock or terminate an interactive session after a specified period of inactivity (e.g., 15 minutes or 30 minutes.)

Because courts maintain information systems that include sensitive and confidential data, courts should follow similar information system security practices to control and restrict access to this electronic court data. For instance, courts should establish system user accounts that are unique to each individual system user and should restrict user access to electronic data commensurate with the individual's current job responsibilities. Unique user accounts and appropriate access restrictions, along with strong authentication requirements such as passwords, are important front-end security practices for controlling and protecting logical access to court computer systems that maintain sensitive and confidential court data.

Issues

Our review of the Court's information technology procedures and practices identified the following weaknesses:

1. The Court does not have written IT policies and procedures. Consequently, it does not have written policies and procedures that address issues concerning the creation, deletion, and modification of user IDs and password management.
2. Network and ShowMe Case Management System (CMS) user accounts are not disabled after a number of invalid sign-on attempts or after a period of inactivity.

In addition, time restrictions are not placed on network and ShowMe CMS user accounts for a specified period of inactivity.

3. The network, CJIS/AMOS CMS, and ShowMe CMS systems do not require users to change the initial password after sign on and do not require passwords to be changed periodically.

Further, the network and ShowMe CMS systems do not enforce restrictions on password syntax, such as not using the same character consecutively and requiring the use of more than one type of character set, and do not require an appropriate minimum password length.

Recommendations

To ensure it properly safeguards its electronic data from unauthorized access, the Court should consider the following:

1. Develop written IT policies and procedures that address user IDs and password management.
2. Disable network and ShowMe CMS user accounts after a specified number of failed sign-on attempts or after a specified period of inactivity.

3. Develop stronger controls over network and CMS passwords such as:
 - a. Requiring the user to change his/her password after initial sign-in.
 - b. Requiring passwords be changed periodically.
 - c. Applying restrictions on password syntax such as using more than one type of character set.
 - d. Requiring an appropriate minimum password length.

Superior Court Response

The Court does not have written IT policies and procedures. Consequently, it does not have written policies and procedures that address issues concerning the creation, deletion, and modification of user IDs and password management.

Agree: While the Court does have some minimal written IT policies and procedures, they do not address the creation, deletion or modification of user ID's and password management. The IT department Manager unexpectedly passed away recently, so the Supervisor will work to create written policies concerning the creation, deletion and modification of user ID's within the next six months. However, it should be noted that the Court has an outdated Microsoft Windows NT 4.0 network domain that has very limited features when it comes to password management. The outdated network platform does not have the capability to log users off for periods of inactivity, it does not allow us to disable accounts after invalid log-in attempts. The platform also does not allow us the capability to force users to change their passwords after a fixed period of time. Furthermore the platform does not allow us the capability to force syntax and type of character set or password length.

The Court's most recent IT Manager did initiate plans to upgrade the Court's network platform to a Microsoft Active Directory platform, with that plan possibly coming to fruition in fiscal year 2011-2012. However, with extremely limited financial resources available to our Court, there is some concern that the migration to an active directory platform may be beyond the resources available to the Court. There have been other issues that have arisen in regards to additional server upgrades that will need to be made that have made this project problematic for a court with limited fiscal resources. The IT department will continue to plan the migration to the newer network platform, however, with current fiscal limitations, no date of completion is available at this time.

Network, and ShowMe CMS user accounts are not disabled after a number of invalid sign-on attempts or after a period of inactivity.

In addition, time restrictions are not placed on network, and ShowMe CMS user accounts for a specified period of inactivity.

Agree: The outdated Microsoft Windows NT 4.0 network domain does not have the capability to allow user accounts to be disabled after a number of invalid sign-on attempts or after a period of inactivity.

The ShowMe CMS user accounts can possibly be modified to disable the user after a number of invalid sign-on attempts or after a period of inactivity. The Court's Programming and Systems

Analyst will work on adding these security features with a possible completion period of six months.

Develop stronger controls over network and CMS passwords.

Agree: The Court's Programming and Systems Analyst will work to incorporate forcing users to change passwords periodically, force syntax requirements and password lengths. We are not certain that all of these controls can be implemented due to the age of the ShowMe code, or the ability to modify the code accordingly. We will investigate the capabilities of the current system and work on adding these security features with a possible completion period of six months.

The outdated Microsoft Windows NT4.0 network platform does not have the capability to require users to change passwords periodically, force syntax requirements and control password lengths.

6.3 The Court Needs to Improve Its Calculations and Distributions of Court Collections

Background

State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. Courts rely on the *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C* issued by the State Controller's Office (SCO Appendix C) and the *Uniform Bail and Penalty Schedule (UBS)* issued by the Judicial Council to calculate and distribute these court collections to the appropriate State and local funds. Courts use either an automated system, manual process, or a combination of both to perform the often complex calculations and distributions required by law.

Issues

Our review of the Court's process for calculating and distributing the fees, fines, penalties, and other assessments it collects determined that the Court uses the Automatic Minor Offense System (AMOS) as its case management system (CMS) for traffic case types and the Criminal Management System as its CMS for criminal case types. However, only AMOS has the fiscal capability to calculate the required distributions of the monies it collects. Therefore, the Court downloads the criminal case collection information to AMOS and uses AMOS to calculate the associated distributions. Monthly, the Court submits to the County a "Total Distribution" spreadsheet that lists the month's collections distributed by applicable code section.

To determine whether the Court correctly calculated and distributed collections, we reviewed the calculated distributions of selected cases with violations that the Court disposed from January 2009 through August 2010. In total, we reviewed 15 cases of the following case types:

- **Traffic Infraction (9 total)** – Red Light (2), Speeding (2), Child Seat (2), Railroad (1), Unattended Child (1), and Proof of Correction (1).
- **Non-Traffic Infraction (1 total)** – Fish & Game (1)
- **Misdemeanor/Felony (5 total)** – DUI (2), Reckless Driving (1), Domestic Violence (1), and Health & Safety (1)

Our review of the calculated distributions of the Court collections noted the following calculation and distribution errors:

1. For the railroad case we reviewed, the Court did not calculate and distribute the PC 1463.12 – 30 percent allocation for railroad public safety and education. This occurred because the Court has not configured the AMOS CMS to calculate the required allocation and distribution. As a result, since the railroad case we reviewed was a city arrest, the Court understated distributions to the city and overstated distributions to the State and county.
2. For the two DUI and one reckless driving cases we reviewed, the Court incorrectly calculated the PC 1465.7 – 20 percent State Surcharge when it calculated the surcharge on the reduced base fine rather than the original base fine. Consequently, the Court understated the 20% State Surcharge distributions to the State.
3. For the one red light bail forfeiture case we reviewed, the Court did not include the ICNA portion of the GC 70372(a) – State Court Facilities Construction fund assessment when calculating the PC 1463.11 – 30 percent allocation to the red light fund. Also, the Court assessed \$2 more than required for the two DNA penalty assessments when it assessed \$11 instead of \$10 for each of these assessments.
4. For the one red light traffic school case we reviewed, the Court incorrectly included the PC 1465.7 – 20 percent State Surcharge when calculating the VC 42007.3 – 30 percent allocation to the red light fund at month end. As a result, the Court understated the 20% State Surcharge distributions to the State.
5. For the one unattended child case we reviewed, the Court did not correctly calculate the VC 15630 – 70 percent county or city / 15 percent county or city / 15 percent county or city base fine split. Specifically, according to the distribution required in VC 15630, if the arrest was within a city with a health department, 100 percent of the base fine is distributed to the city. However, if the arrest was in a city without a health department, 85 percent of the base fine is distributed to the county and 15 percent is distributed to the city. If the arrest was in the unincorporated county, 100 percent of the base fine is distributed to the county. Since in this particular case the arrest was in Stockton, a city without a health department, the Court should have calculated and distributed the VC 15630 base fine split 15 percent to the city and 85 percent to the county. However, the Court incorrectly calculated an 86 percent distribution to the city with the remaining 14 percent distributed to the county. As a result, the Court understated its distributions to the county.
6. For the one child seat bail forfeiture case we reviewed, the Court transposed the VC 27360 – 60 percent Education Program and the 15 percent Loaner Program base fine split percentages.

7. For the one child seat traffic school case we reviewed, the Court incorrectly calculated the distribution as a regular traffic school case. The distributions for child seat traffic school cases should be calculated the same as a child seat bail forfeiture case. In other words, the only difference between a child seat case and a child seat traffic school case is the addition of the traffic school fee.
8. For the three Traffic Violator School cases we reviewed, the Court incorrectly excludes the GC 76104.6 and GC 76104.7 DNA penalty assessments in its calculation of the VC 42007 – Traffic Violator School fees. As a result, the Court understates the distribution to the county traffic violator school fund.
9. The Court rounded the County portion of the PC 1203.097(a)(5) – 66.67 percent County/33.33 percent State domestic violence fee split to 67 percent and 33 percent, respectively. Due to the resulting rounding error, the Court distributions to the State are understated by \$1.33 for each \$400 domestic violence fee assessed.
10. The Court did not calculate the County portion of the H&S 11502 – 75 percent State/25 percent County/City base fine split for the one health and safety case reviewed. As a result, the Court overstated distributions to the State and understated distributions to the county.
11. The Court did not assess the F&G 12021 – \$15 penalty assessment for the one fish and game case reviewed.

Recommendations

To improve the accuracy of its calculations and distributions of Court collections, the Court should consider the following:

1. Configure its AMOS CMS to calculate the PC 1463.12 – 30 percent allocation for railroad public safety and education, or perform this distribution manually at month-end.
2. Analyze its AMOS CMS distribution tables to ensure that the PC 1465.7–20 percent State Surcharge is calculated based on the original base fine rather than the reduced base fine.
3. Analyze its AMOS CMS distribution tables to ensure that the ICNA portion of the GC 70372(a) – State Court Facilities Construction fund allocation is included in its calculation of the PC 1463.11 – 30 percent allocation to the Red Light fund. Further, the Court should analyze its AMOS CMS distribution tables to ensure that the DNA penalty assessments are calculated based on the original base fine for red light cases.
4. Modifying its month-end red light traffic school distribution calculations to exclude the PC 1465.7 – 20 percent State Surcharge when calculating the VC 42007.3 – 30 percent red light allocation.
5. Configure the AMOS CMS to calculate the VC 15630 – 70 percent county or city / 15 percent county or city / 15 percent county or city base fine split depending on the

specifics of the arrest. Specifically, if the arrest was in the county, 100 percent is distributed to the county. If the arrest was in a city without a health department, 85 percent is distributed to the county and 15 percent is distributed to the city. If the arrest was in a city with a health department, 100 percent is distributed to the city.

6. Analyze its AMOS CMS distribution tables to ensure that the VC 27360 – 60 percent Education Program and 15 percent Loaner Program base fine split percentages are applied correctly for child seat cases
7. Configure the AMOS CMS to calculate and distribute child seat traffic school cases the same as a regular the VC 27360 child seat bail forfeiture case. The only difference between the traffic school and non-traffic school child seat cases is that the Court should add the traffic school fee to the child seat traffic school cases.
8. Analyze the AMOS CMS distribution tables to ensure that the GC 76104.6 and GC 76104.7 DNA penalty assessments are included in the calculation of the VC 42007 – Traffic Violator School fees.
9. Analyze its domestic violence distributions to ensure that the PC 1203.097(a)(5) Domestic Violence fee is appropriately calculated at 67.67 percent to the State and 33.33 percent to the County for convictions beginning on January 1, 2010.
10. Analyze the AMOS CMS distribution tables to ensure that the County portion of the H&S 11502 – 75 percent State/25 percent County/City base fine split is calculated correctly for applicable health and safety cases.
11. Configure the AMOS CMS to assess the F&G 12021 – \$15 penalty assessment for applicable fish and game cases.

Superior Court Response

We have reviewed Issue Memorandum IM-15. We agree with the audit findings and are currently working with the County to make the recommended distribution corrections to address items 1 through 11. In addition, over the next several months we will be reviewing other court collection case types to ensure we are complying with the Uniform Bail and Penalty Schedule.

We would like to note that the Court uses the County's case management system (AMOS) for traffic and criminal distributions. AMOS is a 25+ year old case management system that is out dated and inflexible. As a result, making complicated distribution changes is difficult, time consuming and sometimes impossible. If County programmers are unable to make mandated legislative changes to distributions in the system, court and county accounting staff must create Excel spreadsheets to do the more complicated second and sometimes third distributions.

7. Banking and Treasury

Background

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. The FIN Manual, FIN 13.01, establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury. The Court deposits in AOC-established accounts allocations to the trial court for court operations; trust deposits for civil cases; and filing fees, most other civil fees, civil assessments, and court-ordered sanctions under AB 145. The Court opened a locally-managed bank account that is used as its revolving account.

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|----------------------------------|---------------------------|-------------------|-----------------|---------------|
| | 2010 | 2009 | | |
| Assets | | | | |
| 100000 POOLED CASH | 537,201.75 | - | 537,202 | 100.0% |
| 100011 OPS DEPOSIT | 3,046.68 | - | 3,047 | 100.0% |
| 100025 DISB CHECK-OPERATIONS | (363,192.08) | - | (363,192) | -100.0% |
| 100026 DISB CHECK-TRUST | (39,720.69) | - | (39,721) | -100.0% |
| 100027 DISB OUTGOING EFT | (1,326.10) | - | (1,326) | -100.0% |
| 111000 CASH-OPERATIONS ACCOUNT | 3,408.95 | 408,132.98 | (404,724) | -99.2% |
| 111002 CASH OPERATIONS IN-TRANSI | - | - | 0 | 0.0% |
| 111100 CASH-OPERATIONS CLEARING | (21,652.48) | (337,002.11) | 315,350 | 93.6% |
| 114000 CASH-REVOLVING | 5,000.00 | 5,000.00 | 0 | 0.0% |
| 117000 CASH DISTRIBUTION ACCOUNT | 28,396.00 | 439,949.59 | (411,554) | -93.5% |
| 117500 CASH CIVIL FILING FEES | - | 1,447,940.71 | (1,447,941) | -100.0% |
| 118000 CASH-TRUST ACCOUNT | 3,500,886.41 | 3,759,392.63 | (258,506) | -6.9% |
| 118002 CASH TRUST IN-TRANSIT | 150.00 | - | 150 | 100.0% |
| 118100 CASH-TRUST CLEARING | (4,202.91) | (74,117.34) | 69,914 | 94.3% |
| 119001 CASH ON HAND | 10,010.00 | 9,960.00 | 50 | 0.5% |
| 120001 CASH WITH COUNTY | 508,754.35 | 241,178.37 | 267,576 | 110.9% |
| 120002 CASH OUTSIDE OF AOC | 4,604.93 | 7,127.20 | (2,522) | -35.4% |
| 120050 SHORT TERM INVESTMENTS | 11,689,723.75 | 10,832,132.08 | 857,592 | 7.9% |
| Revenues | | | | |
| 825010 INTEREST INCOME | 79,091.50 | 171,699.45 | (92,608) | -53.9% |
| ** 825000-INTEREST INCOME | 79,091.50 | 171,699.45 | (92,608) | -53.9% |
| Expenditures | | | | |
| 920302 BANK FEES | 27,062.69 | 22,055.66 | 5,007 | 22.7% |
| 920303 LATE FEES | 1,006.70 | - | 1,007 | 100.0% |
| 920304 REGISTRATION FEES-PERMITS | 344.00 | 1,376.00 | (1,032) | -75.0% |
| 920306 PARKING FEES | 227,484.00 | 240,092.00 | (12,608) | -5.3% |
| 920399 FEES/PERMITS | 16.00 | 415.00 | (399) | -96.1% |
| * 920300 - FEES/PERMITS | 255,913.39 | 263,938.66 | (8,025) | -3.0% |

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:

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

The following issues were considered significant enough to bring to management's attention. Appendix A contains additional minor issues.

7.1 The Court Needs to Reconcile Its Trust Account Balances

Background

Trial courts hold trust funds in a fiduciary capacity on behalf of others and are responsible for properly managing, monitoring, and safeguarding these funds. Specifically, the FIN Manual, FIN 13.01, requires courts to implement procedures and controls to manage and safeguard court funds. For example, FIN 13.01, 6.6, requires courts to reconcile all bank accounts at least monthly, and more frequently if required, to maintain adequate control over trial court funds. This would involve a complete reconciliation between the bank account, fiscal system, and the case management system, which is the detailed sub ledger system for trust account activity. Additionally, FIN 13.01, 6.10, requires trial courts to maintain the minimum number of bank accounts necessary for efficient court operations.

Issues

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

1. The Court acknowledged that it is not current with trust account reconciliations. Specifically, according to the Court, since converting from its ShowMe CMS to CCMS V3 in April 2008, it has not been able to perform reconciliations due to problems the Court accounting unit has experienced with CCMS V3 system reports. For example, according to the Court, the CCMS V3 system report does not always list all deposits for particular cases. So, to determine whether the total stated on the system report is accurate, the Court needs to go through the case history and tally all deposits made. The Court is currently working with the AOC CCMS V3 project team to address this issue, among others it is experiencing with CCMS V3.

In the meantime, the Court is working on reconciling its trust accounts through developing a report of its own using information in the ShowMe CMS as well as information in CCMS V3. However, the Court currently has one part-time Court employee working on developing this report. Therefore, the Court expects that it will be well into the 2011 calendar year before it becomes current in its trust account reconciliations.

Recommendations

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

1. Continue working with the AOC CCMS V3 project team to correct the system reports needed to reconcile its trust accounts.
2. Continue working on developing its own report that will allow it to reconcile its trust accounts. Also, if feasible, consider redirecting staff to help complete the report and reconcile the trust accounts as quickly as possible.

Superior Court Response

We have reviewed the December 2, 2010 Trust Account Issues Memorandum IM-8. We agree with the audit findings and are currently taking corrective actions. Below are our responses to the audit issues:

Issue 1: We are working with the AOC CCMS V3 project team and have made great progress. While the reports still have some errors, the majority of the Trust Detail Report errors have been fixed.

Issue 2: We have developed reports that will allow us to reconcile our trust accounts. We continue to have our retired Fiscal Services Supervisor working part time to help bring current our trust reconciliations. Once she is comfortable with the accuracy of the reconciliations using the V3 reports we will begin to redirect staff to assist her in expediting the trust reconciliations.

8. Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff services and perimeter security services. The sheriff specifies the level of security services it agrees to provide and the associated costs, and these services and costs are included in the MOU that also specifies the terms of payment. The Court entered into an MOU with the County Sheriff for court security services, including stationing bailiffs in courtrooms, staffing deputies at the weapons screening checkpoint located at the entrance to the courthouse, monitoring the perimeter of the security using a closed circuit television and door monitoring system, and retaining control of in-custodies transported to the courthouse.

Additionally, each court must prepare and implement a comprehensive court security plan that addresses the sheriff's plan for providing public safety and law enforcement services to the court in accordance with the Superior Court Law Enforcement Act of 2002. The AOC Emergency Response and Security (ERS) unit provides courts with guidance in developing a sound court security plan, including a court security plan template and a court security best practices document. ERS also has a template for courts to use in developing an Emergency Plan.

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|----------------------------------|---------------------------|--------------|---------------|----------|
| | 2010 | 2009 | | |
| Expenditures | | | | |
| 934504 PERIMETER SEC-CONTRCT (OT | 581,343.49 | 526,118.14 | 55,225 | 10.5% |
| 934510 COURTROOM SECURITY-SHERIF | 7,182,971.28 | 7,124,027.28 | 58,944 | 0.8% |
| 934512 ALARM SERVICE | 10,173.57 | 9,901.89 | 272 | 2.7% |
| * 934500 - SECURITY | 7,774,488.34 | 7,660,047.31 | 114,441 | 1.5% |
| ** SECURITY TOTAL | 7,774,488.34 | 7,660,047.31 | 114,441 | 1.5% |
| 941101 SHERIFF - REIMBURSEMENTS | 26,578.00 | 28,916.00 | (2,338) | -8.1% |
| * 941100 - SHERIFF | 26,578.00 | 28,916.00 | (2,338) | -8.1% |

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

The following issues were considered significant enough to bring to management's attention. Appendix A contains additional minor issues.

8.1 The Court Needs to Strengthen Its Processes Regarding Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, trial courts must enter into a memorandum of understanding (MOU) with the sheriff that specifies the agreed-upon level of court security services to be provided, their associated costs, and terms of payment. The trial court shall also prepare and implement a security plan that complies with the Superior Court Law Enforcement Act of 2002.

Specifically, the FIN Manual, FIN 14.01, 6, states that the Presiding Judge and sheriff are required to develop a comprehensive court security plan to be utilized by the Court. The court security plan shall include a law enforcement security plan, developed by the sheriff, which must include the policies and procedures that ensure adequate security for public safety and law enforcement services to the court.

FIN 14.01, 6.9, also states that sheriff's invoices for trial court law enforcement security services shall only include allowable costs. Further:

- salary and benefit costs will be billed at the actual cost for each sheriff-provided staff member on court assignment at the time of service;
- equipment and services and supplies costs will be billed at actual costs incurred on court assignment;
- costs billed will be based on the requirements defined in the trial court security MOU; and
- the sheriff's invoices will include a sufficient level of detail and provide documentation supporting costs billed.

Issues

To determine compliance with the Superior Court Law Enforcement Act of 2002 and the FIN Manual, we interviewed appropriate Court personnel and reviewed the Court Security MOU along with the October 2009 invoice for services provided in September 2009. Our review revealed the following:

1. At the time of our review, the Court had not submitted its comprehensive court security plan to the Judicial Council for review and approval since Fiscal Year 2007-2008.
2. The Sheriff does not provide supporting documentation for equipment and travel costs billed to the Court. Specifically, the Sheriff did not provide supporting documentation for equipment and travel costs totaling over \$1,700 billed to the Court in October 2009. As a result, the Court could not adequately assess the propriety of the billed costs.

Recommendations

To ensure its compliance with the Superior Court Law Enforcement Act of 2002 and the FIN Manual, the Court should consider the following:

1. Submit its current comprehensive court security plan to the Judicial Council for review and approval.
2. Require the Sheriff to provide supporting documentation for equipment and travel costs billed to the Court.

Superior Court Response

We have reviewed the September 8, 2010 Issues Memorandum IM-2. We agree with the audit findings and are currently taking corrective actions. Below are our responses to the two security audit issues:

1. In conjunction with the San Joaquin County Sheriff, we submitted our updated Security Plan to the Administrative Office of the Court's Office of Emergency Response and Security Division (ERS) in June 2010. The ERS had concerns regarding our plan, and returned it for revision. We intend to resubmit our plan by the end of November 2010.
2. We have contacted the Sheriff and requested supporting documentation for the equipment and travel costs billed in fiscal year 09/10. We expect to have the appropriate documentation by the end of November 2010. Additionally, we have asked the Sheriff to include supporting documentation for new equipment and travel costs billed to the court starting July 1, 2010.

9. Procurement

Background

The FIN Manual provides uniform guidelines for trial courts to use in procuring necessary goods and services and to document their procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and documents approval by an authorized individual. The requestor identifies the correct account codes(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the superior court employee responsible for approving the purchase, verifying that the correct account codes(s) are specified, and assuring that funding is available. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases.

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

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

9.1 The Court Can Further Improve Its Procurement Practices

Background

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

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

The procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee who has been given the responsibility for approving the requisition. This is a separate and distinct process from approving the

purchase order or executing the contract. The individual who approves the requisition is responsible for assessing the need for the requested goods or services and assuring that funds are available in the court's budget and that appropriate account codes are provided for the proposed purchase.

Upon approval of the purchase requisition, the trial court employee responsible for the procurement process must follow the appropriate steps to obtain bids, quotes, or proposals (offers) from qualified vendors, suppliers, bidders, proposers, or contractors unless a sole source procurement has been authorized. When offers are received and analyzed to select the one that offers the best value to the trial court, a draft purchase order is created or contract drafted, if an award is to be made.

Following any negotiations and any applicable protest period, the Presiding Judge or Court Executive Officer may execute the purchase order or contract. Receipt of the goods or services is documented prior to partial or final payment.

FIN 6.01, 6.3, suggests the following incremental approval levels for requisitions/procurements:

| Position | Suggested Approval Threshold |
|-----------------------------------------------------------|-------------------------------------|
| Presiding Judge or Executive Committee (if applicable) | \$25,000 and above |
| Executive Officer | \$10,000 to \$24,999 |
| Managers | \$2,500 to \$9,999 |
| Supervisors | Less than \$2,500 |

The sub-section also states that any alternative thresholds (e.g., approval levels that are different from those suggested above) and AOC-approved alternative procedures must be documented, incorporated into the local trial court procurement manual, and distributed to court personnel.

After approval of the purchase requisition, FIN 6.01, 6.5, provides the following guidelines for purchasing thresholds and methods for procurements:

| Suggested Purchase Value | Procurement Type | Procurement Method |
|---------------------------------|-------------------------|--------------------------------------------------------------------------------------------|
| Less than \$500 | Mini Purchase | Purchases will be made according to good purchasing practice. |
| \$500 to \$4,999 | Low Value Purchase | At least three offers must be obtained by telephone or internet and documented in writing. |
| \$5,000 to \$24,999 | Small Purchase | At least three written offers must be obtained. |
| Greater than \$25,000 | Competitive Procurement | Formal written offers must be obtained. |

To demonstrate that trial courts and vendors complied with trial court procurement procedures and the terms of the purchase order or contract, courts should maintain procurement files. Maintaining well-documented procurement files ensures transparency of the court's procurement process. FIN 6.01, 6.10, in part, states:

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

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

Finally, FIN 6.01, 6.14, provides the requirements courts must follow when using purchase cards. Among these requirements, all procurements executed using a purchase card must be initiated by an approved purchase requisition and may not be used to circumvent established procurement procedures. Also, purchase cards may only be used for the procurement of goods such as library purchases, subscriptions, office supplies, and minor equipment. If the court uses a purchase card to pay for services, such as emergency repairs or association or membership dues, the court must comply with Internal Revenue Service regulations and maintain a Vendor Data Record, or W-9, on file for each service supplier. In addition, purchase cards may only be used for purchases with a maximum of \$1,500 per transaction. A suggested daily limit of \$5,000 should also be set. Any alternate dollar limits must be approved by the AOC prior to its implementation. Further, documentation such as receipts and purchase requisitions are needed to verify purchases prior to issuing payment to the purchase card company. Finally, individual court employee travel expenses may be reimbursed, or purchased with a court credit card that is used only for travel expenses, or centrally purchased using a court travel account.

Issues

To determine whether the Court follows the procurement policies and procedures in the FIN Manual, we interviewed Court management and staff regarding its procurement practices. We also reviewed a selection of 20 fiscal year 2009-2010 expenditure transactions and 29 fiscal year 2009-2010 purchase card transactions. Our review indicates that the Court does not always follow the FIN Manual procurement guidelines. Specifically, we noted the following:

1. The Court could not demonstrate prior written authorization, such as an approved purchase requisition or other written authorization, for the 20 procurements we reviewed.

Also, the Court could not demonstrate prior written authorization for 20 of the 29 purchase card transactions reviewed. For two of the other nine purchase card transactions, the Court provided purchase requisitions that were not sign-approved.

2. The Court does not practice sound procurement review and approval control procedures when it uses purchase cards to procure goods and services. Specifically, one of the 29 purchase card transactions reviewed exceeded the \$1,500 per transaction limit and another five purchase card transactions were approved by a court manager not listed on the Court's current approval matrix.
3. Further, at the time of our review in October 2010, the Court could not provide documentation to support the procurement process it used for 14 of the 20 procurements we reviewed. We followed up with the Court in January 2011 on the procurement method it used for the 14 procurements in question. The Court asserted that it did not know the procurement method used for two procurements. Additionally, the Court asserted that eight other procurements were either competitive or sole-source procurements; however, the Court indicated that, except for one procurement, the document retention period had expired or the county had managed the procurement. Further, the Court asserted that the final four procurements were either through State master agreements or were mini purchases which did not require procurement files. The Court stated in June 2011 that due to space limitations, its procurement files are held with finance files, but that it had implemented a more complete bid filing method within the last year. Nevertheless, without a properly documented procurement file, the Court cannot support actions taken, provide information for later review, or provide facts in the event of litigation or an investigation related to a specific procurement.

Recommendations

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

1. Require the use of appropriately approved purchase requisitions to pre-authorize the procurement of goods and services, including procurements where the Court's purchase card is used. Purchases without pre-approved purchases requisitions should be approved by the next appropriate level manager to ensure appropriate level management is able to take action to correct the procedural breakdown.
2. Remind purchase card holders of the \$1,500 per transaction limit. It should also remind Accounts Payable staff that only those listed on the Court's approval matrix are authorized to approve payment of purchase card transactions.
3. Establish properly documented procurement files that can provide an audit trail from the initiation of the requirement to the delivery of goods, provide a complete basis for informed decisions at each step of the acquisition process, supports the actions taken, provides information for later review, and provides facts in the event of litigation or an investigation.

Superior Court Response

Recommendation #1: The Court does require the submittal of approved requisitions prior to procurement of goods or services. The Court acknowledges that there have been instances of purchase card transactions, and court ordered services, that which a requisition was not

submitted prior to the purchase. Immediate action is being taken to ensure all staff adheres to the TCFPP. This action will be ongoing in the form of reminders and monitoring.

Recommendation #2: The Court agrees that this is an issue, and will take immediate action to monitor, and remind card holders as well as accounting staff of TCFPP policy requirements.

Recommendation #3: The Court recognizes the necessity to improve past practices of documenting procurement files, and has made considerable improvement the past several years. The Court continues to improve procurement practices to align practices with the TCFPP and to ensure good stewardship of public funds.

With regards to the two of the fourteen (14) procurements singled out by the auditor, the following applies:

Two of the unknown procurement methods are related to past practices that have been corrected. One of the two was a result of County procurement practice prior to the Court/County separation; however, the Court has evaluated the procurement and found that during these challenging times, the provider has developed into an effective and reliable source and has worked with the Court to minimize annual cost increases.

10. Contracts

Background

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

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|--------------------------------------------|---------------------------|---------------------|------------------|---------------|
| | 2010 | 2009 | | |
| Expenditures | | | | |
| 938401 GENERAL CONSULTANTS & PRO | 115,770.31 | 118,925.90 | (3,156) | -2.7% |
| 938404 ADMINISTRATIVE SERVICE | 517,403.37 | 516,826.00 | 577 | 0.1% |
| 938410 TELECOMMUNICATIONS-CONSUL | - | 137,161.08 | (137,161) | -100.0% |
| 938411 TRAFFIC SCHOOL MONITORING | 52,707.99 | 56,162.00 | (3,454) | -6.2% |
| * 938300 - GENERAL CONSULTANT AND P | 685,881.67 | 829,074.98 | (143,193) | -17.3% |
| 938701 COURT TRANSCRIPTS | 563,754.46 | 586,731.91 | (22,977) | -3.9% |
| * 938700 - COURT TRANSCRIPTS | 563,754.46 | 586,731.91 | (22,977) | -3.9% |
| 938801 DEPENDENCY COUNSEL CHRGS | 16,149.75 | 14,284.00 | 1,866 | 13.1% |
| 938802 DEPENDENCY COUNSEL CHRGS | 54,034.00 | 53,465.00 | 569 | 1.1% |
| 938803 COURT-APPOINTED COUNSEL C | 1,612.50 | 14,397.25 | (12,785) | -88.8% |
| 938899 COURT APPOINTED COUNSEL C | 550.00 | - | 550 | 100.0% |
| * 938800 - COURT APPOINTED COUNSEL | 72,346.25 | 82,146.25 | (9,800) | -11.9% |
| 938905 FINGERPRINT PROCESSING | 523.00 | 1,901.00 | (1,378) | -72.5% |
| * 938900 - INVESTIGATIVE SERVICES | 523.00 | 1,901.00 | (1,378) | -72.5% |
| 939002 PSYCHIATRIC EVALUATIONS | 419,102.75 | 524,769.75 | (105,667) | -20.1% |
| 939003 COURT-ORDERED PROFESSIONA | 15,080.98 | 24,418.76 | (9,338) | -38.2% |
| 939004 DOCTOR | 3,050.00 | 1,666.66 | 1,383 | 83.0% |
| * 939000 - COURT ORDERED PROFESSION | 437,233.73 | 550,855.17 | (113,621) | -20.6% |
| 939102 CIVIL ARBITRATION FEE | 11,775.00 | 21,325.00 | (9,550) | -44.8% |
| 939103 ATTORNEY ARBITRATION-ADR | 145,836.00 | 145,854.23 | (18) | 0.0% |
| * 939100 - MEDIATORS/ARBITRATORS | 157,611.00 | 167,179.23 | (9,568) | -5.7% |
| 939299 COLLECTION SERVICE | 96,656.00 | - | 96,656 | 100.0% |
| * 939200 - COLLECTION SERVICES | 96,656.00 | - | 96,656 | 100.0% |
| 939406 ATTORNEY CIVIL OTHER | - | 1,425.00 | (1,425) | -100.0% |
| 939420 SMALL CLAIMS ADVISORY SER | 30,228.00 | 30,239.03 | (11) | 0.0% |
| * 939400 - LEGAL | 30,228.00 | 31,664.03 | (1,436) | -4.5% |
| 939801 OTHER CONTRACT SERVICES | 21,367.94 | 27,261.37 | (5,893) | -21.6% |
| * 939800 - OTHER CONTRACT SERVICES | 21,367.94 | 27,261.37 | (5,893) | -21.6% |
| ** CONTRACTED SERVICES TOTAL | 2,828,365.96 | 3,120,942.80 | (292,577) | -9.4% |

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|--------------------------------------|---------------------------|--------------|---------------|----------|
| | 2010 | 2009 | | |
| 941101 SHERIFF - REIMBURSEMENTS | 26,578.00 | 28,916.00 | (2,338) | -8.1% |
| * 941100 - SHERIFF | 26,578.00 | 28,916.00 | (2,338) | -8.1% |
| 942101 PROBATION DEPARTMENT SERV | 92,849.17 | 44,464.12 | 48,385 | 108.8% |
| 942201 COUNTY - LEGAL SERVICES | - | 8,743.23 | (8,743) | -100.0% |
| 942301 COUNTY - FISCAL SERVICES | 21,611.00 | 16,829.00 | 4,782 | 28.4% |
| 942302 AUDITOR-CONTROLLER SERVIC | 27,286.00 | 25,698.00 | 1,588 | 6.2% |
| 942601 COUNTY - OFFICE SERVICES | 182,240.00 | 69,604.00 | 112,636 | 161.8% |
| 942701 COUNTY - BUSINESS SERVICE | - | 66,065.38 | (66,065) | -100.0% |
| 942801 COUNTY - EDP SERVICES | 1,489,378.42 | 1,251,947.18 | 237,431 | 19.0% |
| * 942100 - COUNTY-PROVIDED SERVICES | 1,813,364.59 | 1,483,350.91 | 330,014 | 22.2% |
| ** CONSULTING AND PROFESSIONAL SERVI | 1,839,942.59 | 1,512,266.91 | 327,676 | 21.7% |

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

Further, we reviewed MOUs entered into with the County to determine whether they are current, comprehensive of all services currently received or provided, and contain all required terms and conditions. We also reviewed selected County invoices to determine whether the services billed were allowable and sufficiently documented and supported, and whether the Court appropriately accounted for the costs and had a process to determine if cost were reasonable.

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

11. Accounts Payable

Background

The FIN Manual provides various policies on payment processing and provides uniform guidelines for processing vendor invoices, in-court service provider claims, and court-appointed counsel. All invoices and claims received from trial court vendors, suppliers, consultants and other contractors are routed to the trial court accounts payable department for processing. The accounts payable staff must process the invoices in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices must be matched to the proper supporting documentation and must be approved for payment by authorized court personnel acting within the scope of their authority.

In addition, superior court judges and employees may be required to travel in the course of performing their official duties, and may occasionally conduct official court business during a meal period. Courts may reimburse its judges and employees for their reasonable and necessary travel expenses incurred while traveling on court business only within maximum reimbursement limits. Courts may also pay vendors' invoices or reimburse its judges and employees for the actual cost of business meals only when related rules and limits are met.

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|-------------------------------------|---------------------------|-----------|---------------|----------|
| | 2010 | 2009 | | |
| Expenditures – Travel | | | | |
| 929201 IN-STATE TRAVEL EXPENSE C | 421.93 | 2,852.48 | (2,431) | -85.2% |
| 929202 IN-STATE AIR TRANSPORTATI | 2,280.20 | 10,475.80 | (8,196) | -78.2% |
| 929203 IN-STATE RENTAL VEHICLES | - | 197.55 | (198) | -100.0% |
| 929205 PER-DIEM - JUDICIAL - IN | 771.81 | 1,325.71 | (554) | -41.8% |
| 929206 LODGING-IN STATE | 4,542.54 | 10,180.52 | (5,638) | -55.4% |
| 929207 RAIL, BUS TAXI, FERRY-IN | 490.50 | 27,204.45 | (26,714) | -98.2% |
| 929208 PRIVATE CAR MILEAGE-JUDIC | 976.10 | 3,427.13 | (2,451) | -71.5% |
| 929209 PRIVATE CAR MILEAGE-EMPLO | 19,116.27 | 28,087.36 | (8,971) | -31.9% |
| 929211 PARKING-IN STATE | 1,191.02 | 3,411.80 | (2,221) | -65.1% |
| * 929200 - TRAVEL- PER DIEM IN STAT | 29,790.37 | 87,162.80 | (57,372) | -65.8% |
| ** TRAVEL IN STATE TOTAL | 29,790.37 | 87,162.80 | (57,372) | -65.8% |

Expenditures

| | | | | | |
|--------|------------------------------------------|-------------------|---------------------|------------------|---------------|
| 920299 | LABORATORY EXPENSE | 12,624.34 | 9,294.31 | 3,330 | 35.8% |
| * | 920200 - LABORATORY EXPENSE | 12,624.34 | 9,294.31 | 3,330 | 35.8% |
| 920302 | BANK FEES | 27,062.69 | 22,055.66 | 5,007 | 22.7% |
| 920303 | LATE FEES | 1,006.70 | - | 1,007 | 100.0% |
| 920304 | REGISTRATION FEES-PERMITS | 344.00 | 1,376.00 | (1,032) | -75.0% |
| 920306 | PARKING FEES | 227,484.00 | 240,092.00 | (12,608) | -5.3% |
| 920399 | FEES/PERMITS | 16.00 | 415.00 | (399) | -96.1% |
| * | 920300 - FEES/PERMITS | 255,913.39 | 263,938.66 | (8,025) | -3.0% |
| 920502 | DUES & MEMBERSHIPS-LEGAL | 3,275.00 | 3,675.00 | (400) | -10.9% |
| 920503 | DUES & MEMBERSHIPS-OTHER | 2,281.50 | 3,084.00 | (803) | -26.0% |
| * | 920500 - DUES AND MEMBERSHIPS | 5,556.50 | 6,759.00 | (1,203) | -17.8% |
| 920601 | MISCELLANEOUS OFFICE SUPP | 46,422.53 | 109,513.64 | (63,091) | -57.6% |
| 920603 | FIRST AID/SAFETY SUPPLIES | 673.63 | 1,139.27 | (466) | -40.9% |
| 920608 | TONER | 27,511.10 | 46,564.36 | (19,053) | -40.9% |
| 920613 | RUBBER STAMP | 1,334.81 | 3,757.50 | (2,423) | -64.5% |
| 920615 | BOTTLED WATER | - | 10,724.63 | (10,725) | -100.0% |
| 920622 | COPY PAPER | 30,599.66 | 30,803.41 | (204) | -0.7% |
| 920625 | STORAGE BOXES | 102.00 | 306.00 | (204) | -66.7% |
| 920627 | MISC TOOLS | 21.77 | 698.80 | (677) | -96.9% |
| * | 920600 - OFFICE EXPENSE | 106,665.50 | 203,507.61 | (96,842) | -47.6% |
| 921599 | ADVERTISING | 211.93 | 5,674.69 | (5,463) | -96.3% |
| * | 921500 - ADVERTISING | 211.93 | 5,674.69 | (5,463) | -96.3% |
| 921701 | MEETING AND CONFERENCE - | 1,730.00 | 2,130.00 | (400) | -18.8% |
| 921702 | MEETING AND CONFERENCE - | 710.99 | 5,087.44 | (4,376) | -86.0% |
| 921704 | SPECIAL EVENTS | 25,058.36 | 61,016.62 | (35,958) | -58.9% |
| * | 921700 - MEETINGS, CONFERENCES, E | 27,499.35 | 68,234.06 | (40,735) | -59.7% |
| 922301 | SUBSCRIPTIONS/MAGAZINESIA | 8,100.72 | 9,636.99 | (1,536) | -15.9% |
| 922303 | LEGAL PUBLICATIONS-HARDCO | 96,822.77 | 129,174.80 | (32,352) | -25.0% |
| 922304 | LEGAL PUBLICATIONS-ON-LIN | 63,204.99 | 71,773.25 | (8,568) | -11.9% |
| * | 922300 - LIBRARY PURCHASES AND SU | 168,128.48 | 210,585.04 | (42,457) | -20.2% |
| 922601 | MINOR OFFICE EQUIPMENT/MA | 4,468.24 | 20,056.15 | (15,588) | -77.7% |
| 922603 | OFFICE FURNITURE - MINOR | 1,221.22 | 94,130.60 | (92,909) | -98.7% |
| 922605 | MODULAR FURNITURE-MINOR | - | 1,670.78 | (1,671) | -100.0% |
| 922606 | NON-OFFICE FURNITURE | - | 32,987.00 | (32,987) | -100.0% |
| 922607 | CARTS, PALLETS, HAND TRUC | 754.64 | 1,581.89 | (827) | -52.3% |
| 922610 | COMPUTER ACCESSORIES | 419.39 | 13,485.88 | (13,066) | -96.9% |
| 922611 | COMPUTER | 41,909.59 | 72,714.05 | (30,804) | -42.4% |
| 922612 | PRINTERS | 8,580.77 | 25,814.86 | (17,234) | -66.8% |
| 922614 | SECURITY SURVEILLANCE - M | - | 403.38 | (403) | -100.0% |
| 922699 | MINOR EQUIPMENT - UNDER \$ | 16,619.10 | 42,795.33 | (26,176) | -61.2% |
| * | 922600 - MINOR EQUIPMENT - UNDER | 73,972.95 | 305,639.92 | (231,667) | -75.8% |
| 922702 | COPIERS-RENTAL-LEASE | 24,826.94 | 32,156.37 | (7,329) | -22.8% |
| 922705 | POSTAGE MACHINE-RENTAL-LE | 5,076.00 | 5,076.00 | 0 | 0.0% |
| 922799 | EQUIPMENT RENTAL/LEASE | - | 1,872.52 | (1,873) | -100.0% |
| * | 922700 - EQUIPMENT RENTAL/LEASE | 29,902.94 | 39,104.89 | (9,202) | -23.5% |
| 922801 | COPIERS-MAINTENANCE | 24,656.39 | 30,133.42 | (5,477) | -18.2% |
| 922806 | SECURITY SYSTEM MAINTENAN | 5,340.00 | 3,809.15 | 1,531 | 40.2% |
| 922899 | OFFICE EQUIPMENT MAINTENA | 8,535.25 | 6,730.00 | 1,805 | 26.8% |
| * | 922800 - EQUIPMENT MAINTENANCE | 38,531.64 | 40,672.57 | (2,141) | -5.3% |
| 922904 | AUDIO | 119.53 | 2,615.93 | (2,496) | -95.4% |
| 922906 | MICROFICHE/MICROFILM EQUI | - | 1,553.23 | (1,553) | -100.0% |
| 922909 | SECURITY EQUIPMENT REPAIR | - | 877.84 | (878) | -100.0% |
| 922910 | WEAPON SCREENING EQUIPMEN | - | 17,870.00 | (17,870) | -100.0% |
| 922911 | ALARM SYSTEM REPAIR | 219.00 | 2,276.48 | (2,057) | -90.4% |
| 922999 | EQUIPMENT REPAIRS | - | 3,854.00 | (3,854) | -100.0% |
| * | 922900 - EQUIPMENT REPAIRS | 338.53 | 29,047.48 | (28,709) | -98.8% |
| 923908 | SHREDDING SERVICE | 3,337.50 | 1,825.00 | 1,513 | 82.9% |
| 923914 | MOVING/TRANSPORT SERVICE | - | 8,436.15 | (8,436) | -100.0% |
| 923999 | GENERAL EXPENSE-SERVICE | 132.48 | 17,733.49 | (17,601) | -99.3% |
| * | 923900 - GENERAL EXPENSE - SERVIC | 3,469.98 | 27,994.64 | (24,525) | -87.6% |
| ** | GENERAL EXPENSE TOTAL | 722,815.53 | 1,210,452.87 | (487,637) | -40.3% |

| | | | | |
|-------------------------------------|------------|------------|----------|--------|
| 924599 PRINTING | 205,300.15 | 229,234.23 | (23,934) | -10.4% |
| * 924500 - PRINTING | 205,300.15 | 229,234.23 | (23,934) | -10.4% |
| ** PRINTING TOTAL | 205,300.15 | 229,234.23 | (23,934) | -10.4% |
| 925101 TELECOMMUNICATIONS | 279,513.42 | 324,047.41 | (44,534) | -13.7% |
| 925103 CELL PHONES/PAGERS | 7,861.32 | 12,243.36 | (4,382) | -35.8% |
| 925104 SATELLITE SERVICES FOR JU | 476.76 | 922.88 | (446) | -48.3% |
| 925106 LEASED LINES | 93,547.91 | 95,355.83 | (1,808) | -1.9% |
| * 925100 - TELECOMMUNICATIONS | 381,399.41 | 432,569.48 | (51,170) | -11.8% |
| ** TELECOMMUNICATIONS TOTAL | 381,399.41 | 432,569.48 | (51,170) | -11.8% |
| 926102 EXPRESS DELIVERY | 151.87 | 293.79 | (142) | -48.3% |
| 926199 STAMPS, STAMPED ENVELOPES | 256,575.27 | 242,466.43 | 14,109 | 5.8% |
| * 926200 - STAMPS, STAMPED ENVELOPE | 256,727.14 | 242,760.22 | 13,967 | 5.8% |
| ** POSTAGE TOTAL | 256,727.14 | 242,760.22 | 13,967 | 5.8% |
| 928803 PROPERTY INSURANCE | 9,787.00 | 12,814.00 | (3,027) | -23.6% |
| * 928800 - INSURANCE | 9,787.00 | 12,814.00 | (3,027) | -23.6% |
| ** INSURANCE TOTAL | 9,787.00 | 12,814.00 | (3,027) | -23.6% |
| 965101 JURORS - FEES | 295,350.00 | 307,791.72 | (12,442) | -4.0% |
| 965102 JURORS - MILEAGE | 99,185.48 | 108,248.52 | (9,063) | -8.4% |
| * 965100 - JUROR COSTS | 394,535.48 | 416,040.24 | (21,505) | -5.2% |
| ** JURY COSTS TOTAL | 394,535.48 | 416,040.24 | (21,505) | -5.2% |
| 972299 GRAND JURY COSTS | 94,865.94 | 102,334.09 | (7,468) | -7.3% |
| * 972200 - GRAND JURY COSTS | 94,865.94 | 102,334.09 | (7,468) | -7.3% |

Revenue – Court Interpreter

| | | | | |
|--------------------------------------|--------------|--------------|-------|------|
| 834010 PROGRAM 45.45-COURT INTER | 1,451,865.00 | 1,452,021.00 | (156) | 0.0% |
| ** 834000-PROGRAM 45.45 - REIMBURSEM | 1,451,865.00 | 1,452,021.00 | (156) | 0.0% |

Expenditures – Court Interpreters

| | | | | |
|-------------------------------------|------------|------------|----------|---------|
| 938502 COURT INTERPRETER TRAVEL | 99,357.63 | 120,438.54 | (21,081) | -17.5% |
| 938503 COURT INTERPRETERS - REGI | 65,083.78 | 57,750.05 | 7,334 | 12.7% |
| 938504 COURT INTERPRETERS - CERT | 423,810.90 | 478,401.74 | (54,591) | -11.4% |
| 938505 COURT INTERPRETERS - NONR | 17,597.09 | 15,931.94 | 1,665 | 10.5% |
| 938506 COURT INTERPRETERS - NONC | 18,241.00 | 39,815.24 | (21,574) | -54.2% |
| 938507 COURT INTERPRETERS - AMER | 26,098.51 | 18,639.08 | 7,459 | 40.0% |
| 938511 COURT INTERPRETER - LODGI | - | 272.27 | (272) | -100.0% |
| * 938500 - COURT INTERPRETER SERVIC | 650,188.91 | 731,248.86 | (81,060) | -11.1% |

Expenditures – Court Reporters

| | | | | |
|------------------------------------|------------|------------|---------|---------|
| 938601 COURT REPORTERS SERVICES | 112,575.00 | 111,750.00 | 825 | 0.7% |
| 938603 ELECTRONIC RECORDING SERV | - | 1,130.00 | (1,130) | -100.0% |
| * 938600 - COURT REPORTER SERVICES | 112,575.00 | 112,880.00 | (305) | -0.3% |

Liabilities

| | | | | |
|----------------------------------|-----------|----------|--------|--------|
| 351001 LIABILITIES FOR DEPOSITS- | 21,973.98 | 7,077.24 | 14,897 | 210.5% |
| 353080 LIABILITIES FOR DEPOSITS | 10,042.76 | 5,347.76 | 4,695 | 87.8% |

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with fiscal staff involved in accounts payable. We also reviewed selected invoices and claims processed in FY 2009–2010 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

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

The following issues were considered significant enough to bring to management's attention. Appendix A contains additional minor issues.

11.1 The Court Should Strengthen Its Petty Cash Procedures

Background

Trial courts may use a petty cash fund to streamline the purchase of certain supplies and services, but must follow certain control procedures to ensure it is used appropriately and not misused. Specifically, FIN Manual Procedure 8.04, paragraph 3.0, states that a petty cash fund may be established when the trial court needs to keep a small amount of cash on hand to purchase low-value supplies and services—such as stamps, postage, parking, and cab fare needed for official court business—that cannot be practically purchased by other means. The maximum petty cash purchase is \$100.00 unless advance approval from the Court Executive Officer is obtained.

In addition, paragraph 6.2 requires the Court Executive Officer to appoint a custodian who is personally responsible for the safekeeping, disbursement, and accounting for petty cash. The petty cash custodian must have no other cash handling responsibilities and must keep the petty cash funds separate from all other monies.

Guidelines for establishing the petty cash fund is addressed in paragraph 6.3, which states that checks be made payable to the custodian of the fund to establish the fund. In addition, the petty cash fund should be kept to the lowest amount that is sufficient to meet the needs of the trial court. The authorized fund shall not exceed \$200, except that funds up to \$750 may be authorized where a fund of lesser size would normally require replenishment more often than once a month and a safe, vault, or money chest adequate to safeguard the petty cash fund is available.

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

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

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

Further, paragraph 6.6 provides guidelines for replenishing the petty cash fund. Specifically, reimbursements to the petty cash fund are made by check payable to the custodian. To receive reimbursement for petty cash expenditures, the custodian must submit a Reimbursement of Petty Cash form that is supported by purchase receipts. Reimbursement requests must be approved for payment by the CFO or his or her designee. The trial court accounting department is responsible for reviewing the receipts submitted with reimbursement requests. In addition, trial court

executives, managers, and other employees are prohibited from authorizing petty cash reimbursements payable to cash or themselves.

Finally, paragraph 6.7 states that a representative of the trial court accounting department will count the petty cash fund according to the following schedule and report the count to the CFO:

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

Issues

To determine whether the Court uses and maintains its petty cash fund consistent with the guidelines in the FIN Manual, we interviewed the petty cash custodian at Court locations that have a petty cash fund and reviewed purchases reimbursed by the petty cash fund in fiscal year 2010-2011 as of October 2010. Our review revealed the following concerns:

1. The Family Law location commingles its \$100 petty cash fund with its \$250 change fund and makes the commingled fund accessible to all cashiers when change is needed.

In addition, the Lodi, Tracy, and main courthouse locations keep their petty cash fund in the same safe as their daily receipts, cash difference fund, and change fund.

2. The Lodi and Tracy locations do not use the Petty Cash Receipt form, or some other form, to document disbursements made from the petty cash fund and to record information specified in the FIN Manual. As a result, the Court's Lodi location made a \$4 disbursement from its petty cash fund for a \$3.74 expenditure, but could not account for the \$.26 difference.

In addition, the Family Law location does not maintain a log of petty cash disbursements nor retain original receipts to support its disbursement of petty cash.

3. One petty cash disbursement at the main courthouse location, \$237.75 for stamped envelopes, exceeded the \$100 per petty cash transaction threshold and did not demonstrate evidence of CEO or designee pre-approval.
4. The petty cash fund disbursements at the main courthouse location do not support the need for its \$750 petty cash fund. We reviewed the petty cash expenditures for fiscal year 2009-2010 to determine the average monthly use of petty cash. After omitting the petty cash transactions that exceed the \$100 per petty cash transaction limit, we found that the average monthly petty cash use was about \$52. Therefore, the Court's average monthly use of the petty cash fund does not support the need for a petty cash fund that exceeds \$200.
5. The Accounting Unit does not perform periodic reconciliations of the petty cash funds at all Court locations.

Recommendations

To ensure it uses its petty cash fund consistent with the petty cash procedures outlined in the FIN Manual, the Court should consider the following:

1. Require petty cash custodians to keep the petty cash fund separate from other court funds, such as in a locked drawer or money box, so that access to the petty cash is restricted to only the petty cash custodian.
2. Require petty cash custodians to use a petty cash receipt form to document petty cash disbursements and to attach the original vendor invoice, cash register receipt, or other evidence of the transaction that supports the amount disbursed from the petty cash fund.
3. Require staff to follow normal procurement procedures for procurement transactions over \$100 or obtain and document approval from the CEO or designee prior to the use of the petty cash fund for transactions that exceed \$100.
4. Reduce the main courthouse location's petty cash fund from \$750 to \$200.
5. Require the Accounting Unit to count the petty cash fund at all Court locations and report the results of these counts to the CFO at least annually, or on a more frequent basis if the petty cash fund exceeds \$200.

Superior Court Response

We have reviewed the November 29, 2010 Petty Cash Issues Memorandum IM-7. We agree with the audit findings and are currently taking corrective actions. Below are our responses to the audit issues:

Issue 1: The Family Law location has separated its \$100 petty cash from the \$250 change fund and has been given a locking cash box for the petty cash fund. The main courthouse location has ordered a locking cash box for the petty cash fund. Each of these other locations have only 1 safe to keep all of these items secure. Rest assured, all items are kept separately in either locked boxes or bags to prevent co-mingling.

Issue 2: The Accounting Unit will be working with all branch locations on using the Petty Cash Receipt form to document disbursements from petty cash and to maintain a log of petty cash disbursements. The Family Law location is now retaining receipts to support its disbursements.

Issue 3: We will no longer be issuing petty cash for stamped envelopes since the cost exceeds the \$100 petty cash threshold.

Issue 4: The main courthouse will reduce the petty cash fund to \$200 and eliminate all disbursements exceeding the \$100 threshold.

Issue 5: The Accounting Unit will perform annual reconciliation of the petty cash funds at all Court locations.

11.2 Court Travel and Business Meal Expense Reimbursement Procedures Need Improvement

Background

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

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

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

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

Business Travel

FIN 8.03, 6.3, provides specific travel procedures for trial courts to follow. These procedures state that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation and other miscellaneous items. When the use of a personal vehicle is approved for trial court business and the travel commences from home, reimbursed personal vehicle mileage will be calculated from the traveler's designated headquarters or home, whichever results in the lesser distance, to the business destination. In addition, FIN 8.03, 6.1.1, states that travel costs incurred without written travel request approval may be subject to rejection when reimbursement is requested. Out-of-state or international travel requires the approval of the Presiding Judge (PJ) or written designee.

FIN 8.03, 6.4, provides that reimbursable travel expenses are limited to the authorized, actual, and necessary costs of conducting the official business of the trial court and the limits established in the published AOC Travel Rate Guidelines. Judges and employees who incur reimbursable business travel costs must submit a completed travel expense claim (TEC) form that notes the

business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level.

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

| MEALS | MAXIMUM REIMBURSEMENT |
|--------------|------------------------------|
| Breakfast | Not to Exceed \$ 6 |
| Lunch | Not to Exceed \$10 |
| Dinner | Not to Exceed \$18 |
| Incidentals | Not to exceed \$ 6 |

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

Business Meals

FIN 8.05, defines the rules and limits trial courts must observe when arranging or claiming reimbursement for meals connected to official court business. To be reimbursable, these business meals must have the written advance approval of the PJ or authorized designee. FIN 8.05, 6.2, states:

All business meals must be supported by an original receipt, reflecting the actual costs incurred and a completed, approved business-related meal form, memo, or e-mail authorizing the expenditure in advance. The business related meal form, memo, or e-mail will include the following information:

- a. Date of the business meal(s).
- b. Scheduled start and end time of the meeting.
- c. Statement explaining the business purpose of the meeting.
- d. Category and duration of business meal. Example: Breakfast 8:00- 8:30 (30 min).
- e. Location/place of the business meal.
- f. Copy of the formal agenda, if applicable.
- g. List of expected attendees, their titles, and affiliations.

Business meal expenses not approved in advance by the PJ or authorized designee will be considered a personal expense and will not be reimbursed or paid. In addition, business meal expenses are not authorized for informal meetings or meetings with existing or potential vendors.

The treatment of business meal expenses varies depending on when, where, and how many people are involved with the meal or function. For further information regarding business meals, please see the following paragraphs in FIN 8.05:

- 6.3 Business Meal Reimbursement via a Travel Expense Claim
- 6.4 Group Business Meals
- 6.5 Authorized Business Meal Timeframes
- 6.6 Authorized Business Meal Rates
- 6.7 Requests for Exceptions to Business Expense Guidelines
- 6.8 Unallowable Business Meal Expenses

Issues

To determine whether the Court followed the travel and business meal expense guidelines set forth in the FIN Manual, we interviewed appropriate Court staff regarding current travel and business meal expense reimbursement practices. We also reviewed selected travel and business meal expenses paid in FY 2009-2010. Our review revealed that Court procedures over travel and business meal expenditures need improvement. Specifically, we found the following:

1. The Court did not always require appropriate level review and approval signatures, from the judge's or employee's direct supervisor or above, on the TEC forms before paying the claims. Specifically, we identified one TEC from a judge that the CFO signed, approving the TEC. However, the PJ or the APJ would be the appropriate approval level for judges, and for each other's TECs. Further, we identified three additional TECs where the Court paid the claim without any approval signature.

In addition, the Court could not demonstrate prior approval by the PJ for out-of-state travel related to one of the three TECs without an approval signature.

2. The Court did not prepare the required business-related meal expense form, memo, or e-mail for the two business-related meals we reviewed. As a result, we could not determine whether the business-related meal expenses were pre-approved by the PJ or authorized designee. Further, because the required business-related meal information was not documented, we could not determine the duration of the two business-related meals, as well as the location and cost-per-person for one of the two business-related meals reviewed.

Recommendations

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

1. Require appropriate level review and approval signatures on TEC forms from the judge's or employee's immediate supervisor or above before processing these claims for payment. In addition, inform accounts payable staff that the PJ or APJ would be the appropriate approval levels for judges and for each other. Further, instruct accounts payable staff to not process TECs for payment without the required appropriate level review and approval signatures.

2. Adopt business-related meal expense procedures that include documentation of prior approval by the PJ or written designee to ensure business-related meal expenses are an appropriate and necessary use of public funds. This includes use of a business-related meal form to document necessary information including the business need for the meal, and retention of meeting sign-in logs to document the participants. (See Procedure No. FIN 8.05, Section 7.0 for a sample form.)

Superior Court Response

Issue 1: Appropriate level review and approval signatures were not always received prior to payment.

The court agrees with this audit finding and will implement the following changes:

- a.) All judges travel claims must have an approval signature from either the Presiding Judge or the Assistant Presiding Judge before payment..
- b.) Presiding Judge travel claims must have the approval signature from the Assistant Presiding Judge and Assistant Presiding Judge travel claims must have the approval signature from the Presiding Judge before payment.
- c.) All travel claims of court staff must be approved by their immediate manager or a higher level manager before payment. The Court Executive Officer's travel claims must be approved by either the Presiding Judge or the Assistant presiding Judge.
- d.) Accounts payable approval staff will make sure the appropriate signatures are on the travel claim forms prior to posting in SAP.

Issue 2: Business-related meal expense forms, memos or e-mails were not prepared for two business related meals thus it could not be determined if the business meal was pre-approved, the duration of the meals, as well as the location and cost per-person for one of the two.

The court agrees with this audit finding and will implement the following procedure. The court has created a Business Related Meals Form and will provide it to all managers to complete in the event there is a need to incur this type of expense in the future.

12. Fixed Assets Management

Background

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

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

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|------------------------------------|---------------------------|------------|---------------|----------|
| | 2010 | 2009 | | |
| Expenditures | | | | |
| 922601 MINOR OFFICE EQUIPMENT/MA | 4,468.24 | 20,056.15 | (15,588) | -77.7% |
| 922603 OFFICE FURNITURE - MINOR | 1,221.22 | 94,130.60 | (92,909) | -98.7% |
| 922605 MODULAR FURNITURE-MINOR | - | 1,670.78 | (1,671) | -100.0% |
| 922606 NON-OFFICE FURNITURE | - | 32,987.00 | (32,987) | -100.0% |
| 922607 CARTS, PALLETS, HAND TRUC | 754.64 | 1,581.89 | (827) | -52.3% |
| 922610 COMPUTER ACCESSORIES | 419.39 | 13,485.88 | (13,066) | -96.9% |
| 922611 COMPUTER | 41,909.59 | 72,714.05 | (30,804) | -42.4% |
| 922612 PRINTERS | 8,580.77 | 25,814.86 | (17,234) | -66.8% |
| 922614 SECURITY SURVEILLANCE - M | - | 403.38 | (403) | -100.0% |
| 922699 MINOR EQUIPMENT - UNDER \$ | 16,619.10 | 42,795.33 | (26,176) | -61.2% |
| * 922600 - MINOR EQUIPMENT - UNDER | 73,972.95 | 305,639.92 | (231,667) | -75.8% |
| 922702 COPIERS-RENTAL-LEASE | 24,826.94 | 32,156.37 | (7,329) | -22.8% |
| 922705 POSTAGE MACHINE-RENTAL-LE | 5,076.00 | 5,076.00 | 0 | 0.0% |
| 922799 EQUIPMENT RENTAL/LEASE | - | 1,872.52 | (1,873) | -100.0% |
| * 922700 - EQUIPMENT RENTAL/LEASE | 29,902.94 | 39,104.89 | (9,202) | -23.5% |
| 922801 COPIERS-MAINTENANCE | 24,656.39 | 30,133.42 | (5,477) | -18.2% |
| 922806 SECURITY SYSTEM MAINTENAN | 5,340.00 | 3,809.15 | 1,531 | 40.2% |
| 922899 OFFICE EQUIPMENT MAINTENA | 8,535.25 | 6,730.00 | 1,805 | 26.8% |
| * 922800 - EQUIPMENT MAINTENANCE | 38,531.64 | 40,672.57 | (2,141) | -5.3% |
| 952400 VEHICLE LEASING | 16,343.04 | 28,558.17 | (12,215) | -42.8% |
| * 952400 - VEHICLE OPERATIONS | 16,343.04 | 28,558.17 | (12,215) | -42.8% |

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

- Determining the accuracy of the Court's reported fixed assets by comparing the information reported in the Comprehensive Annual Financial Report (CAFR) worksheet statements 18 and 19 to the supporting accounting records.
- Verification of supporting invoices for selected expenditures to ensure that expenditures were appropriately classified in the general ledger accounts.

- Review the completeness and accuracy of the asset inventory and software license listings and the most recent physical inventory of assets. Traced selected items on the listings to the physical item and vice-versa, including validation of the existence of selected major asset purchases through physical observation.
- Evaluated controls and procedures over disposal of fixed assets and inventory items.

The following issues were considered significant enough to bring to management's attention. Appendix A contains additional minor issues.

12.1 The Court Could Improve Its Tracking and Reporting of Court Assets

Background

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

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

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

Although FIN 9.01, 6.6, recommends an annual inventory, it requires courts to conduct a physical inventory of all court assets and equipment no less than every three years. The court must reconcile the inventory count recorded at each location against the asset records and investigate variances. Any unexplained losses or missing items must be reported to the Court's fiscal officer or designated employee. Written approval must be obtained from the fiscal officer or designated employee prior to adjusting any asset records.

Issues

Our review of the Court's system for recording, controlling, and reporting on Court assets found that although well-managed in general, it can improve its process as follows:

1. The Court acknowledged that it does not have a list of court-owned computer software and may not have been in compliance with certain licensing agreements. However, the Court stated that it had addressed the issue by entering into a new agreement which will bring it into compliance with the licensing agreements.
2. Out of the 98 inventory items selected for "floor-to-list" verification, 19 were not found on the inventory list. Also, 10 of the 19 inventory items did not have an asset ID tag. In addition, of the 79 inventory items listed, the inventory list did not accurately reflect the description for one inventory item or the location for another 11 items.

Similarly, our review of four minor equipment expenditures classified as inventory items revealed that not all inventory items purchased were listed on the Court's inventory list. Specifically, one printer/copier was not on the list.

Recommendations

To ensure it properly records, controls, and reports its inventory and fixed asset items, the Court should consider the following:

1. Prepare and maintain a list of Court-owned software that is supported by software license agreements that are secured and stored in designated areas. Further, it should establish a process to periodically compare the software installed on its computers against the terms of its license agreements to ensure that it is in compliance with its software license agreements.
2. Require all departments to notify the property clerk of all equipment acquisitions so the clerk can promptly tag and record in the inventory list the description, location, and other acquisition information associated with the items to ensure that the inventory list is accurate and up-to-date.

Superior Court Response

The Court agrees with the audit team's recommendations/assessment. Our responses are as follows:

Issue 1. The court has entered into a new licensing agreement as of May 14, 2010. This licensing agreement provides the Court third party assistance and online tools to manage software licensing. These management control tools include methods of periodically comparing installed software against licensing terms.

Issue 2. The Court, prior to the audit, had been, and will continue working to improve staff understanding of the importance of fixed asset management. Constant communication with outlying court locations and training is essential to full cooperation. The Court's goal is to maintain compliance with the Trial Court Financial Policies and Procedures and to establish

other internal methods to improve cooperation such as training for all trial court staff involved in the acquisition, recording, transfer and disposal of fixed assets.

13. Audits

Background

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

We reviewed prior audits conducted on the Court to obtain an overview of the issues identified and to determine during the course of our audit whether these issues have been corrected or resolved. Specifically, external consultants performed an Agreed Upon Procedures Review and a Performance Review of the Court in FY 2005–2006. The external consultants reviewed the Court's fund account balances, cash receipt and disbursement processes and controls, and compliance with the FIN Manual, applicable Generally Accepted Accounting Principles (GAAP), and applicable Governmental Accounting Standards Board (GASB) guidance in order to assess readiness for migration onto CARS/Phoenix. In addition, the external consultants reviewed several functional areas, including court administration, fiscal management, cash handling, revenues and expenditures, information systems, exhibit room administration and security, and court building physical security. The reports addressed issues and recommendations in trust fund reconciliations, fixed asset inventory, court security, revenue collection and distribution, and other fiscal and operational areas. Some of the issues were resolved due to the Court migrating away from County financial systems, while remaining issues were revisited during our current review. Issues not yet corrected or repeat issues are identified in various sections of this report.

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by San Joaquin County for the period July 1, 2001, through June 30, 2006. The SCO found that the Court did not properly distribute Traffic Violator School and Red-Light Violation fines, distributed the State Court Construction penalty without deducting the 2% Court Automation fee, inappropriately deducted the 2% Court Automation fee from convicted uninsured motorist cases, and did not properly distribute the Health and Safety-related bail forfeitures. Issues not yet corrected or repeat issues are identified in the Information Systems section of this report.

There were no significant issues identified during this audit to report to management in this section.

14. Records Retention

Background

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

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

| ACCOUNT | TOTAL FUNDS AS OF JUNE 30 | | \$ Inc. (Dec) | % Change |
|---------------------|---------------------------|------------|---------------|----------|
| | 2010 | 2009 | | |
| Expenditures | | | | |
| 935203 STORAGE | 270,389.45 | 270,890.32 | (501) | -0.2% |

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

There were no significant issues identified during this audit to report to management in this section.

15. Domestic Violence

Background

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

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

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

16. Exhibits

Background

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

A best practice for trial courts is to establish written Exhibit Room Manuals (manual). These manuals normally define the term “exhibit” as evidence such as papers, documents, or other items produced during a trial or hearing and offered in proof of facts in a criminal or civil case. While some exhibits have little value or do not present a safety hazard, such as documents and photographs, other exhibits are valuable or hazardous and may include: contracts or deeds, weapons, drugs or drug paraphernalia, toxic substances such as PCP, ether, and phosphorus, as well as cash, jewelry, or goods such as stereo equipment. To minimize the risk of exhibits being lost, stolen, damaged, spilled, and/or disbursed into the environment, a manual should be prepared to guide and direct exhibit custodians in the proper handling of exhibits. Depending on the type and volume of exhibits, the manual at superior courts can be minimal in length or very extensive. Manuals would provide practices and procedures that direct exhibit custodians in the consistent and proper handling, storing, and safeguarding of evidence until final closure of the case.

We evaluated controls over exhibit handling and storage by interviewing court managers and staff with exhibit handling responsibilities, reviewing the Court’s exhibit handling policy and procedures, and observing the physical conditions of exhibit storage areas. We also validated selected exhibit record listings to actual exhibit items and vice-versa to determine whether all exhibit items have been accurately accounted for and to evaluate the efficacy of the Court’s exhibit tracking system

The following issues were considered significant enough to bring to management’s attention. Appendix A contains additional minor issues.

16.1 Improvements Can Be Made to Strengthen Accountability Over Exhibits

Background

Trial courts are responsible for properly handling, safeguarding, and transferring those exhibits that are oftentimes presented in both criminal and civil cases. Trial court and security personnel with these responsibilities should exercise varying levels of caution depending on the types and sensitivity of exhibits presented. For instance, compared to paper documents, extra precautions should be taken when handling sensitive items, such as weapons and ammunition, drugs and narcotics, money and other valuable items, hazardous or toxic materials, and biological materials.

Issues

Our review of the Court's control procedures over exhibit handling, observation of the exhibit storage areas, and testing of selected exhibit items identified the following areas where the Court could improve its safeguards and accountability over exhibits:

1. The Court does not have a court-wide exhibit handling manual. As a result, the Court cannot ensure each of its locations consistently handle and properly account for the exhibits in their possession. For example, at the time of our review, one Court location did not have a process in place to document the transfer of exhibits to the location's exhibit closet. As a result, this Court location could not locate three of the 23 exhibits we selected to review. In addition, another Court location does not note in its case management system or in its manual exhibit tracking system the location of exhibits that are secured in interim locations during trial. Further, this location does not always ensure that all biological evidence is properly sealed in plastic containers per local rule prior to accepting the biological evidence as an exhibit.
2. The Court also does not conduct periodic inspections of exhibit storage areas at any of its locations to ensure that all exhibits remain safe and secure.

In addition, the Court does not conduct an annual inventory of its exhibits at two Court locations to ensure it can account for all exhibits submitted for safekeeping. Further, although the Court conducts an annual inventory of exhibits at its Stockton location, it is not a complete inventory. Specifically, the Court conducts two inventories, one to purge exhibits no longer required to be kept by the Court and one to match exhibits to its manual exhibit tracking system. However, the Court does not inventory exhibits for cases adjudicated prior to 2001 because, according to the Court, it lacks sufficient staff. As a result, the manual exhibit tracking system did not accurately reflect all of the exhibits on hand for three of the 15 criminal cases we selected to review.

Recommendations

To ensure it adequately handles, safeguards, and accounts for exhibits, the Court should consider the following:

1. Develop written procedures for the proper and consistent handling of exhibits. These procedures should include procedures for accepting, tracking, safeguarding, transferring, and disposal of exhibits, as well as extra precautions to be taken when handling sensitive exhibits such as weapons, drugs, money, and hazardous or biological materials.
2. Perform and document periodic inspections of the exhibit storage areas, including the exhibit storage lockers, safes, and closets. The inspection process should include a review of the documentation supporting the addition, transfer, or removal of exhibit items. Additionally, the inspections should review the physical conditions of the exhibit storage areas for adequate security and potential hazards, such as leaky pipes and mold, to ensure that the areas remain secure and safe for the continued storage of exhibits.

In addition, the Court should conduct and document a physical inventory count of all exhibit storage areas, including exhibit storage lockers, safes, and closets, at all Court locations at least annually. The inventory process should include a reconciliation of the exhibit items to the manual exhibit records and to the Court's CMS.

Superior Court Response

The Superior Court agrees with the recommendations made by The Administrative Office of the Courts, Internal Audit Services.

The court will:

1. Develop a court wide Exhibit Manual to standardize all handling, accepting, tracking, safeguarding, and disposal of exhibits. The court will ensure that all assigned staff will be properly trained on the safe handling of highly sensitive items such as guns, drugs, money and hazardous or biological materials.
2. The court will install and train the appropriate court branch staff in the use of the ACCESS-Exhibit Tracking Database currently used in the Stockton Court Branch as well as a secondary manual tracking system for all exhibits.
3. The court will perform quarterly inspections of all exhibit lockers, storage areas as well as yearly inventory of all exhibits to ensure that exhibits are being properly stored, tracked and disposed. This will be implemented by January 31, 2011.

In addition to the recommendations being made by the AOC the court will also insure that all assigned staff will be properly trained on the safe handling of highly sensitive items such as guns, drugs, money and hazardous or biological materials.

17. Bail

Background

In general, bail is used to ensure the presence of the defendant before the court and is most commonly submitted in the form of cash or a surety bond. Surety bonds are contracts guaranteeing that specific obligations will be fulfilled and may involve meeting a contractual commitment, paying a debt, or performing certain duties. Bail bonds are one type of surety bond. If someone is arrested on a criminal charge he may be held in custody until trial, unless he furnishes the required bail. The posting of a bail bond acquired by or on behalf of the incarcerated person is one means of meeting the required bail. When a bond is issued, the bonding company guarantees that the defendant will appear in court at a given time and place. Bail bonds are issued by licensed "Bail Agents" who specialize in their underwriting and issuance and act as the appointed representatives of licensed surety insurance companies. California Rules of Court (CRC) 3.1130(a) outlines certain conditions for insurance companies to meet prior to being accepted or approved as a surety on a bond:

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

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

Further, Penal Code Sections 1268 through 1276.5, 1305, and 1306 outline certain bail procedures for trial courts to follow such as annual preparation, revision, and adoption of a uniform countywide bail schedule and processes for courts to follow when bail is posted.

We interviewed Court managers and staff to determine the Court's processes in establishing and tracking bail as well as validating posted bail bonds. We also reviewed the County Uniform Bail Schedule and selected case files where bail was posted to determine compliance with CRC and applicable Penal Code Sections.

There were no significant issues identified during this audit to report to management in this section.

APPENDIX A

Issue Control Log

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

Note:

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

Those issues that are complete at the end of the audit are indicated by the ‘C’ in the column labeled C. Issues that remain open at the end of the audit have an ‘I’ for incomplete in the column labeled I and have an Estimated Completion Date.

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

April 2011

| FUNCTION | RPT NO. | ISSUE MEMO | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
|----------|----------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Court Administration | 1.1 | The Court Has Not Developed a Written Business Continuity Plan | | | | | |
| | | 13 | The Court does not have a written business continuity plan. | I | | <p>The Court agrees with the finding(s). During March 2011, the Court's Business Services Manager and IT Manager attended a two day AOC Continuity of Operations training to assist the Court with ongoing development of a BCP, and a DRP.</p> <p>Unfortunately the Court has experienced a setback due to the untimely death of its IT Manager. In addition, due to significant lack of financial resources, the Court will be unable to replace the IT Manager until there is funding to do so. As a result, it will take an undetermined amount of time for the Court to finalize both plans.</p> <p>The Court fully understands the importance of these plans and will continue to press forward to completion. In addition, the Court has already obtained a copy of the County's BCP/DRP related to the CJIS and AMOS systems.</p> | Information Technology (IT) Manager and Business Services Manager | If funding permits, we hope to fill the IT manager position in FY 2013-14. Perhaps then we can finalize this plan. Our current resources simply do not allow us do what is necessary. |
| | | 13 | Although the Court uses the County's CJIS and AMOS systems, it does not have a copy of the County's business continuity plan readily available in case of emergency. | I | | See response above. | IT Manager and Business Services Manager | FY 2013-14 |
| | | 13 | The Court/County MOU does not include annual testing of the business continuity plan and disaster recovery plan on the CJIS and AMOS systems by the County. | I | | See response above. | IT Manager and Business Services Manager | FY 2013-14 |
| | | 13 | The Court's draft IT disaster recovery plan does not address remote storage of emergency materials, conditions under which the backup site would be used, or procedures for notifying the backup site and the company providing remote storage. | I | | See response above. | IT Manager and Business Services Manager | FY 2013-14 |
| | | 13 | The Court has not tested its existing evacuation plan. | I | | See response above. | IT Manager and Business Services Manager | FY 2013-14 |
| | | 13 | The Court does not test the backup site. | I | | See response above. | IT Manager and Business Services Manager | FY 2013-14 |
| | | Log | One of ten submitted cases we reviewed was decided on at least 122 days after being taken under submission. | | C | Responsible Subordinate Judicial Officer retired. | Presiding Judge | Complete |

| FUNCTION | RPT NO. | ISSUE MEMO | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
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| 2 | Fiscal Management and Budgets | | | | | | | |
| | | 2.1 | The Court Needs to Improve Its Payroll Processing Practices | | | | | |
| | | 4 | The Court does not require all of its employees to submit a supervisor approved timesheet regardless of whether the employee used leave time. Consequently, the Court risks paying employees for time not worked. | I | | <p>The Court established a new policy requiring employees to complete and sign the time off request (timesheet) and submit it to their supervisor or manager for approval. The supervisor or manager will sign the timesheet after reviewing and ensuring the timesheet is complete and the information accurate.</p> <p>The Court Human Resources Technician (payroll processor) will ensure the timesheet has been approved by the supervisor or manager prior to posting the time into the payroll system. The Senior Human Resources Analyst will review the system payroll data for accuracy before the County Auditor's Office records payroll for distribution to Court employees.</p> | Human Resources Manager | November 2010 |
| | | 4 | Out of our sample of 10 regular full-time employees, one, a court commissioner, did not turn in a timesheet to document leave taken as required by the Court's Personnel Rules. | I | | See response above. | Human Resources (HR) Manager | November 2010 |
| | | 4 | The Court does not always document prior approval of all overtime worked. | I | | Currently all overtime requests must be approved by the Court Executive Officer prior to a supervisor or manager allowing staff to work overtime. Timesheets have been modified to include a box that supervisors or managers must check indicating overtime was approved prior to allowing the employee to work overtime. Courtroom staff can work overtime without prior approval pursuant to the Court's Personnel Rules. In this case, court runs late into the lunch hour or after normal work hours. Courtroom staff must complete a timesheet indicating the overtime hours (or minutes) they worked and submit the timesheet to their supervisor or manager to verify court ran over. The supervisor or manager will initial the timesheet indicating the overtime is approved before submitting the timesheet to payroll for processing. | HR Manager | November 2010 |
| | | 4 | The County mails checks and paystubs to Court employees' homes rather than providing checks and paystubs to the Court for physical distribution to each Court employee. Consequently, the Court risks making payments to fictitious employees. | I | | The County Auditor's office processes our payroll and paychecks. It is the County's policy that paychecks must either be electronically deposited to the employee's bank or financial institution, or the paycheck must be mailed via US Postal Service to their home address. The County does not physically distribute any payroll checks so the Court will not be able to comply with the recommendation to have the County deliver to the Court employee's checks for physical distribution. However, the Court's Senior Human Resources Analyst will print out a list of all court staff from the Court's position control list and match the list with the names on payroll at least quarterly to ensure that the names are legitimate court staff. | HR Manager | November 2010 |
| | | | | | | | | |
| 3 | Fund Accounting | | No issues to report. | | | | | |

| FUNCTION | RPT NO. | ISSUE MEMO | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
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| 4 Accounting Principles and Practices | | | | | | | | |
| | | Log | The Court is not calculating janitorial costs correctly for the Child Support Commissioner Program (CSC) grant. Specifically, the Court is not applying the CSC occupancy percentage to the Court's total janitorial cost prior to applying the percentage for partially reimbursable operating expenses. | I | | The court will document the calculation used to allocate janitorial costs to the Child Support Commissioner Program (CSC) grant. The calculation will be based on occupancy percentage and applied to the total janitorial cost prior to the application of the percentage for partially reimbursable operating expenses. | Chief Financial Officer (CFO) | July 2010 |
| 5 Cash Collections | | | | | | | | |
| | 5.1 | | The Court Needs to Improve Its Control and Oversight over Handwritten Receipts | | | | | |
| | | 1 | Supervisor does not secure the manual receipt book when not in use. | | C | Securing handwritten receipt books - The court agrees there is an issue with the securing of handwritten receipt books at some of our court locations. We will require managers and supervisors to secure and maintain physical custody of the handwritten receipt books when not in use. | CFO | November 2010 |
| | | 1 | Manual receipt books contained missing receipts that could not be accounted for. | | C | Missing receipts, out of sequence receipts, completion of pertinent information on receipts and the timely entering of hand written receipts into CMS issues. - The Court agrees with issue 2 and will implement the audit recommendations. We will require managers and/or supervisors to review at least quarterly the handwritten receipt books to ensure all receipts are accounted for. When the CMS goes down, handwritten receipt books will be issued to staff and subsequently returned to the manager and/or supervisor when the CMS is restored to use. The manager and/or supervisor will review the books when returned to ensure the receipts were issued in sequential order, that staff completed receipts with all pertinent information and that receipts are entered into the CMS no later than 1 business day following the day the CMS system was restored to use. When discrepancies are discovered, they will be discussed immediately with staff, documented and retained with the receipt book for audit purposes. | CFO | November 2010 |
| | | 1 | Manual receipts used out of sequence. | | C | See response above. | CFO | November 2010 |
| | | 1 | Manual receipts not always completed with all relevant information. | | C | See response above. | CFO | November 2010 |
| | | 1 | Court location could not determine the amount of money collected due to a manual receipt not noting a case number or the dollar amount paid. | | C | See response above. | CFO | November 2010 |
| | | 1 | Manual receipts not always posted timely in CMS. | | C | See response above. | CFO | November 2010 |

| FUNCTION | RPT NO. | ISSUE MEMO | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
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| | | 1 | Manual receipts used for reasons other than when CMS is down. | | C | <p>Using handwritten receipts for instances other than CMS being down – The Court agrees that handwritten receipts should not be used except when CMS is down. The instances where the court has used handwritten receipts and our responses are as follows:</p> <p>1. Victim Restitution - After investigating the handwritten receipt the auditor found that prompted this finding, our manager over criminal found it was a payment that was taken in the courtroom at the request of a judge 2 years ago. This was an isolated event. I met with one of our courtroom supervisors and she will remind staff that the court does not have a mechanism to collect and disburse victim restitution. Also, with handwritten receipts secured by only managers and/or supervisors, they would be aware of this situation if it happened in the future and would instruct the clerk and/or judge in the proper procedure.</p> <p>2. UD Writs – We have reiterated with staff that hand written receipts are only to be used when the CMS system is down. Also, with handwritten receipts secured by only managers and/or supervisors, they would be aware of this situation if it happened in the future and would instruct the clerk in the proper procedure.</p> <p>3. Juror Sanctions – This issue arose because jurors would come to the counter to pay right from court after being sanctioned, before a JUR case had been opened in our CMS (V3). Because V3 will not let a receipt be issued until a case is opened, staff would issue a handwritten receipt. A new procedure has been developed and implemented that allows a clerk at the counter to open the JUR case and issue a receipt in V3 thus preventing the use of handwritten receipts.</p> <p>4. Payments needing judicial review prior to filing – Our staff have been told that handwritten receipts are only to be issued in the event a CMS is down. Using handwritten receipts for payments needing judicial review prior to filing may have been an access and/or training issue so we are enforcing the rule that handwritten receipts be secured by only managers and/or supervisors. If receipt books have to be obtained from the manager or supervisor it gives them an opportunity to review the situations and train clerks in the correct procedures thus avoiding the use of handwritten receipts.</p> <p>5. Trust payments associated with different locations – Our staff have been told that handwritten receipts are only to be issued in the event a CMS is down. To avoid turning away customers wanting to establish trust for another location as much as possible, we have given the manager and supervisor Global Accounting access to our traffic CMS (Amos) which enables them to establish trusts for other locations. If by chance the supervisor or manager is not there, if the customer pays with a check, their canceled check is their receipt. If they want to pay in cash, staff will instruct the customer to go pay at the correct location.</p> | CFO | January 2011 |

| FUNCTION | RPT NO. | ISSUE MEMO | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
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| | 5.2 | | The Court Needs to Strengthen Its Cash Handling Procedures | | | | | |
| | | 3 | Cashiers share the same cash bag when taking payments. | | C | The Court agrees that we need to standardize our cash collection procedures at all locations. Individual cash bags will be assigned to each cashier on a daily basis. We have created a sign-out/sign-in log that supervisors, managers or lead clerks will complete each day when issuing cashiers their change bags. Thorough completion of the log will assure bags that are checked-out are checked-in and that the counting of the cash at each of these intervals has been completed. | CFO | March 2011 |
| | | 3 | No evidence of supervisory review of cashiers' beginning cash. | | C | See response above. | CFO | March 2011 |
| | | 3 | Court location does not always retain the original voided receipts. | | C | The Court agrees with the recommendations of issue 2. Managers will be sent instructions to retain a copy of all voided transactions and to make sure either a manager, supervisor or lead LPC signs and retains the Void Payment Acknowledgement Form. Also, we will reiterate with managers that only managers, supervisors and a designated lead clerk (LPCIII) should have system access to void transactions and that anyone that has system access to void should never void their own transaction. | CFO | March 2011 |
| | | 3 | The Void Payment Acknowledgement Form is not always sign-approved or retained to support voided transactions. | | C | See response above. | CFO | March 2011 |
| | | 3 | Inconsistent supervisory review and approval of void transactions. As a result, our review of voided transactions revealed that a LPC II, rather than a manager, supervisor, or LPC III, voided transactions at one location, an LPC III voided 10 of their own transactions and a LPC II, rather than a manager, supervisor, or LPC III, voided another transaction at another location, and a LPC I, instead of a manager, supervisor, or LPC III, voided transactions at a third location. | | C | See response above. | CFO | March 2011 |
| | | 3 | No evidence of supervisory review of cashiers' daily closeout, including monies collected in the courtroom. | I | | The court agrees with all the recommendations of issue 3. The court will require each location to perform the daily closeout process at the end of each day. Supervisors will be required to review, sign and date their staff's closeout/balancing reports to demonstrate their review of the process and that staff have performed all the necessary end-of-day balancing functions. | CFO | March 2011 |
| | | 3 | One cash bag assigned to the Civil division contained four unprocessed cash payments with dates ranging from June 2008 to March 2010. | I | | See response above. | CFO | March 2011 |
| | | 3 | Clerks do not always sign their cashier balancing reports. | I | | See response above. | CFO | March 2011 |
| | | 3 | Clerks do not always prepare an adding machine tape to verify total amount of checks collected. | I | | See response above. | CFO | March 2011 |
| | | 3 | Daily balancing is not done until the following day. | I | | See response above. | CFO | March 2011 |

| FUNCTION | RPT NO. | ISSUE MEMO | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
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| | | 3 | Two-person team not used to open mail. | I | | Due to staffing restrictions and the already time consuming process of opening and processing mail, the court is struggling with the 2 person team needed to open the mail and log all checks received, particularly at the branch locations. I am working with managers to see if we can come up with an alternative procedure that will comply with the procedure. We agree we should safeguard and secure unprocessed mail payments until they can be entered into the CMS and we agree we should make every effort to process all mail payments by the next business day. We will also consider putting those checks in "suspense" that are unable to be processed but we are hopeful that once we reiterate with staff and hold them accountable, we should rarely need to do that. | CFO | May 2011 |
| | | 3 | Mail payment log not used. | I | | See response above. | CFO | May 2011 |
| | | 3 | Clerk opening mail also performs the incompatible function of processing mail payments on the same day. | I | | See response above. | CFO | May 2011 |
| | | 3 | Clerk processing mail payments also performs the incompatible function of processing counter payments on the same day. | I | | See response above. | CFO | May 2011 |
| | | 3 | Clerk processing drop box payments also performs the incompatible function of processing counter payments on the same day. | I | | See response above. | CFO | May 2011 |
| | | 3 | Unprocessed mail payments are left unsecured on clerks' desks. | I | | See response above. | CFO | May 2011 |
| | | 3 | Mail payments are held unprocessed longer than 48 hours. | I | | See response above. | CFO | May 2011 |
| | | 3 | Court location does not maintain an aging schedule of unprocessed mail payments. | I | | See response above. | CFO | May 2011 |
| | | 3 | Court location does not have an escalation process for unprocessed mail payments. | I | | See response above. | CFO | May 2011 |
| | | 3 | No evidence of supervisor or manager verifying the deposit. | I | | We agree that supervisors should sign and date all deposit slips to demonstrate their review of the deposit. In Stockton procedures have been changed where either supervisors or lead clerks verify deposits from cashiers every day. We will work with the branch courts to make sure they are following this procedure as well. | CFO | Stockton - May 2011 Branch Courts - October 2011 |
| | | 3 | Court personnel who verify cashier daily closeout and balance also perform the incompatible function of preparing the deposit. | I | | In the accounting department, staff who do the deposits no longer verify the daily closeout and balance function. | CFO | May 2011 |
| | | Log | Court stamps are not secured overnight at three locations. | I | | We agree that stamps should be secured overnight and will implement as soon as possible at all locations. | CFO | June 2011 |
| | | Log | Photo ID is not required for credit card payments at one location. | I | | We agree that photo ID should be required for credit card payments at all locations and will implement as soon as possible. | CFO | June 2011 |
| | | Log | Access to safe is not limited to supervisors and managers at three locations. | I | | Safe access should be limited to supervisors, managers and designated lead clerks if necessary. We will work with all locations to comply. | CFO | June 2011 |
| | | Log | The safe remains unlocked throughout the entire day or for extended lengths of time at four locations. | I | | The safe should remain locked throughout the entire day at all locations. We will work with all locations to comply. | CFO | June 2011 |
| | | Log | No locations had a receipt notice posted at the time of our review. | I | | The 3rd floor of the Stockton courthouse now has a receipt notice posted for the public. We will work with all locations to implement. | CFO | June 2011 |
| | | Log | Fee waiver notice not posted at the time of our review at one location. | I | | The 3rd floor of the Stockton courthouse now has a fee waiver notice posted for the public. We will work with all locations to implement. | CFO | June 2011 |

Key as of close of fieldwork:
I = Incomplete
C = Complete

| FUNCTION | RPT NO. | ISSUE MEMO | ISSUE | I | C | COURT RESPONSE | RESPONSIBLE EMPLOYEE | ESTIMATED COMPLETION DATE |
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| | | Log | HR poster not posted at the time of our review at one location. | | C | We received updated Fed and State Law posters on 2/2/11 and were posted at all court locations by 2/11/11. | HR Manager | February 2011 |
| | | Log | HR poster incomplete or outdated at the time of our review at three locations. | I | | Updated posters were provided to all court locations by 2/11/11. A follow up will be conducted to make sure all posters are visible to staff. | HR Manager | May 2011 |
| | | Log | Log and summary of occupational injuries and illnesses incomplete or not displayed at the time of our review at eight locations. | | C | A copy of the required OSHA reports and logs are available in the HR office. OSHA 300A Summary of Work Related Injuries and Illnesses were provided to all Court Managers for posting in their department on 5/16/11. | HR Manager | May 2011 |
| | | Log | Clerks keep cash bags in their unlocked desk drawer during the day at one location. | I | | Clerks must keep cash bags locked up whether they are in the safe, their cash drawer at the counter or at their desk. We will work with all locations to comply. | CFO | June 2011 |
| | | Log | Not all clerks assigned to cashier are given cash bags since the majority of transactions are done via check. As a result, cashiers must leave their window to get change from the accounting unit when needed at one location. | | C | We have returned to the policy that all cashiers for the day check out cash bags. Select supervisors have been given change bags to eliminate the need for cashiers to go to accounting for change. | CFO | June 2011 |
| | | Log | One court location does not maintain a drop box payment log. | I | | We will work with all locations to comply. | CFO | June 2011 |
| | | Log | Public access to cashiers is not restricted at one location. | I | | As an under resourced court, we are unable to provide restricted public access to cashiers in the form of glass partitions at the counter. When the court is adequately funded, the court will do so. | Business Services Manager | If funding allows, FY 2013-14 |
| | | Log | Clerk did not complete all required information on the "Daily Cash Count" form at one location. | I | | We will work with all locations to comply. | CFO | June 2011 |
| | | Log | Arrangement of offices at four locations is not designed to prevent employees who handle cash from having access to accounting records, such as daily closeout reports and bank deposit packages. | I | | Unfortunately our court locations have limited space for employees in our current facilities. Fortunately, each of the 4 locations where this issue was identified will be getting new/remodeled facilities over the next few years. Once these new facilities are completed the court will be in a much better position to facilitate compliance to this issue. | Court Management | FY 2014-15 |
| | | Log | Main accounting does not note in its manual receipts book log when it receives used manual receipt books. | I | | The court is recreating the log for its manual receipt books in Excel and will include on this log the date it receives used manual receipt books back from managers/supervisors. | CFO | May 2011 |
| | | Log | The Court does not always note the CMS receipt number on manual receipts per its own policy. | I | | We will work with all locations to comply. | CFO | May 2011 |
| | | Log | One court location had completed manual receipt books that it had not turned in to main accounting. | I | | We will work with all locations to comply. | CFO | May 2011 |
| | | Log | Court is using County-issued manual receipt books. | I | | Due to limited resources the court will wait until the next time we need to order manual receipt books to get our own. Current supply could last anywhere from one year to 18 months. | CFO | FY 2013-14 |
| | | Log | One court location secures non-court funds, a personal party fund, in its safe. | I | | The box for the employee's picnic/party fund raised money will be removed from the safe and kept in the employee's locked desk drawer. According to the custodian, the money has always been in her drawer but the box was in the safe empty. | CFO | May 2011 |
| | | Log | One court location has a \$9.09 overage fund that is not listed on main accounting's list of change and petty cash funds for each court location. | I | | Main accounting will check into the origination of these funds and determine a course of action based on our findings. | CFO | May 2011 |
| | | Log | Main accounting does not retain voided original receipts and cashier closeout reports from one Court location as required by the FIN Manual. | | C | The court has contacted the managers/supervisors at the locations mentioned and corrected the issue. | CFO | May 2011 |
| | | Log | The Fiscal Technician who prepares the deposit at the main courthouse location also performs the incompatible functions of processing voids for another Court location as well as verifying the daily closeout for all clerks within the main courthouse location. | | C | Another fiscal technician is now preparing the deposits that does not process voids for any Court location. Also, cashier supervisors are now verifying the daily closeout for all clerks, including the counting of the cash. | CFO | May 2011 |

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| | | Log | An overage/shortage form, similar to the one used in the Traffic division, is not used in the Criminal division. As a result, the overage fund did not vouch to the Criminal division's tracking sheet. The overage fund was over 66 cents. | I | | The staff will be reminded to use the Overage/Shortage form when they are out of balance. | Criminal Supervisor | May 2011 |
| | | Log | There is no periodic supervisory review of the overage funds for the Criminal and Traffic divisions in order to vouch the overage funds to supporting documentation such as tracking sheets. | I | | The court will ensure supervisory review of the overage fund for the Criminal and Traffic division. | CFO | May 2011 |
| 6 Information Systems | | | | | | | | |
| | 6.1 | | The Court Needs to Strengthen Its Procedures for Controlling Access to Sensitive Electronic Data Records | | | | | |
| | | 6 | At the time of our review, the Court did not have a current MOU with DMV. | I | | After contacting the DMV, the Court learned that the DMV had abolished MOU's for government end users. Instead agencies submit a 60+ page Security Requirement Package. After the DMV reviews and approves the package, in lieu of the MOU that was sent out for signatures, they send an approval letter to the agency, no signatures required. The agency must re-apply every 4 years. | Business Services Manager & Court Manager Of Traffic Division | December 2011 |
| | | 6 | The Court does not require its employees who have access to sensitive DMV data to complete Form INF1128 as required by DMV. | | C | The Court is adding the Information Security Statement, Form INF 1128 to the new employee orientation packet that new employees are given when hired. Human Resources will make sure employees sign the forms and signed forms will be kept in each employee's personnel file. HR will see to it that the forms are reviewed and signed annually. | HR Manager | March 2011 |
| | | 6 | The Court does not have a formal process to delete DMV user IDs. The County ISD automatically deletes DMV user IDs after 60 days of inactivity. | | C | The Court will develop a check list of all items given to staff when hired such as keys, employee IDs, parking passes etc and court equipment issued for their jobs such as laptops and cell phones if applicable. This list will also include all court data systems the employee has access to, i.e., DMV, CJIS, V3, SAP, E-mail. Human Resources will keep the list in the employee's personnel file. When an employee terminates employment HR will work with the employee's manager to make sure everything on the list assigned to that employee is returned and that access to all court systems is inactivated. There will be one person designated for each data system to manage activation/deactivation. The employee's manager will be responsible for notifying this person to deactivate the employee's access. | HR Manager; Court Managers | March 2011 |
| | | 6 | The Court's DMV user ID list contained 65 people who were not employed by the Court at the time of our review. | | C | See response above. | HR Manager; Court Managers | March 2011 |

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| | | 6 | The Court does not monitor DMV query and transaction activity to detect inappropriate access to DMV data. As a result, the Court was unaware that one Court employee researched herself and could not provide a legitimate business reason for another person that was searched. | I | | <p>If there is a complaint of misuse of DMV, the County IT Department can run a report that gives us the following information – who accessed the information, date and time access was made, what transaction code was used, what information they inquired on.</p> <p>The Court will ask the County IT Department to run a quarterly report of all DMV transactions for the purpose of an internal audit.</p> | Criminal, Traffic, and Juvenile Delinquency Manager | January 2011 |
| | | 6 | A DMV hold was not placed for two FTA cases reviewed where a DMV hold should have been placed. | I | | We will continue to work, with the County IT Department to make sure this issue is resolved. | Criminal, Traffic, and Juvenile Delinquency Manager | January 2011 |
| | 6.2 | | Information System User Account Requirements Should Be Strengthened | | | | | |
| | | 14 | The Court does not have written IT policies and procedures. As a result, it does not have written policies and procedures that address issues concerning the creation, deletion, and modification of user IDs and password management. | I | | <p>Agree: While the Court does have some minimal written IT policies and procedures, they do not address the creation, deletion or modification of user ID's and password management. The IT department Manager unexpectedly passed away recently, so the Supervisor will work to create written policies concerning the creation, deletion and modification of user ID's within the next six months. However, it should be noted that the Court has an outdated Microsoft Windows NT 4.0 network domain that has very limited features when it comes to password management. The outdated network platform does not have the capability to log users off for periods of inactivity, it does not allow us to disable accounts after invalid log-in attempts. The platform also does not allow us the capability to force users to change their passwords after a fixed period of time. Furthermore, the platform does not allow us the capability to force syntax and type of character set or password length.</p> <p>The Court's most recent IT Manager did initiate plans to upgrade the Court's network platform to a Microsoft Active Directory platform, with that plan possibly coming to fruition in fiscal year 2011-2012. However, with extremely limited financial resources available to our Court, there is some concern that the migration to an active directory platform may be beyond the resources available to the Court. There have been other issues that have arisen in regards to additional server upgrades that will need to be made that have made this project problematic for a court with limited fiscal resources. The IT department will continue to plan the migration to the newer network platform, however, with current fiscal limitations, no date of completion is available at this time.</p> | Supervising Information Systems (IS) Analyst | If funding permits, FY 2013-14 |

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| | | 14 | The Court's network system, as well as its CJIS/AMOS CMS and ShowMe CMS, do not require users to change the initial password after initial sign-on. | I | | Agree: The Court's Programming and Systems Analyst will work to incorporate forcing users to change passwords periodically, force syntax requirements and password lengths. We are not certain that all of these controls can be implemented due to the age of the ShowMe code, or the ability to modify the code accordingly. We will investigate the capabilities of the current system and work on adding these security features with a possible completion period of six months. The outdated Microsoft Windows NT4.0 network platform does not have the capability to require users to change passwords periodically, force syntax requirements and control password lengths. | Supervising IS Analyst | If funding permits, FY 2013-14 |
| | | 14 | The Court's network system, as well as its ShowMe CMS, do not enforce restrictions on password syntax, such as not using the same character consecutively and requiring the use of more than one type of character set (numbers, letters, symbols, etc.) | I | | See response above. | Supervising IS Analyst | If funding permits, FY 2013-14 |
| | | 14 | The Court's network system, as well as its ShowMe CMS, do not require an appropriate minimum password length. | I | | See response above. | Supervising IS Analyst | If funding permits, FY 2013-14 |
| | | 14 | The Court's network system, as well as its CJIS/AMOS CMS and ShowMe CMS, do not require passwords to be changed periodically. | I | | See response above. | Supervising IS Analyst | If funding permits, FY 2013-14 |
| | | 14 | The Court's network system, as well as its ShowMe CMS, do not disable user accounts after a number of invalid sign-on attempts. | I | | See response above. | Supervising IS Analyst | If funding permits, FY 2013-14 |
| | | 14 | The Court's network system, as well as its ShowMe CMS, do not place time restrictions on user accounts for a specified period of inactivity. | I | | Agree: The outdated Microsoft Windows NT 4.0 network domain does not have the capability to allow user accounts to be disabled after a number of invalid sign-on attempts or after a period of inactivity. The ShowMe CMS user accounts can possibly be modified to disable the user after a number of invalid sign-on attempts or after a period of inactivity. The Court's Programming and Systems Analyst will work on adding these security features with a possible completion period of six months. | Supervising IS Analyst | If funding permits, FY 2013-14 |
| | | 14 | The Court's network system, as well as its ShowMe CMS, do not disable user accounts after a period of inactivity. | I | | See response above. | Supervising IS Analyst | If funding permits, FY 2013-14 |
| | | 6.3 | The Court Needs to Improve Its Calculations and Distributions of Court Collections | | | | | |

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| | | 15 | For the three DUI and Reckless Driving cases reviewed, the 20% State Surcharge was derived from the reduced base fine rather than the original base fine causing the 20% State Surcharge to be understated. | I | | <p>We agree with the audit findings and are currently working with the County to make the recommended distribution corrections to address items 1 through 11. In addition, over the next several months we will be reviewing other court collection case types to ensure we are complying with the Uniform Bail and Penalty Schedule.</p> <p>We would like to note that the Court uses the County's case management system (AMOS) for traffic and criminal distributions. AMOS is a 25+ year old case management system that is out dated and inflexible. As a result, making complicated distribution changes is difficult, time consuming and sometimes impossible. If County programmers are unable to make mandated legislative changes to distributions in the system, court and county accounting staff must create Excel spreadsheets to do the more complicated second and sometimes third distributions.</p> | Court Management Analyst | December 2011 |
| | | 15 | The Court's CMS is not configured to calculate the 30% railroad fine distribution pursuant to PC 1463.12. | I | | See response above. | Court Management Analyst | December 2011 |
| | | 15 | For one of the two child seat cases reviewed, the Court transposed the education program and loaner program distribution percentages. | I | | See response above. | Court Management Analyst | December 2011 |
| | | 15 | For the one unattended child case reviewed, there is no evidence of the 70/15/15 split pursuant to VC 15630, causing the County distribution, and ultimately the 50/50 MOE, to be overstated. | I | | See response above. | Court Management Analyst | December 2011 |
| | | 15 | The Court's State/County domestic violence fee distribution is 67%/37% instead of 66.67%/33.33%, thereby understating the State distribution by \$1.33 for each domestic violence fee assessed. | I | | See response above. | Court Management Analyst | December 2011 |
| | | 15 | For the one Health and Safety case reviewed, the 75%/25% split pursuant to H&S 11502 is not evident. | I | | See response above. | Court Management Analyst | December 2011 |
| | | 15 | For the one Fish and Game case reviewed, the \$15 Secret Witness penalty pursuant to F&G 12021 was not assessed. | I | | See response above. | Court Management Analyst | December 2011 |
| | | 15 | For one of the two red light cases reviewed, the ICNA portion of the State Court Facilities Construction Fund distribution was not reduced by the 30% red light allocation pursuant to PC 1463.11. Also, the two DNA penalty assessments are overstated by \$1 each. | I | | See response above. | Court Management Analyst | December 2011 |
| | | 15 | For the second red light case reviewed, the Court incorrectly included the 20% State Surcharge in calculating the 30% red light allocation pursuant to VC 42007.3. | I | | See response above. | Court Management Analyst | December 2011 |
| | | 15 | For the three traffic violator school cases reviewed, the Court does not include the DNA penalty assessments pursuant to GC 76104.6 and GC 76140.7 in its distribution of the traffic violator school fee assessed pursuant to VC 42007. | I | | See response above. | Court Management Analyst | December 2011 |

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| | | 15 | For the one child seat traffic school case reviewed, the Court distributed the base fine and penalty assessments to the code used for traffic school cases. However, child seat traffic school cases are distributed the same as a child seat bail forfeiture case. | I | | See response above. | Court Management Analyst | December 2011 |
| | | Log | The Court's network system and ShowMe CMS, do not limit the ability to re-use passwords. | I | | Network system is old technology and does not have that capability. ShowMe CMS may have capability, Programmer will assess this function. | Information Systems and Programming Analyst / ShowMe | December 2011 |
| | | Log | The Court's network system and ShowMe CMS, do not limit the number of concurrent logins. | I | | Network system is old technology and does not have that capability. ShowMe CMS may have capability, Programmer will assess this function. | Information Systems and Programming Analyst / ShowMe | December 2011 |
| | | Log | The Court does not use power cut-off switches or water and smoke detectors in its computer room. | I | | The County is responsible for this building, not the Court. The Court is not aware that these devices are available. We will investigate the possibility of installing these devices. However, existing asbestos in building may limit the ability to install these devices for the court. | Supervising IS Analyst | FY 2013-14 |
| | | Log | Emergency lighting is not available in the Court's computer room. | I | | The County is responsible for this building, not the Court. The Court is not aware that these devices are available. We will investigate the possibility of installing these devices. However, existing asbestos in building may limit the ability to install these devices for the court. | Supervising IS Analyst | FY 2011-12 |
| | | Log | Although most computer equipment is stored off the floor, some servers are on the floor of the computer room, which is located in the basement. | I | | Court will move two servers off of the floor and relocate on to cart. | Supervising IS Analyst | May 2011 |
| | | Log | The computer room does not have flood alarms installed. | I | | The County is responsible for this building, not the Court. The Court is not aware that these devices are available. We will investigate the possibility of installing these devices. However, existing asbestos in building may limit the ability to install these devices for the court. | Supervising IS Analyst | FY 2013-14 |
| | | Log | In 4 of 15 cases reviewed, the variance between the actual total bail and the standard total bail was not prorated among the penalty assessments causing the base fine distribution to the county and city, as well as the 20% State Surcharge, to be either understated or overstated. | I | | We agree with the findings. We are working with the County to correct these errors. | Count Management Analyst | June 2011 |
| | | Log | The Court delayed for at least seven months implementation of the penalty assessment and fee increases pursuant to SB 1407. | | C | It was not the court's decision to delay implementation of SB1407. The case management system that must be updated when these increases occur is owned by the County and is 25 years old. As a result, the Court must rely on the County to make any programming changes. Depending on their workload, the County is not always able to make the changes quickly and often has to bring back retired programmers to work on changes due to the obsolete nature of the system. | Count Management Analyst | We are now in compliance with SB 1407. |

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| 7 Banking and Treasury | | | | | | | | |
| | 7.1 | | The Court Needs to Reconcile Its Trust Account Balances | | | | | |
| | | 8 | The Court acknowledged that it is not current with trust account reconciliations. Specifically, according to the Court, since converting from its ShowMe CMS to CCMS V3 in April 2008, it has not been able to perform reconciliations due to problems the Court accounting unit has experienced with CCMS V3 system reports. For example, according to the Court, the CCMS V3 system report does not always list all deposits for particular cases. So, to determine whether the total stated on the system report is accurate, the Court needs to go through the case history and tally all deposits made. The Court is currently working with the AOC CCMS V3 project team to address this issue, among others it is experiencing with CCMS V3. | I | | We are working with the AOC CCMS V3 project team and have made great progress. While the reports still have some errors, the majority of the Trust Detail Report errors have been fixed. | Court Management Analyst | January 2011 |
| | | 8 | In the meantime, the Court is working on reconciling its trust accounts through developing a report of its own using information in the ShowMe CMS as well as information in CCMS V3. However, the Court currently has one part-time Court employee working on developing this report. Therefore, the Court expects that it will be well into the 2011 calendar year before it becomes current in its trust account reconciliations. | I | | We have developed reports that will allow us to reconcile our trust accounts. We continue to have our retired Fiscal Services Supervisor working part time to help bring current our trust reconciliations. Once she is comfortable with the accuracy of the reconciliations using the V3 reports we will begin to redirect staff to assist her in expediting the trust reconciliations. | Court Management Analyst | January 2011 |
| | | Log | Our review of the segregation of duties matrix revealed that for the Court's e-file bank account, the same person who controls the check stock also prepares checks. | | C | The court will have one of our lead accounting technicians control the check stock so the person who prepares the checks will have only controlled access. | CFO | May 2011 |
| | | Log | The Court did not report a County bank account to the AOC. | I | | The Court did not report a County bank account to the AOC because it is not the Court's bank account. The account is a consolidation of funds from all County departments. The Court has a fund balance with the County because the County still processes the Court's payroll and provides county services that the court pays for. All Court/County transactions are recorded monthly in the AOC's financial system. In the future we will report the Court's year-end fund balance in the County's bank account to the AOC. | CFO | June 2011 |
| 8 Court Security | | | | | | | | |
| | 8.1 | | The Court Needs to Strengthen Its Processes Regarding Court Security | | | | | |
| | | 2 | The Court has not submitted its Comprehensive Court Security Plan to the Judicial Council for review and approval since Fiscal Year 2007-2008. | I | | We agree with the audit findings and are currently taking corrective actions. Below are our responses to the two security audit issues: In conjunction with the San Joaquin County Sheriff, we submitted our updated Security Plan to the Administrative Office of the Court's Office of Emergency Response and Security Division (ERS) in June 2010. The ERS had concerns regarding our plan, and returned it for revision. We intend to resubmit our plan by the end of November 2010. | Court Executive Officer (CEO) | November 2010 |

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| | | 2 | Sheriff does not submit copies of invoices supporting equipment and travel costs billed to the Court. | I | | We have contacted the Sheriff and requested supporting documentation for the equipment and travel costs billed in fiscal year 09/10. We expect to have the appropriate documentation by the end of November 2010. Additionally, we have asked the Sheriff to include supporting documentation for new equipment and travel costs billed to the court starting July 1, 2010. | Court Management Analyst | November 2010 |
| | | Log | At two locations, the emergency manual has not been updated within the past 12 months and only addresses bomb threats. | I | | The Court is currently working with Court Managers responsible for their respective areas to update all manuals. In addition the Court has provided a desktop emergency guide to all staff. | Respective Court Manager | April 2012 |
| | | Log | One location only has an Injury and Illness Prevention Program manual. | I | | The Court is currently working with Court Managers responsible for their respective areas to update all manuals. In addition the Court has provided a desktop emergency guide to all staff. | Respective Court Manager | April 2012 |
| | | Log | At the time of our review, employees at one court location did not have copies of the emergency manual. | I | | The Court is currently working with Court Managers responsible for their respective areas to update all manuals. In addition the Court has provided a desktop emergency guide to all staff. | Respective Court Manager | April 2012 |
| | | Log | At one location, the DA and Public Defender have access to the court's work area including the cash drawer and case files where juvenile exhibits are kept. | I | | This issue is being addressed, and solutions are being developed. | Respective Court Manager | May 2011 |
| | | Log | At the time of our review, building evacuation drills had not been conducted within the last 12 months at six locations. | I | | Several Court locations have had several real-time evacuations. Court administration will work with Court Managers to facilitate evacuations drills. | Respective Court Manager | January 2012 |
| | | Log | At the time of our review, fire suppression and/or fire control systems have not been tested within the last 12 months at one location. | I | | This log does not specify which location; however, the Court will ask the AOC's FMU to ensure that systems are tested as required/needed. | AOC Facilities Management Unit & Court's Business Services Manager | August 2011 |
| | | Log | At the time of our review, smoke detectors had not been tested within the last 12 months at one location. | I | | The Court will work with the AOC's FMU to resolve this issue. | AOC Facilities Management Unit & Court's Business Services Manager | FY 2012-13 |
| | | Log | Fire extinguishers are not well marked at two locations. | I | | The Court will work with the AOC's FMU to resolve this issue. | AOC Facilities Management Unit & Court's Business Services Manager | January 2012 |
| | | Log | One court location does not have a method to quickly alert employees of the need to evacuate the building. | I | | The facility in question will be undergoing renovations during FY 11/12. It is anticipated that the AOC's OCCM will include an alarm that will provide the necessary alerts to evacuate the building. | Respective Court Manager | FY 2011-12 |
| | | Log | Three court locations do not have a key nest. | I | | The Court will work with managers to determine which sites need key nest. | Business Services Manager | December 2011 |
| | | Log | Not all court keys are stamped "Do Not Duplicate" at two locations. | I | | Most of the keys were handed down to the Court from the County when the court facilities transfers between Counties and the State took place. From this point on the Court will make every effort to ensure keys are stamped "Do Not Duplicate" | Business Services Manager | May 2011 |
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| 9 | Procurement | | | | | | | |
| | | 9.1 | The Court Can Further Improve Its Procurement Practices | | | | | |
| | | 11 | Out of 29 Cal Card transactions reviewed, the Court could not provide a purchase requisition for 20 transactions, one of which exceeded the \$1,500 per transaction limit stated in the FIN Manual. In addition, the purchase requisitions for two other Cal Card transactions were not sign-approved. | I | | The Court does require the submittal of approved requisitions prior to procurement of goods or services. The Court acknowledges that there have been instances of purchase card transactions, and court ordered services, that which a requisition was not submitted prior to the purchase. Immediate action is being taken to ensure all staff adheres to the TCFPP. This action will be ongoing in the form of reminders and monitoring. | Business Services Manager | July 2011 |
| | | 11 | The Court's current approval matrix does not reflect the Court's policy of following the FIN Manual's suggested approval thresholds for the trial court procurements. As a result, purchase requisitions for five of the 29 Cal Card transactions reviewed were approved by a court manager not listed on the Court's current approval matrix. | I | | The Court agrees that this is an issue, and will take immediate action to monitor, and remind card holders as well as accounting staff of TCFPP policy requirements. | CFO and Business Services Manager | July 2011 |
| | | 11 | The Court did not have documented evidence that a purchase requisition was prepared and properly approved for all 20 expenditures reviewed. | I | | The Court does require the submittal of approved requisitions prior to procurement of goods or services. The Court acknowledges that there have been instances of purchase card transactions, and court ordered services, that which a requisition was not submitted prior to the purchase. Immediate action is being taken to ensure all staff adheres to the TCFPP. This action will be ongoing in the form of reminders and monitoring. | Business Services Manager | July 2011 |
| | | 11 | At the time of our review, the Court could not provide documentation supporting the procurement process used for 14 of the 20 expenditures reviewed. Subsequently, the Court asserted that it did not know the procurement process for two procurements, another eight procurements were either competitive or sole source and the document retention period had expired for seven of the eight procurements, and the remaining four procurements utilized State master agreements or were mini purchases that did not require procurement files. | I | | The Court recognizes the necessity to improve past practices of documenting procurement files, and has made considerable improvement the past several years. The Court continues to improve procurement practices to align practices with the TCFPP and to ensure good stewardship of public funds. With regards to the two of the fourteen (14) procurements singled out by the auditor, the following applies: Two of the unknown procurement methods are related to past practices that have been corrected. One of the two was a result of County procurement practice prior to the Court/County separation; however, the Court has evaluated the procurement and found that during these challenging times, the provider has developed into an effective and reliable source and has worked with the Court to minimize annual cost increases. | Business Services Manager | July 2011 |
| | | | | | | | | |
| 10 | Contracts | | | | | | | |
| | | Log | Two contracts related to court security contained a contractor termination clause other than for cause. | I | | Yes, these contracts were developed prior to the Court & County separation and have remained in effect. At present the Court has good relationships with both entities and determined that the other than cause clause would not adversely affect these relationships or cause the Court harm; however, the Business Services Manager will evaluate the clause with the Court's CEO to determine if a change is necessary. | Business Services Manager | August 2011 |

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| | | Log | The MOU related to providing space for the Self-Help Center did not contain a contract change clause or a confidentiality clause. | I | | This MOU will be reviewed and discussed with the Court's CEO to determine if any changes need to be made. | Business Services Manager | August 2011 |
| | | Log | Access to contract, bid, and vendor files is not limited to minimize the potential for misplaced or lost files. | I | | Due to facility restraints, the Court has minimal secure filing space for contract, bid and vendor files. The new courthouse scheduled to be completed in 2015 will address this issue. In the interim, the Court will seek avenues to minimize access to these files. | Business Services Manager | May 2011 |
| | | Log | The Court acknowledged that its MOU with the County does not include costs of services provided or anticipated service outcomes as required by Government Code §77212(d)(1). | I | | This is correct. This issue memo log will be discussed with the Court's CEO to determine any changes the CEO desires. | Business Services Manager | August 2011 |
| 11 Accounts Payable | | | | | | | | |
| | 11.1 | | The Court Should Strengthen Its Petty Cash Procedures | | | | | |
| | | 7 | The Family Law location commingles its \$100 petty cash fund with its \$250 change fund, does not maintain a log of petty cash expenditures, does not retain original receipts to support petty cash expenditures, and makes the commingled fund accessible to all cashiers when change is needed. | | C | The Family Law location has separated its \$100 petty cash from the \$250 change fund and has been given a locking cash box for the petty cash fund. The main courthouse location has ordered a locking cash box for the petty cash fund. The Family Law location is now retaining receipts to support its disbursements. | CFO | January 2011 |
| | | 7 | The Lodi, Tracy, and main courthouse locations keep their petty cash fund in the same safe as their daily receipts, cash difference fund, and change fund. | | C | Each of these other locations have only 1 safe to keep all of these items secured. Rest assured, all items are kept separately in either locked boxes or bags to prevent co-mingling. | CFO | January 2011 |
| | | 7 | The Accounting Unit does not perform a periodic reconciliation of the Court's petty cash funds. | | I | The Accounting Unit will perform quarterly reconciliations of the petty cash and change funds at all Court locations. | CFO | September 2011 |
| | | 7 | The Lodi and Tracy locations do not utilize the Petty Cash Receipt form or some other form documenting disbursements from the petty cash fund and containing information specified in the FIN Manual. As a result, a \$4 petty cash reimbursement at the Court's Lodi location was for a \$3.74 expenditure and the location could not account for the 26 cent difference. | | I | The Accounting Unit will be working with all branch locations on using the Petty Cash Receipt form to document disbursements from petty cash and to maintain a log of petty cash disbursements. | CFO | September 2011 |
| | | 7 | One petty cash expenditure at the main courthouse location, \$237.75 for stamped envelopes, exceeds the \$100 per petty cash transaction threshold and there was no evidence of CEO or designee pre-approval. | | C | We will no longer be issuing petty cash for stamped envelopes since the cost exceeds the \$100 petty cash threshold. | CFO | January 2011 |
| | | 7 | The petty cash fund at the main courthouse exceeds the required \$200 total limit. Specifically, the main courthouse location has a \$750 petty cash fund. We reviewed the petty cash expenditures for fiscal year 2009-2010 to determine the average monthly use of petty cash. After taking out the petty cash transactions exceeding the \$100 per petty cash transaction threshold, we found that the average monthly petty cash use was about \$52. Therefore, the Court should consider reducing its petty cash fund. | | C | The main courthouse will reduce the petty cash fund to \$200 and eliminate all disbursements exceeding the \$100 threshold. | CFO | January 2011 |

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| | 11.2 | | Court Travel and Business Meal Expense Reimbursement Procedures Need Improvement | | | | | |
| | | 10 | Three out of eight travel expense claims reviewed were not signed approved and a fourth was not approved by the appropriate-level supervisor. Further, the Court could not demonstrate prior approval for out-of-state travel related to the fourth travel expense claim. | | C | The court agrees with this audit finding and will implement the following changes: a.) All judges travel claims must have an approval signature from either the Presiding Judge or the Assistant Presiding Judge before payment. b.) Presiding Judge travel claims must have the approval signature from the Assistant Presiding Judge and Assistant Presiding Judge travel claims must have the approval signature from the Presiding Judge before payment. c.) All travel claims of court staff must be approved by their immediate manager or a higher level manager before payment. The Court Executive Officer's travel claims must be approved by either the Presiding Judge or the Assistant presiding Judge. d.) Accounts payable approval staff will make sure the appropriate signatures are on the travel claim forms prior to posting in SAP. | CFO | January 2011 |
| | | 10 | For the two business-related meals reviewed, the Court could not provide completed business-related meal expense forms. Therefore, we could not determine the location or cost-per-person for one of the two meals reviewed. Further, the Court could not provide prior approval for the two business-related meals reviewed. | | C | The court agrees with this audit finding and will implement the following procedure. The court has created a Business Related Meals Form and will provide it to all managers to complete in the event there is a need to incur this type of expense in the future. | CFO | January 2011 |
| | | Log | The Court does not ensure that individuals who operate a vehicle on Court business attend the defensive driver's training class every four years. | I | | The Court acknowledges this issue log, and will begin a process to ensure drivers are trained every four years. | HR Analyst II | January 2012 |
| | | Log | The single transaction limits for 4 of 6 Cal Cards exceed the \$1,500 limit stated in the FIN Manual. | I | | The court will review the transaction limits for Cal Cards and reduce the transaction limits to those recommended by the TCFPP if applicable. | CFO | May 2011 |
| | | Log | The Court indicates that it does not complete Form SF-274, Supervisor Review of Motor Vehicle Accident, in the event of a vehicle accident. | I | | The Court does complete the SF-270, but was not familiar with the SF-274 and will ensure the SF-274 is completed in addition to the SF-270. | Respective - Supervisor and Manager | January 2012 |
| | | Log | The Court did not use the most appropriate general ledger account for two of the 30 invoices reviewed. | I | | The court uses GL 921704 in cost center 392190 to track our summer youth program, regardless of the type of expense because it is a "special event". Because the costs associated with this are only a few hundred dollars, we did not set up a WBS to track. In the future we will do so. | CFO | July 2011 |
| | | Log | Nine of 30 invoices reviewed did not demonstrate that the Court performed a three-point match of the invoice to a purchase agreement, such as a purchase order or contract, and to proof of receipt and acceptance of goods or services, such as a packing slip or acknowledgment that acceptable goods or services were received. | I | | The Court agrees with the issue that we are not applying the 3 point match policy with some of our contract and blanket POs. Accounts Payable will immediately request, prior to payment, acceptance documentation from the person requesting the procurement good or service. | CFO | May 2011 |
| | | Log | Accounts payable files for one of 30 invoices reviewed did not contain purchase agreements; therefore, we were unable to determine whether payments were made in accordance with a purchase agreement. | I | | The Court agrees that one invoice did not contain a purchase agreement. The Court will work to develop a purchase agreement with the City of Stockton for our employee parking. The City has not wanted to do this in the past. | CFO | June 2011 |
| | | Log | One court interpreter mileage claim used a P.O. Box address, instead of a business or residence address, which makes it difficult for the Court to verify the claimed mileage. | I | | The interpreter coordinator will ask that the interpreter put her street address, in addition to her PO Box, on future claims. | CFO | June 2011 |

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| | | Log | Two court reporter transcript invoices were not paid according to rates established in Government Code section 69950. As a result, the two invoices were underpaid by at least \$1,290. | I | | The Court agrees with the underpayment of the court reporter transcript invoices. The court reporters were not aware that the requirement of 5 ASCIIs on death penalty cases had been changed to 6. Because they were unsure they created the 6 cds but only charged the Court for 5. | CFO | June 2011 |
| 12 Fixed Assets Management | | | | | | | | |
| | 12.1 | | The Court Could Improve Its Tracking and Reporting of Court Assets | | | | | |
| | | 9 | The Court acknowledged that it does not have a list of court-owned computer software and may not have been in compliance with all software vendor licensing agreements. However, the Court stated that had entered into a new agreement to bring it into compliance with the licensing agreements. | | C | The Court agrees with the audit team's recommendations/assessment. Our responses are as follows: The court has entered into a software licensing agreement as of May 14, 2010. This licensing agreement provides the Court third party assistance and online tools to manage software licensing. These management control tools include methods of periodically comparing installed software against licensing terms. | Information Systems Manager | May 2010 |
| | | 9 | Our review of four expenditures classified as inventory items revealed that not all inventory items purchased were listed on the Court's inventory list. Specifically, one printer/copier was not on the list. | I | | The Court, prior to the audit, had been, and will continue working to improve staff understanding of the importance of fixed asset management. Constant communication with outlying court locations and training is essential to full cooperation. The Court's goal is to maintain compliance with the Trial Court Financial Policies and Procedures and to establish other internal methods to improve cooperation such as training for all trial court staff involved in the acquisition, recording, transfer and disposal of fixed assets. | Business Services Manager | July 2009 and ongoing |
| | | 9 | Out of the 98 inventory items selected for "floor-to-list" verification, 19 inventory items were not found on the inventory list. Also, 10 of the 19 inventory items did not have an asset ID tag. In addition, the of 79 inventory items listed, the inventory list did not accurately reflect the description for one inventory item. Further, the inventory list did not accurately reflect the location for 11 of the 79 inventory items found on the inventory list. | I | | See response above. | Business Services Manager | July 2009 and ongoing |
| | | Log | The Court does not have a process to periodically identify and dispose of obsolete IT equipment, such as identifying broken or obsolete equipment during its annual inventory. | I | | The Court has implemented processes to follow the TCFPP for asset disposal. However internally, the process is not always followed by staff creating the perception of no process. The Court continues to work with staff to ensure TCFPP asset disposal processes are always followed. | Business Services Manager | January 2012 |

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| | | Log | The Court's inventory list did not accurately reflect the location for one of the 11 fixed assets selected to review. | I | | The Court appreciates these comments and does continue to improve upon its current practices. Some items do have generally described locations due to shared equipment; however, we do understand that being more specific greatly assist with inventory. Because the fixed asset inventory requires cooperation of all staff, it is often difficult to maintain a completely accurate inventory of the Court's 4,300+ tagged items. | Business Services Manager | January 2012 |
| | | Log | Out of the 67 inventory items selected for "list-to-floor" verification, we could not locate three inventory items. In addition, of the 64 inventory items located, the Court's inventory list did not completely or accurately reflect the identifying information or description for six inventory items. Further, the inventory list did not accurately reflect the location for nine of the 64 inventory items located. | I | | The Court appreciates these comments and does continue to improve upon its current practices. Some items do have generally described locations due to shared equipment; however, we do understand that being more specific greatly assist with inventory. Because the fixed asset inventory requires cooperation of all staff, it is often difficult to maintain a completely accurate inventory of the Court's 4,300+ tagged items. | Business Services Manager | January 2012 |
| 13 | Audits | | No issues to report. | | | | | |
| 14 | Records Retention | | No issues to report. | | | | | |
| 15 | Domestic Violence | | | | | | | |
| | | Log | The Court assessed the PC 1202.44 Probation Revocation Restitution Fine in 2 of 3 cases reviewed where probation was not granted. | | C | This was an error made by staff and was resolved with further training. | Criminal, Traffic, and Juvenile Delinquency Manager | May 2011 |
| | | Log | The Court assessed the PC 1203.097(a)(5) Domestic Violence Probation fine in all 3 cases reviewed where probation was not granted. | | C | This was an error made by staff and was resolved with further training. | Criminal, Traffic, and Juvenile Delinquency Manager | May 2011 |
| 16 | Exhibits | | | | | | | |
| | | 16.1 | Improvements Can Be Made to Strengthen Accountability Over Exhibits | | | | | |
| | | 5 | The Court does not have a court-wide exhibit handling operations manual. | I | | The court will develop a court wide Exhibit Manual to standardize all handling, accepting, tracking, safeguarding, and disposal of exhibits. | Court Records Manager | November 2010 |
| | | 5 | One Court location does not have a process in place to document transfer of exhibits to the exhibit closet. | I | | See response above. | Court Records Manager | November 2010 |
| | | 5 | Not all exhibits documented in court records were found at one Court location. | I | | See response above. | Court Records Manager | November 2010 |
| | | 5 | The location of exhibits secured in interim locations during trial is not noted in either the CMS or the manual card system at the main courthouse. | I | | The court will install and train the appropriate court branch staff in the use of the ACCESS-Exhibit Tracking Database currently used in the Stockton Court Branch as well as a secondary manual tracking system for all exhibits. | Court Records Manager | January 2011 |
| | | 5 | The main courthouse does not always require that all biological evidence be properly sealed per local rule prior to accepting as an exhibit. | I | | The court will ensure that all assigned staff will be properly trained on the safe handling of highly sensitive items such as guns, drugs, money and hazardous or biological materials. | Court Records Manager | January 2011 |
| | | 5 | All Court locations do not perform exhibit room or exhibit closet inspections. | I | | The court will perform quarterly inspections of all exhibit lockers, storage areas as well as yearly inventory of all exhibits to ensure that exhibits are being properly stored, tracked and disposed. This will be implemented by January 31, 2011. | Court Records Manager | January 2011 |
| | | 5 | Two Court locations do not perform a periodic inventory of their exhibit closet. | I | | See response above. | Court Records Manager | January 2011 |

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| | | 5 | The Court does not conduct a complete inventory of its exhibits at one location. Consequently, the manual card tracking system at this location did not accurately reflect all of the exhibits on hand for 3 of the 15 criminal cases reviewed. | I | | See response above. | Court Records Manager | January 2011 |
| | | Log | Exhibits at one Court location were not destroyed in a timely manner per government code. | I | | All branch court locations have been provided an identical exhibit manual that will enable them to properly dispose of exhibits. Each court location will follow through with the destruction process as they can, given our severe budget cuts and lack of staff resources. | Court Managers | January 2012 |
| 17 | Bail | | No issues to report. | | | | | |