



AUDIT OF THE  
SUPERIOR COURT OF  
CALIFORNIA,  
COUNTY OF SONOMA

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REPORT OF  
INTERNAL AUDIT SERVICES

APRIL 2011



ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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**Superior Court of California, County of Sonoma**

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## MANAGEMENT SUMMARY

### Introduction

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

The audit of the Superior Court of California, County of Sonoma was initiated by IAS of the Administrative Office of the Courts (AOC) in September 2010. Depending on the size of the court, the audit process may involve two or three cycles, or audits, encompassing the following primary areas:

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

During audits, we plan on covering all four of the above areas to varying degrees based on identified risk factors. The audit process involves the review of compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. An important consideration in this audit is the Court's use of the Phoenix Financial System (Phoenix) which was implemented in April 2006. Prior to the implementation of CARS/Phoenix, the AOC contracted with an outside accounting firm to assist the Court achieve an acceptable level of accounting readiness for the Court's transition to the then CARS/Phoenix Financial System. Compliance with the Financial Integrity and State Manager's Accountability Act (FISMA) is also an integral part of the audit process. The primary thrust of a FISMA review is to evaluate the Court's internal control structure and processes. We believe that FISMA represents good public policy and we conduct internal audits incorporating FISMA concepts relating to internal control. These guidelines include:

- An organizational plan that provides for the 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 are in place to monitor personnel in the performance of their duties and responsibilities.
- The ability to attract and retain quality personnel at all court locations that are knowledgeable and motivated to take accountability and responsibility for the performance of their duties.

The Court is in general compliance with the four FISMA points above. We did note some instances of minor non-compliance that are highlighted in the **Audit Issues Overview** below. However, we would be remiss in not commenting that there are a significant number of examples in which the Court was in compliance with the FIN Manual and FISMA. Additionally, the Court has made significant efforts since the inception of State Trial Court Funding and its transition from the County's financial reporting systems to the state financial reporting system. This is the first comprehensive audit of the Court following the pre-CARS/Phoenix readiness and limited

scope review noted above. Our review of the Court's operations affirms their efforts to embrace FISMA concepts, maintain a sound internal control environment, and manage their financial resources and fiscal reporting prudently during these difficult budgetary times. We believe that the Court's strong management team is directly reflective in the financial and operational controls that exist and the timeliness of the corrective actions taken to issues identified in this audit. The Court is actively engaged in improving all of its operations which is demonstrated in its responses to the issues identified in this audit. Additionally, during the last few years the Court's financial management has allowed the Court to maintain a strong fund balance that will serve it well during the coming years.

We believe that the performance of our internal audit of the Court has provided the Court with a review that covers significant financial and operational areas, and controls. It is important that the Court actively monitor the issues brought up within this internal audit and any issues identified by its own management and staff in their daily activities that may improve Court operations and practices.

### **Audit Issues Overview**

This internal audit identified 191 points of interest that were consolidated into 23 reportable issues included in this report as well as several minor issues. At the conclusion of the audit, all issues identified were responded to and almost all issues are considered complete by the Court at the close of the audit as noted in the Issues Control Log attached as Appendix A to this report. IAS has not tested the implementation of all the corrective measures to verify their correction as many were completed subsequent to our field work. Audit follow-up activities will encompass incomplete issues updates and the obtaining of information on corrective actions of the Court. Additionally, there were some points of interest that were not significant enough in our opinion to be included in the report that were discussed verbally with court management.

While this audit of Sonoma Superior Court identified 23 reportable issues, there were also several areas which contained repeat issues from the prior audit that the Court should pay particular attention to. Specifically, the Court has either already addressed or needs to address:

- Increasing its attention to the accurate calculation of the distribution of collections.
- Addressing the controls related to the review and appropriate approval of voided transactions.
- Addressing the recording, processing and security over mail payments.
- Evaluating whether daily cashiering balancing activities provide the requisite controls necessary to minimize risks.
- Enhancing manual receipt and accounts payable documentation practices.

### Revenue distributions

To determine whether the Court distributed collections in accordance with applicable statutes and guidelines, we tested cases to review where the Court collected monies between January 1, 2009 and June 30, 2010. Our review focused on high-volume cases and on cases with violations involving complex or special distributions. Our review identified distribution issues concerning:

1. PC 1465.7 – 20 percent state surcharge
2. Traffic school distributions
3. Red light violations
4. DUI
5. Unattended child and child seat violations

## 6. Court security fee

The Court agreed to improve the accuracy of their calculations and distributions. However, with support for their antiquated case management and distribution system (CMS) scheduled to end in 2012, the Court anticipated only working on reviewing and implementing changes that would be feasible and needed to correct the distributions issues identified in the recommendations. The Court is in the process of contracting for the installation of a new case management system for traffic. With this new case management system the Court will ensure correct distributions, including those in the audit recommendations and the State Controller's Office distribution tables. (5.1)

### DMV Access

The California Department of Motor Vehicles (DMV) and the courts enter into an On-Line Access MOU to provide inquiry and update access to DMV information. Specifically, these memorandums of understanding (MOUs) provide court users on-line inquiry access to DMV's Automated Name Index System and remote/update capabilities to Vehicle Registration and Driver License files. DMV requires the Court to agree to certain conditions to control and monitor access to sensitive and confidential DMV information. Our review of the Court's DMV forms and records noted some exceptions to the employee access documentation. IAS recommended that the Court execute an agreement with DMV versus utilizing the county MOU; perform an annual reconciliation of individuals authorized to access DMV, and evaluate its procedures to ensure only authorized individuals have access to the system. (6.1)

The Court agreed that it would execute an agreement with the DMV and will retain a copy of the agreement. The Court is in the process of converting to a new Traffic Case Management System and this agreement will be executed as part of the conversion process. The Court also agreed with the recommendation to perform an annual reconciliation and review procedures to ensure that the current DMV access list is accurate and reflective of current users.

### Cash Handling

In the cash collections section there were a number of areas where IAS believed that the Court could improve on its control procedures and activities. In each of the instances noted, the Court has proactively evaluated the issue and recommendations and has addressed the issues. These issues include:

- Controls relating to the review, approval, and documentation of void transactions. (5.2)
- Supervisor review and approval of cash balancing activities. (5.3 and 5.5)
- Control and monitoring of unused manual receipt books. (5.9)
- Controls and security over judge's signature stamps and vault combinations. (5.8, and 5.6)
- Controls over mail payments. (5.4)

### Travel Expense Documentation

The *Trial Court Financial Policy and Procedures Manual* in FIN 8.03, Travel Expense Reimbursement for Trial Court Judges and Employees, states that the trial court should reimburse its judges and employees for reasonable and necessary travel expenses incurred while traveling on court business. This policy and procedure also requires adequate documentation supporting the reimbursements. IAS noted in its testing certain documentation deficiencies and reimbursements that are not in compliance with policy. The Court has responded that it has secured certain documentation that were not obtained, will remind supervisors and managers of the documentation

requirements of the policy, and for business meal reimbursements that are infrequently used it will monitor the procedures more closely. (11.2)

## STATISTICS

The Sonoma Superior Court operates at four locations. The Court has 23 judges and subordinate judicial officers who handled approximately 118,847 cases in FY 2008 - 2009. Further, the Court employed 221 staff to fulfill its administrative and operational activities, with total trial court expenditures of more than \$35 million for the fiscal year ended June 30, 2010.

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

### Strategic and operational plan summary of Court objectives

The Court's stated mission is to provide knowledgeable, courteous, timely, efficient and economical administration of court services for the purpose of resolving disputes and dispensing fair and equal justice to the community.

### MOU and services provided by the County to the Court

During the audit period of FY 2009-10, the Court continued to wind-down its county provided services under its MOU to approximately \$1,393,088 for county provided services including:

- Auditor-Controller
- Human Resources
- Office Services
- Business Services and
- EDP Services

The vast majority of this amount was for EDP Services which accounted for \$1,261,307.

### Sheriff MOU for security services includes

- Perimeter security
- Alarm services and
- Courtroom security.

Courtroom security accounted for \$5,756,378 of the \$6,177,620 in court security services.

### Facility plans

The proposed new Santa Rosa Criminal Courthouse project for the Superior Court of Sonoma County will replace and consolidate court space in three facilities in the City of Santa Rosa. The three facilities include the Hall of Justice and self-help center in the attached Old Jail Building, the Main Adult Detention Facility at the administrative complex, and space in the offsite Family Court Services leased facility. The new Santa Rosa Criminal Courthouse project will alleviate the overcrowding, physically deficient and significantly lacking security features at these current locations. It would also provide for a centralized criminal, traffic, juvenile dependency, probate proceedings, family court mediation, probate investigative, and drug court support services. The new courthouse will have:

- Courtrooms: 15
- Square footage: 173,500
- Estimated total cost: \$178.6 million
- Expected completion: The third quarter of 2015

The charts below and on the next page contain general court statistical information.

	Hall of Justice 600 Admin. Drive, Santa Rosa, CA	New Civil & Family Law Courthouse 3035 Cleveland Ave., Santa Rosa	7425 Rancho Los Guilicos, on Hwy 12, Santa Rosa	3035 Cleveland Ave., Santa Rosa	<b>TOTAL</b>
Number of Authorized Judgeships as of June 30, 2009	12	5	1	0	<b>18</b>
Number of Authorized Subordinate Judicial Officers as of June 30, 2010	2	2	1	0	<b>5</b>
Number of Full Time Equivalent Employees as of Pay Period Ending Date June 30, 2010	142	43	13	23	<b>221</b>
Total authorized positions (FTE) as of June 30, 2010	156	50	15	23	<b>244</b>

County Population	493,289 Est. in 2010
Number of Temporary Employees as of June 30, 2010 Per 7A	10
Total Salaries estimated for temporary employees was \$300,000 for FY 2009—2010 (actual per PHOENIX)	\$ 150,824
FY 2009—2010 Daily Average Revenues Collected:	\$ 94,441
<p><b>Number of Case filing in FY 2008-2009:</b></p> <p><b>Criminal Filings:</b></p> <ul style="list-style-type: none"> <li>• Felonies <span style="float: right;">3,181</span></li> <li>• Non-Traffic Misdemeanors <span style="float: right;">9,533</span></li> <li>• Non-Traffic Infractions <span style="float: right;">3,476</span></li> <li>• Traffic Misdemeanors <span style="float: right;">9,883</span></li> <li>• Traffic Infractions <span style="float: right;">73,327</span></li> </ul> <p><b>Civil Filings:</b></p> <ul style="list-style-type: none"> <li>• Civil limited <span style="float: right;">7,184</span></li> <li>• Civil Unlimited <span style="float: right;">2,721</span></li> <li>• Family Law (Marital) <span style="float: right;">2,067</span></li> <li>• Family Law (Petitions) <span style="float: right;">2,756</span></li> <li>• Probate <span style="float: right;">836</span></li> <li>• Small Claims <span style="float: right;">1,911</span></li> </ul> <p><b>Juvenile Filings:</b></p> <ul style="list-style-type: none"> <li>• Juvenile Delinquency-Original <span style="float: right;">956</span></li> <li>• Juvenile Delinquency-Subsequent <span style="float: right;">354</span></li> <li>• Juvenile Dependency-Original <span style="float: right;">210</span></li> <li>• Juvenile Dependency-Subsequent <span style="float: right;">5</span></li> </ul>	
Source: Judicial Council of California's 2010 Court Statistics Report	

## FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the Administrative Office of the Courts (AOC) developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of Sonoma (Court), implemented this fiscal system on April 1, 2006, 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 fund classifications and types:

- **Governmental**

- **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
- **Special Revenue** – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received). Funds included here are:

- **Non-Grant**

1. Donations – 120002
2. Small Claims Advisory – 120003
3. Dispute Resolution – 120004
4. Grand Jury – 120005
5. Enhanced Collections – 120007
6. Other County Services – 120009
7. Children’s Waiting Room – 180005

- **Grant**

1. AB1058 Family Law Facilitator – 1910581
2. AB1058 Child Support Commissioner – 1910591
3. Substance Abuse Focus – 1910601
4. Access to Visitation – 1910611
5. State Court Improvement Data Sharing – 1910731
6. US DOJ - Local Law Enforcement Block – 1930011
7. Drug Court Discretionary – 1930041
8. SAMHSA – 1940071
9. Regional Partnership – 1940081
10. Philanthropic Ventures Foundation – 1970171
11. First Five - 1970201

- **Fiduciary**

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

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

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

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

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

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

For the month ended June 30								
Fiscal Year 2009/10								2008/09
	Governmental Funds				Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue		Capital Project				
		Non-Grant	Grant					
<b>ASSETS</b>								
Operations	(643,447)	975,173	0			0	331,726	258,346
Payroll	0	0					0	
Jury								
Revolving	10,062						10,062	
Other								
Distribution	0	0				102,232	102,232	374,155
Civil Filing Fees						577,816	577,816	588,774
Trust	0					2,867,041	2,867,041	2,347,601
Credit Card								
Cash on Hand	8,100						8,100	7,600
Cash with County	0		0				0	38,099
<b>Total Cash</b>	<b>(625,285)</b>	<b>975,173</b>	<b>0</b>			<b>3,547,089</b>	<b>3,896,977</b>	<b>3,614,575</b>
Short Term Investment	6,800,801	4,124				369,638	7,174,563	7,146,413
Investment in Financial Institution						667,042	667,042	50,000
<b>Total Investments</b>	<b>6,800,801</b>	<b>4,124</b>				<b>1,036,680</b>	<b>7,841,605</b>	<b>7,196,413</b>
Accrued Revenue	18,033	2,183	0			6	20,222	25,941
Accounts Receivable - General								
Dishonored Checks								
Due From Employee	134						134	
Civil Jury Fees								
Trust								
Due From Other Funds	594,035	0				649	594,684	738,820
Due From Other Governments	31,218	222,458	479,511				733,188	1,251,100
Due From Other Courts								
Due From State	441,570	11,880	8,704				462,154	264,521
Trust Due To/From								
Distribution Due To/From								
Civil Filing Fee Due To/From								
General Due To/From								
<b>Total Receivables</b>	<b>1,084,990</b>	<b>236,521</b>	<b>488,215</b>			<b>655</b>	<b>1,810,382</b>	<b>2,280,381</b>
Prepaid Expenses - General	3,288						3,288	119,823
Salary and Travel Advances								
Counties								
<b>Total Prepaid Expenses</b>	<b>3,288</b>						<b>3,288</b>	<b>119,823</b>
Other Assets								
<b>Total Other Assets</b>								
<b>Total Assets</b>	<b>7,263,794</b>	<b>1,215,818</b>	<b>488,215</b>			<b>4,584,424</b>	<b>13,552,252</b>	<b>13,211,193</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Accrued Liabilities	1,254,035	19,552	50,504				1,324,090	1,913,485
Accounts Payable - General	23,974	0	0			750	24,724	58,434
Due to Other Funds	499	179,427	403,701			11,058	594,684	738,820
Due to Other Courts								
Due to State	58,687	0					58,687	463,637
TC145 Liability						577,816	577,816	588,774
Due to Other Governments						471,597	471,597	373,141
AB145 Due to Other Government Agency								
Due to Other Public Agencies								
Sales and Use Tax	0						0	0
Interest	0					0	0	0
Miscellaneous Accts. Pay. and Accrued Liab.	0						0	67
<b>Total Accounts Payable and Accrued Liab.</b>	<b>1,337,194</b>	<b>199,978</b>	<b>454,205</b>			<b>1,061,221</b>	<b>3,051,598</b>	<b>4,136,358</b>
Civil						1,618,588	1,618,588	1,002,439
Criminal						695,556	695,556	833,805
Unreconciled - Civil and Criminal						48,411	48,411	48,411
Trust Held Outside of the AOC								
Trust Interest Payable						47,857	47,857	49,210
Miscellaneous Trust								
<b>Total Trust Deposits</b>						<b>2,410,411</b>	<b>2,410,411</b>	<b>1,933,864</b>
Accrued Payroll	722,958	23,870	34,686				781,514	934,799
Benefits Payable	(80,216)	0	0				586,826	50,000
Deferred Compensation Payable	5,119	0	0			667,042	5,119	
Deductions Payable	503,941	0	0				503,941	
Payroll Clearing	52,947	4,729					57,676	
<b>Total Payroll Liabilities</b>	<b>1,204,749</b>	<b>28,599</b>	<b>34,686</b>			<b>667,042</b>	<b>1,935,076</b>	<b>984,799</b>
Revenue Collected in Advance	11,451							
Liabilities For Deposits						1,899	13,349	13,480
Jury Fees - Non-Interest						412,965	412,965	379,330
Fees - Partial Payment & Overpayment						30,886	30,886	29,112
Uncleared Collections								0
Other Miscellaneous Liabilities	675	0	(675)				0	0
<b>Total Other Liabilities</b>	<b>12,126</b>	<b>0</b>	<b>(675)</b>			<b>445,750</b>	<b>457,201</b>	<b>421,923</b>
<b>Total Liabilities</b>	<b>2,554,069</b>	<b>227,578</b>	<b>488,215</b>			<b>4,584,424</b>	<b>7,854,286</b>	<b>7,476,944</b>
Fund Balance - Restricted	1,524,875	988,240	0				2,513,115	4,666,929
Fund Balance - Unrestricted								
Designated	3,184,849	0	0				3,184,849	1,067,251
Undesignated		0	0				0	0
C/Y Excess (Deficit) of Rev. Over Expenses	1	0	0				1	0
<b>Total Fund Balance</b>	<b>4,709,725</b>	<b>988,240</b>	<b>0</b>				<b>5,697,965</b>	<b>5,734,250</b>
<b>Total Liabilities and Fund Balance</b>	<b>7,263,794</b>	<b>1,215,818</b>	<b>488,215</b>			<b>4,584,424</b>	<b>13,552,252</b>	<b>13,211,193</b>

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

For the year ended June 30										
	Fiscal Year 2009/10							2008/09		
	Governmental Funds				Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue		Capital Projects						
Non-Grant		Grant								
<b>REVENUES</b>										
<b>State Financing Sources</b>										
Trial Court Trust Fund	30,212,972	76,850				30,289,822	30,146,525	31,413,458	31,337,088	
Trial Court Improvement Fund	86,464					86,464	86,405	85,060	92,298	
Judicial Administration Efficiency & Mod Fund	73,631					73,631	78,444	97,575	139,465	
Judges' Compensation (45.25)	180,500					180,500	180,500	171,260	180,500	
Court Interpreter (45.45)	1,117,125					1,117,125	1,163,315	1,147,848	1,378,428	
Civil Coordination Reimbursement (45.55)										
MOU Reimbursements (45.10 and General)	341,582					341,582	359,726	841,797	836,951	
Other Miscellaneous	0					0		150,357	150,357	
	<b>32,012,274</b>	<b>76,850</b>				<b>32,089,124</b>	<b>32,014,915</b>	<b>33,907,355</b>	<b>34,115,087</b>	
<b>Grants</b>										
AB 1058 Commissioner/Facilitator			815,180			815,180	815,180	827,075	827,075	
Other AOC Grants	0		394,774			394,774	354,796	437,029	398,278	
Non-AOC Grants			28,964			28,964	61,084			
	<b>0</b>		<b>1,238,918</b>			<b>1,238,918</b>	<b>1,231,060</b>	<b>1,264,105</b>	<b>1,225,353</b>	
<b>Other Financing Sources</b>										
Interest Income	51,717	5,224				56,941	184,797	194,594	383,625	
Investment Income										
Donations	1,829					1,829				
Local Fees	301,708					301,708	354,342	373,261	368,049	
Non-Fee Revenues	30,865					30,865	54,698	155,112	270,081	
Enhanced Collections		813,940				813,940	1,061,286	912,366	1,087,973	
Escheatment										
Prior Year Revenue	(16,318)		861			(15,457)		1,002		
County Program - Restricted	16,113	13,398				29,511	29,433	31,305	15,134	
Reimbursement Other	67,235					67,235	43,000	43,004	50,049	
Sale of Fixed Assets								0	5,673	
Other Miscellaneous										
	<b>453,149</b>	<b>832,562</b>	<b>861</b>			<b>1,286,573</b>	<b>1,727,556</b>	<b>1,710,645</b>	<b>2,180,584</b>	
<b>Total Revenues</b>	<b>32,465,423</b>	<b>909,412</b>	<b>1,239,779</b>			<b>34,614,615</b>	<b>34,973,532</b>	<b>36,882,104</b>	<b>37,521,024</b>	
<b>EXPENDITURES</b>										
<b>Personal Services</b>										
Salaries - Permanent	13,451,531	337,886	588,423			14,377,840	14,562,174	15,042,040	14,648,574	
Temp Help	150,824	0	0			150,824	72,962	204,149	72,101	
Overtime	9,292					9,292		12,223		
Staff Benefits	6,927,496	228,614	318,222			7,474,332	9,057,000	8,395,356	8,769,017	
	<b>20,539,144</b>	<b>566,500</b>	<b>906,645</b>			<b>22,012,288</b>	<b>23,692,136</b>	<b>23,653,769</b>	<b>23,489,692</b>	
<b>Operating Expenses and Equipment</b>										
General Expense	510,804	3,968	9,782			524,554	765,449	1,547,392	1,115,636	
Printing	146,485	6,989	284			153,758	137,850	153,706	120,200	
Telecommunications	168,987	13,578	5,541			188,106	151,291	170,139	185,927	
Postage	154,109	28,623	151			182,883	183,700	183,133	199,000	
Insurance	3,009	113	116			3,238				
In-State Travel	24,803	77	5,557			30,437	28,645	25,541	34,650	
Out-of-State Travel	13					13	1,500	11	3,500	
Training	50,939		2,670			53,609	95,089	138,147	107,899	
Security Services	6,132,625		44,995			6,177,620	6,946,323	6,530,505	6,328,211	
Facility Operations	774,586	2,721				777,307	789,094	3,088,379	4,464,260	
Utilities	60,655					60,655	84,000			
Contracted Services	1,579,795	127,100	294,692			2,001,587	1,974,137	2,224,432	2,492,609	
Consulting and Professional Services	1,291,647	80,217	40,094			1,411,958	1,563,866	1,919,913	2,046,280	
Information Technology	149,964	27,262	3,630			180,856	473,524	340,433	532,233	
Major Equipment	44,096					44,096	143	0	152,030	
Other Items of Expense	14,883	407				15,290	13,920	10,424	16,390	
	<b>11,107,401</b>	<b>291,056</b>	<b>407,512</b>			<b>11,805,968</b>	<b>13,208,531</b>	<b>16,332,155</b>	<b>17,798,825</b>	
<b>Special Items of Expense</b>										
Grand Jury										
Jury Costs	232,642					232,642	207,500	203,701	237,000	
Judgements, Settlements and Claims								1,048		
Debt Service										
Other	600,000					600,000	600,000	50,488		
<b>Internal Cost Recovery</b>	(167,934)	69,518	98,416			0	1,000	0	276,608	
<b>Prior Year Expense Adjustment</b>								(31,616)		
	<b>664,708</b>	<b>69,518</b>	<b>98,416</b>			<b>832,642</b>	<b>808,500</b>	<b>223,620</b>	<b>513,608</b>	
<b>Total Expenditures</b>	<b>32,311,252</b>	<b>927,073</b>	<b>1,412,572</b>			<b>34,650,898</b>	<b>37,709,167</b>	<b>40,209,544</b>	<b>41,802,125</b>	
<b>Excess (Deficit) of Revenues Over</b>	<b>154,171</b>	<b>(17,662)</b>	<b>(172,793)</b>			<b>(36,284)</b>	<b>(2,735,635)</b>	<b>(3,327,440)</b>	<b>(4,281,101)</b>	
<b>Operating Transfers In (Out)</b>	<b>172,793</b>		<b>(172,793)</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>(410,638)</b>	
<b>Fund Balance (Deficit)</b>										
<b>Beginning Balance (Deficit)</b>	<b>4,728,347</b>	<b>1,005,902</b>	<b>0</b>			<b>5,734,250</b>	<b>5,734,250</b>	<b>9,061,689</b>	<b>9,061,689</b>	
<b>Ending Balance (Deficit)</b>	<b>4,709,725</b>	<b>988,241</b>	<b>0</b>			<b>5,697,966</b>	<b>2,998,615</b>	<b>5,734,250</b>	<b>5,191,226</b>	

Sonoma Superior Court  
 Trial Court Operations Fund  
 Statement of Program Expenditures  
 (Unaudited)

	For the year ended June 30								
	Fiscal Year 2009/10							2008/09	
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
<b>PROGRAM EXPENDITURES:</b>									
Judges & Courtroom Support	9,363,161	1,534,916		71,893		10,969,970	11,283,232	11,729,095	10,783,327
Traffic & Other Infractions	549,845	72,079				621,924	554,411	626,314	675,232
Other Criminal Cases	1,562,701	279,637		572		1,842,910	2,208,203	2,169,548	2,029,945
Civil	877,706	121,604				999,310	1,168,523	1,096,071	1,117,564
Family & Children Services	2,853,666	250,137		24,950		3,128,754	3,445,219	3,245,479	3,506,194
Probate, Guardianship & Mental Health Services	877,201	39,052				916,253	1,130,937	1,114,984	1,232,171
Juvenile Dependency Services	176,084	4,207				180,291	144,076	462,870	496,664
Juvenile Delinquency Services	284,457	216,030		1,000		501,488	475,515	556,019	477,496
Other Court Operations	374,624	1,795,472				2,170,096	2,811,846	5,733,797	7,881,846
Court Interpreters	1,098,583	314,728				1,413,312	1,605,100	1,458,426	1,635,362
Jury Services	235,082	99,074	232,642			566,798	582,227	700,924	799,426
Security	0	6,191,329				6,191,329	6,946,466	6,589,135	6,427,184
<b>Trial Court Operations Program</b>	<b>18,253,112</b>	<b>10,918,266</b>	<b>232,642</b>	<b>98,416</b>		<b>29,502,435</b>	<b>32,355,755</b>	<b>35,482,663</b>	<b>37,062,411</b>
Enhanced Collections	566,500	175,808		69,518		811,826	1,063,433	914,480	1,038,131
Other Non-Court Operations		12,000				12,000	12,000	12,000	12,000
<b>Non-Court Operations Program</b>	<b>566,500</b>	<b>187,808</b>		<b>69,518</b>		<b>823,826</b>	<b>1,075,433</b>	<b>926,480</b>	<b>1,050,131</b>
Executive Office	570,809	27,399				598,209	537,198	651,203	649,822
Fiscal Services	600,342	346,040		(167,934)		778,449	630,248	604,231	481,032
Human Resources	489,346	44,913	600,000			1,134,259	1,079,821	587,774	502,728
Business & Facilities Services	448,656	89,750				538,406	608,036	576,585	658,634
Information Technology	1,083,523	191,791				1,275,314	1,422,675	1,412,223	1,397,367
<b>Court Administration Program</b>	<b>3,192,677</b>	<b>699,894</b>	<b>600,000</b>	<b>(167,934)</b>		<b>4,324,637</b>	<b>4,277,978</b>	<b>3,832,017</b>	<b>3,689,583</b>
Prior Year Adjustments								(31,616)	
<b>Total</b>	<b>22,012,288</b>	<b>11,805,968</b>	<b>832,642</b>	<b>0</b>		<b>34,650,898</b>	<b>37,709,167</b>	<b>40,209,544</b>	<b>41,802,125</b>

## **PURPOSE AND SCOPE**

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

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

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

## **TIMING AND REVIEWS WITH MANAGEMENT**

The entrance letter was issued to the Court on June 25, 2010.  
The entrance meeting was held with the Court on July 15, 2010.  
Audit fieldwork commenced on September 13, 2010.  
Fieldwork was completed in April 29, 2011.

Preliminary results were discussed with court management during the course of the review.

A preliminary review of audit results was held on July 15, 2011 with:

- Hon. Gary Nadler, Presiding Judge;
- José Octavio Guillén Court Executive Officer; and
- Cindia Martinez, Deputy Court Executive Officer

Final management responses to our recommended actions were received on June 16, 2011.

Based upon the preliminary review of the audit results on July 15, 2011, the Court and IAS agreed that a final exit review is not necessary.

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

#### Background

The Court is subject to the 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) 77009(i) and proceduralized under CRC 6.707, specify guidelines and requirements concerning court governance.

The table below presents expenditures from the Court's general ledger accounts that are considered to be associated with court administrative decisions. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Revenues</b>				
833010 PROGRAM45.25-JDG SAL	(180,500.00)	(171,260.00)	9,240.00	5.4
** 833000-PROGRAM 45.25 - REIMBU	(180,500.00)	(171,260.00)	9,240.00	5.4
<b>Expenditures</b>				
823011 JUDGES VOL DONATION	(1,828.54)	0.00	1,828.54	100.0
** 823000-OTHER - REVENUE	(1,828.54)	0.00	1,828.54	100.0
906303 SALARIES - COMMISS	921,251.74	774,741.21	146,510.53	18.9
906311 SALARIES - SUP JUDG	149,374.44	169,703.08	(20,328.64)	(12.0)
906350 FURLGH SAVE COMMISH	(11,646.60)	0.00	(11,646.60)	(100.0)
906351 FURLGH CLOSE COMMISH	11,646.60	0.00	11,646.60	100.0
* 906300 - SALARIES - JUDICIAL	1,070,626.18	944,444.29	126,181.89	13.4
908301 OVERTIME	9,291.56	12,223.32	(2,931.76)	(24.0)
* 908300 - OVERTIME	9,291.56	12,223.32	(2,931.76)	(24.0)

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures (Continued)</b>				
933101 TRAINING	20,344.34	66,111.40	(45,767.06)	(69.2)
933102 TUITION REIMBRSMNT	21,344.09	42,777.72	(21,433.63)	(50.1)
933104 TUITION/REG FEES	11,921.06	27,034.42	(15,113.36)	(55.9)
933108 TRAINING SUPPLIES	0.00	2,223.48	(2,223.48)	(100.0)
* 933100 - TRAINING	53,609.49	138,147.02	(84,537.53)	(61.2)
** TRAINING TOTAL	53,609.49	138,147.02	(84,537.53)	(61.2)
913701 OTHER JUDGES BENEFITS	11,728.74	174,704.73	(162,975.99)	(93.3)
* 913700 - SUPERIOR COURT JUDGE	11,728.74	174,704.73	(162,975.99)	(93.3)
972100 JUDG, SETTL, CLAIM	0.00	1,047.94	(1,047.94)	(100.0)
* 972100 - JUDGMENTS, SETTLEMEN	0.00	1,047.94	(1,047.94)	(100.0)

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.
- Controls over judicial officer facsimile stamps. (Tested during cash work, see Section 5.0.)

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.

We identified one issue which is discussed below and is also included in Appendix A which contains all reportable issues. There are no reportable minor issues.

## 1.1 Causes Under Submission Coding and Other Enhancements Needed

### Background

To promote a prompt judicial process, statute requires judicial officers to decide on case matters within 90 days after being submitted for a judicial decision, or risk not having their salary

temporarily held-up. Specifically, Government Code Section §68210 states that no judge of a court of record shall receive his salary unless he shall make and subscribe before an officer entitled to administer oaths, an affidavit stating that no cause before him remains pending and undetermined for 90 days after it has been submitted for a decision.

To prevent submitted causes from remaining undecided for over 90 days, California Rule of Court 10.603(c)(3) makes the Presiding Judge (PJ) responsible for supervising and monitoring the number of causes under submission and ensuring that no cause under submission remains undecided and pending for longer than 90 days. As an aid in accomplishing this goal, this rule requires the PJ to take certain actions, including the following:

1. Require each judge to report to the PJ all causes under submission for more than 30 days, including each cause under submission for 30 through 60 days, 61 through 90 days, or over 90 days,
2. Compile and circulate monthly to each judge of the court a complete list of all causes under submission, including the name of each judge, a list of causes under submission before each judge, and the length of time each cause has been under submission,
3. Contact each judge who has a cause under submission for over 30 days and discuss ways to ensure that the cause is timely decided,
4. Consider providing assistance to a judge who has a cause under submission for over 60 days.

### **Issue**

IAS reviewed the Court's manual procedures to ensure they prevent submitted causes from remaining undecided for over 90 days. We also reviewed the Court's procedures pertaining to California Rule of Court 10.603(c)(3) which makes the PJ responsible for supervising and monitoring the number of causes under submission and ensuring that no cause under submission remains undecided and pending for longer than 90 days.

We confirmed that the Court is complying with GC§ 68210 and the CRC 10.603 (c)(3). However, there are some procedures that could be improved upon including:

1. The Court indicated that it is currently exploring an automated system to provide additional verification on its manual system to report on causes under submission. For example, courtroom clerks are entering a "K74" code into the case management system to document that the, "Court takes case under submission". However, the Court has not explored the need for additional coding should other status conditions exist, including:
  - a. Submitted cause which was placed, "On Hold pending additional information"
  - b. Submitted cause has been terminated and/or
  - c. Submitted cause has been ruled upon or, has a tentative ruling.
2. IAS reviewed the Presiding Judge's Judicial Assistant (JA) monthly report to the judges, "Causes under Submission" chart (chart). The chart lacked certain information which

documents compliance with the California Rule of Court 10.603(c)(3) (B). The missing information included:

- a. The charts for January to September 2010 were not completed and lacked: the case number, the date the cause was taken under Submission and, the number of days under submission (30-60), (61-90) and (91+).
3. Twelve of fourteen (86%) causes under submissions reviewed in the Register of Actions (minutes) lacked more descriptive language about the matter taken under submission. For example: the minutes included one transaction dated May 26, 2010 that stated, "Matter is not taken under submission until all documents have been filed" The next two entries on July 29, 2010 stated, "Submitted", "Court denies motion to suppress". However, all entries lacked any detailed explanation of what the submission pertained to and why the matter was suppressed.

### **Recommendations**

The court indicated and we are in agreement that the Court should explore an automated system that would provide an additional verification that its current manual submitted case system is working as intended. We further recommend that the court expand its exploration of the following:

1. Expand the use of status codes used in the CMS to expand the information reported to the PJ relating to causes under submission such as the date of submission, that the time is placed on hold and/or a tentative decision has been determined.
  - a. Explore the use of an automated cause under submission reporting system that provides the same benefits as the current manual system and which generates automated reports on the causes under submission and eliminates manual reporting to minimize errors and/or incomplete information.
2. All fields in the Presiding Judge's JA chart should be completed to ensure that the court is complying California Rule of Court 10.603(c)(3) (B) and,
3. Consider key words and phrases to clearly describe the status of a matter under submission and/or the reasons a decision is on hold and/or made.

**Superior Court Response Jose Guillén**

**Date: 4/8/11**

While the Court appreciates the value-added recommendation by the Internal Audit Services regarding the enhanced automation of our current submitted cause tracking and reporting system, it will not pursue the suggested level of automation to our case management system at this time. The time and cost associated with this CMS enhancement is not viable at this time. Court has evaluated its current internal processes and controls and determined that current improved administrative procedures will continue to ensure compliance with CRC 10.603(c)(3)(B).

## 2. Fiscal Management and Budgets

### Background

The court must operate within the limitations of the funding approved and appropriated in the State Budget Act by establishing budgetary control procedures to monitor its budget on an ongoing basis throughout the year to assure that actual expenditures do not exceed budgeted amounts. Regular budget monitoring allows the court to exercise an appropriate level of control over available funds and to take corrective action as necessary.

The court maintains a master agreement with Automated Data Processing (ADP) to provide the Court payroll processing services. This firm is one of the largest in the nation. The payroll process can be characterized as an automated system in which various activities are performed as functions:

- New employees are placed in the ADP payroll system by Human Resources
- Existing employees update their timesheets on-line with their hours, sick time, overtime
- Human Resources updates existing employee pay rate changes, leave time, and employee requested benefit changes
- Prior to the payroll cut-off period, supervisors and/or managers access employee timesheets to verify employee hours reported and time-off and approve the accuracy of hours and leave time reported to ADP
- ADP aggregates the hours for employee gross pay, taxes, any employee contributions including employee deductions to State, federal and other agencies.
- ADP reports this information in payroll registers and other reports to Fiscal
- If approved as reported the Court will fund the bank payroll disbursements account to pay employees and any contributions owed to the State, federal and/or other agencies, then
- Fiscal performs a payroll reconciliation reconciling the payroll disbursements to its records in order to update its payroll accounts in general ledger.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures</b>				
900301 SALARIES - PERMANENT	12,509,416.40	13,678,249.32	(1,168,832.92)	(8.5)
900320 LUMP SUM PAYOUTS	503,987.89	56,165.88	447,822.01	797.3
900328 OTHER PAY	293,809.54	363,180.54	(69,371.00)	(19.1)
900350 FURL&SAL SAV NONJUD	(519,443.06)	0.00	(519,443.06)	(100.0)
900351 FURLOUGH CLS NONJUD	519,443.06	0.00	519,443.06	100.0
* 900300 - SALARIES - PERMANENT	13,307,213.83	14,097,595.74	(790,381.91)	100.0
903301 TEMPORARY HELP	150,824.08	204,149.23	(53,325.15)	(26.1)
* 903300 - TEMP HELP	150,824.08	204,149.23	(53,325.15)	(26.1)

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures (continued)</b>				
910301 SOCIAL SECURITY INS	918,018.54	1,086,777.51	(168,758.97)	(15.5)
910302 MEDICARE TAX	106,878.70	1,902.77	104,975.93	5517.0
<b>* 910300 - TAX</b>	<b>1,024,897.24</b>	<b>1,088,680.28</b>	<b>(63,783.04)</b>	<b>(5.9)</b>
910401 DENTAL INSURANCE	234,013.42	256,504.30	(22,490.88)	(8.8)
910501 MEDICAL INSURANCE	1,941,594.58	2,229,155.95	(287,561.37)	(12.9)
<b>* 910400 - HEALTH INSURANCE</b>	<b>2,175,608.00</b>	<b>2,485,660.25</b>	<b>(310,052.25)</b>	<b>(12.5)</b>
910601 RETIREMENT-NON-JUDGE	2,832,572.54	3,677,021.29	(844,448.75)	(23.0)
910604 RETIREMENT - OTHER	506,862.21		506,862.21	100.0
910607 RETIREMENT-EE PD ER		2,699.20	(2,699.20)	(100.0)
912301 RETIREMENT-JUDICIAL	171,240.56	212,178.15	(40,937.59)	(19.3)
<b>* 910600 - RETIREMENT</b>	<b>3,510,675.31</b>	<b>3,891,898.64</b>	<b>(381,223.33)</b>	<b>(9.8)</b>
912401 DEF COMP/401K MATCH	164,624.65	170,353.14	(5,728.49)	(3.4)
912402 DEF COMP - 457	12,724.00	14,098.84	(1,374.84)	(9.8)
<b>* 912400 - DEFFERED COMPENSATIO</b>	<b>177,348.65</b>	<b>184,451.98</b>	<b>(7,103.33)</b>	<b>(3.9)</b>
912501 STAT WORKERS COMP	276,480.00	281,653.39	(5,173.39)	(1.8)
<b>* 912500 - WORKERS' COMPENSATIO</b>	<b>276,480.00</b>	<b>281,653.39</b>	<b>(5,173.39)</b>	<b>(1.8)</b>
913301 UNEMPLOYMENT INS	10,176.73	9,457.37	719.36	7.6
913501 LIFE INSURANCE	19,154.03	14,689.54	4,464.49	30.4
913502 LONG-TERM DISABILITY	205,780.83	192,024.26	13,756.57	7.2
913601 VISION CARE INSURANCE	43,888.28	43,448.32	439.96	1.0
913699 OTHER INSURANCE	0.00	19,426.05	(19,426.05)	(100.0)
<b>* 912700 - OTHER INSURANCE</b>	<b>278,999.87</b>	<b>279,045.54</b>	<b>(45.67)</b>	<b>0.0</b>
913803 PAY ALLOWANCES	7,906.31	0.00	7,906.31	100.0
913899 OTHER BENEFITS	10,688.17	9,261.47	1,426.70	15.4
<b>* 913800 - OTHER BENEFITS</b>	<b>18,594.48</b>	<b>9,261.47</b>	<b>9,333.01</b>	<b>100.8</b>

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Liabilities</b>				
374001 PYRL CLEARING ACCT	57,675.87-		57,675.87	100.0
374101 RETIREMENT CONT	468,783.57-		468,783.57	100.0
374102 RETIRE BEN-JUDGES	379.98-		379.98	100.0
374201 VOLUNTARY DED EE	3,027.69-		3,027.69	100.0
374305 SOC SEC & MEDICARE	15,564.20-		15,564.20	100.0
374401 STATE I/T W/H - EE	4,229.74-		4,229.74	100.0
374501 FED I/T W/H - EE	11,008.55-		11,008.55	100.0
374601 MANDATORY DED EE				
374602 GARNISHMENTS	59.86-		59.86	100.0
374603 UNION DUES	887.78-		887.78	100.0
374702 BEN PAY-MED EE & ER	86,968.78		(86,968.78)	(100.0)
374703 BEN PAY-DEN EE & ER	8,124.57		(8,124.57)	(100.0)
374704 BEN PAY-VIS EE & ER	587.21		(587.21)	(100.0)
374705 BEN PAY-LIFE EE & ER	593.61		(593.61)	(100.0)
374706 BEN PAY-FLEX EE & ER	15,492.77-		15,492.77	100.0
374707 BEN PAY-LTD EE & ER				
374708 BENEFITS PAYABLE-STD				
374709 BEN PAY-SUPP INS	565.27-		565.27	(100.0)
374801 DEF COMP PAY EE & ER	5,118.90-		5,118.90	(100.0)
375001 ACCRUED PAYROLL	781,513.99-	934,798.94-	(153,284.95)	(16.4)
<b>375001 ACCRUED BENEFITS/PAY.</b>	<b>1,268,034.00-</b>	<b>934,798.94-</b>	<b>333,235.06</b>	<b>26.3</b>

**Trust and Agency Liabilities**

351001 LIABFORDEP-STALE OPS	11,450.51-	11,581.31-	(130.80)	(1.1)
353002 CIVIL TRUST-CONDEM	344,248.41-	209,300.53-	134,947.88	64.5
353003 CIVIL TRUST - OTHER	1,274,339.18-	793,138.20-	481,200.98	60.7
353004 JURY NON-INTEREST	412,965.13-	379,330.41-	33,634.72	8.1
353005 TRAFFIC	121,836.00-	88,485.00-	33,351.00	37.7
353006 CRIMINAL - GENERAL	573,720.00-	745,320.00-	(171,600.00)	(23.0)
353030 PARTIAL PMT OF FEES	30,886.40-	28,553.40-	2,333.00	7.6
353031 OVERPAYMENT OF FEES		559.00-	(559.00)	(100.0)
353040 CIVIL UNRECON TRUST	23,881.37-	23,881.37-	0.00	0.0
353041 CRIME UNRECON TRUST	24,529.18-	24,529.18-	0.00	0.0
353070 DUE TO OTH GOV AGT				
353080 LIABFORDEP-STALETRST	1,898.58-	1,898.58-	0.00	0.0
353999 TRUST INTEREST PAYABLE	47,856.68-	49,209.84-	(1,353.16)	(2.7)
373001 UNCLEARED COLLECTIONS				
<b>** Trust and Agency Liabilities</b>	<b>2,867,611.44-</b>	<b>2,355,786.82-</b>	<b>(511,824.62)</b>	<b>21.7</b>

**Long Term Liabilities**

<b>407002 OPEB LIABILITY FUNDED</b>	<b>667,042.34-</b>	<b>50,000.00-</b>	<b>617,042.34</b>	<b>1,234.1</b>
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**Expenditures relating to Long Term Liabilities**

971101 OPEB EXPENSE	600,000.00	50,000.00	550,000.00	1100.0
<b>* 971000 - OTHER-SPECIAL ITEMS</b>	<b>600,000.00</b>	<b>50,000.00</b>	<b>550,000.00</b>	<b>1100.0</b>

We assessed the Court's budgetary controls by obtaining an understanding of how the Court's annual budget is approved and monitored, reviewing its approved budget, and comparing budgeted and actual amounts. In regards to personnel services costs, we compared budgeted and actual expenditures, and performed a comparative analysis of prior year personal 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 reviews of payroll reports and reconciliation documents. We validated payroll expenditures for selected employees and traced to supporting documents, including timesheets, payroll registers and other ADP files, 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.

We also gained an understanding of the Court's management of its civil trust deposits, the remittance by the Court of civil filing fees and old civil jury deposit to the State Controller.

The only issue identified for management's attention is noted below. There are no minor issues that have been identified.

## **2.1 The Court Can Improve its Documentation of Employee Payroll Changes and Overtime**

### **Background**

The FIN Manual, section 1.03, Internal Controls, § 3.3.3, paragraph 5, Proper Authorization and Documentation states:

- a. The court must establish a system of authorization to provide effective management control over its assets, liabilities, revenues and expenditures. The specific levels and scope of authority of executives, managers, supervisors, and staff, with dollar limits where appropriate, must be established and documented. That documentation will be provided to applicable court, county, and accounting service provider personnel, and to the AOC, for reference.
- b. When processing transactions, evidence of authorization must be maintained in the accounting files to document that:
  - i. Proper authorizations are obtained.
  - ii. Authorizations are issued by court employees acting within the scope of their authority.
  - iii. Transactions conform to the terms of the authorizations.

Inherently, one of the benefits of implementing a standard form is to promote, although not necessarily guarantee, consistency and completeness of the incoming information. An illustration of the benefits can be appreciated in the use of the standard form completed by Human Resources to obtain prospective employee applications. The design of the

aforementioned standard form provides Human Resource personnel with the background information on the desirability of candidates for a particular employee position and the extent of their knowledge in order to fill a particular open position. If filers were allowed to submit a free-form application, it is likely some necessary information would be missing, resulting in relatively less effective and efficient processing of the employee applications and the hiring of non-qualified or less qualified employees.

Internal Audit Services performed its review of the court's payroll process to determine whether:

- a. Payroll had adequate segregation of duties; paychecks and personnel files were safeguarded;
- b. Paychecks were properly calculated and reported in the general ledger;
- c. Timecards properly documented and personnel service costs accurately budgeted; and
- d. Overtime and compulsory time-off was minimized.

### **Issues**

Overall, we found that payroll had adequate segregation of duties and was properly calculated. However, we did note some documentation exceptions, including:

1. The court does not have a standard employee Compensation & Benefits form submitted by the appropriate level supervisor to advise H/R of employee changes to salary and/or benefits, and
2. Court did not retain documented proof that the supervisor or manager approved the employee's overtime.

### **Recommendations**

The Court should:

1. Design and implement a standard employee compensation and benefit change form to document supervisor submitted employee changes with their written approval then, retain them in their Human Resources Personnel files to support these changes and their proper authorization of the employee compensation and benefit changes, and
2. Retain the ADP (the payroll processing vendor) document the Court produces to verify that all overtime was properly approved by the supervisor and/or manager and retain it in the payroll files

### **Superior Court Response By: Cindia Martinez Date: 5/13/11**

1. A new Merit Change form was created and will be used starting May 15, 2011. Managers only have authority to approve merit increases as any other benefit changes occur in HR, related to health insurance benefits, deduction changes, etc. Promotions and division changes are handled through HR as well and not initiated by the Manager. The new Merit Change form is attached as a separate document to our response.
2. The Court will now retain a document that verifies that all time has been approved. This new procedure is in effect as of May 1, 2011.

### 3. Fund Accounting

#### Background

According to procedure No. FIN 3.01, section 3.0, trial courts shall establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the courts' financial operations. Section 6.1.1 defines a "fund" as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. A set of governmental, fiduciary, and proprietary funds have been set up in the Phoenix Financial System to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Fund Balances</b>				
535001 RESERVE FOR ENCUMBR	34,188.14-	11,753.63-	(22,434.51)	(190.9)
552001 FUND BAL-RESTRICTED	4,666,929.46-	7,806,414.48-	(3,139,485.02)	(40.2)
553001 FND BAL - UNRSTD DES	1,067,250.05-	1,255,274.85-	(188,024.80)	(15.0)
554001 FND BAL - UNRSTD-UND	70.00-		70.00	100.0
615001 ENCUMBRANCES	34,188.14	11,753.63	22,434.51	190.9
700000..999999 CY Fund Balance	36,283.56	3,327,439.82	(3,291,156.26)	(98.9)
<b>** Fund Balances</b>	<b>5,697,965.95-</b>	<b>5,734,249.51-</b>	<b>(36,283.56)</b>	<b>(0.6)</b>

#### Expenditures

* 999900 -PRIOR YEAR EXPENSE AD	0.00	(31,616.00)	31,616.00	100.0
** PRIOR YEAR ADJUSTMENT TOTAL	0.00	(31,616.00)	31,616.00	100.0

*** 701200 OPERATING TRANSFERS OU	173,090.71	126,085.70	47,005.01	37.3
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#### Revenues

836010 MODERNIZATION FUND	(73,631.28)	(97,574.94)	(23,943.66)	(24.5)
** 836000-MODERNIZATION FUND - R	(73,631.28)	(97,574.94)	(23,943.66)	(24.5)
837010 IMPRVMT FUND-REIMB	(86,464.01)	(85,060.39)	1,403.62	1.7
** 837000-IMPROVEMENT FUND - REI	(86,464.01)	(85,060.39)	1,403.62	1.7

831010 GF-AB2030 SVS PROCES	(21,818.29)	(31,057.68)	(9,239.39)	(29.7)
** 831000-GENERAL FUND - MOU/REI	(21,818.29)	(31,057.68)	(9,239.39)	(29.7)

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
832010 TCTF-MOU REIMBURSE	(163,714.61)	(162,774.00)	940.61	0.6
832011 TCTF-PGM 45.10-JURY	(151,818.80)	(185,640.00)	(33,821.20)	(18.2)
832012 TCTF-PGM 45.10-CAC	(1,085.00)	(410,300.00)	(409,215.00)	(99.7)
832013 TCTFPGM45.10-ELDR AB	(3,145.00)	(370.00)	2,775.00	750.0
832014 TCTF-PGM 45.10-OTHER	0.00	(51,655.00)	(51,655.00)	(100.0)
<b>** 832000-PROGRAM 45.10 - MOU/RE</b>	<b>(319,763.41)</b>	<b>(810,739.00)</b>	<b>(490,975.59)</b>	<b>(60.6)</b>
899910 PRIOR YEAR ADJ REV	15,457.02	(1,002.37)	(16,459.39)	(1642.0)
<b>** 890000-PRIOR YEAR REVENUE</b>	<b>15,457.02</b>	<b>(1,002.37)</b>	<b>(16,459.39)</b>	<b>(1642.0)</b>
<b>*** 701100 OPERATING TRANSFERS IN</b>	<b>(173,090.71)</b>	<b>(126,085.70)</b>	<b>47,005.01</b>	<b>37.3</b>

To determine whether the Court is properly accounting for its financial resources and expenditures in separate funds, we reviewed the trial balance of each fund at a high level and certain detailed transactions, if necessary. Specifically, we reviewed the special revenue funds established for the Court, including Small Claims Advisory, several grant funds, and other County services. The Court's general fund was reviewed as well.

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 issues to bring to management's attention in this section of the report. Additionally, there were no minor issues necessary to include in the Appendix A of this report.

#### 4. Accounting Practices

##### Background

The QFS (Quarterly Financial Statement) is a report prepared by the trial court according to Judicial Council requirements and Government Code Section 77206 that is used to monitor the financial condition and budgeted expenditures of the trial court throughout the fiscal year.

Funding from the State Trial Court Trust Fund, Trial Court Improvement Fund, Judicial Administration Efficiency and Modernization Fund, and reimbursable grants is reported under the TCTF Financing Sources section of the QFS.

We compared revenue journalized by the AOC for the FY 2008-09 and FY 2009-10 to the revenue reported by the trial court to determine that the QFS revenue reporting is in compliance with Procedure No. FIN 4.02 and 5.02 of the Trial Court Financial Policies and Procedures Manual.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Grants</b>				
838010 AB1058 GRANTS	(815,180.00)	(827,075.30)	(11,895.30)	(1.4)
838020 OTHER AOC GRANTS	(394,774.25)	(437,029.34)	(42,255.09)	(9.7)
<b>** 838000-AOC GRANTS - REIMBURSE</b>	<b>(1,209,954.25)</b>	<b>(1,264,104.64)</b>	<b>(54,150.39)</b>	<b>(4.3)</b>
839010 NON-AOC GRANTS	(28,963.74)	0.00	28,963.74	100.0
<b>** 839000-NON AOC GRANT-REIMB</b>	<b>(28,963.74)</b>	<b>0.00</b>	<b>28,963.74</b>	<b>100.0</b>

##### Assets

111000 CASH-OPERATIONS	1,182,137.53	527,633.94	654,503.59	55.4
111002 CASH OPS IN-TRANSIT				
111100 CASH-OPERS CLEARING	850,411.67-	269,287.68-	581,123.99	68.3
114000 CASH-REVOLVING	10,062.29		10,062.29	100.0
117000 CASH DISTRIBUTION	102,232.32	374,154.68	(271,922.36)	(266.0)
117002 CASH DIST IN TRANSIT				
117500 CASH CIVIL FILING FEES	577,816.15	588,773.82	(10,957.67)	(1.9)
117502 CASH CFF IN-TRANSIT				
118000 CASH-TRUST ACCOUNT	2,933,184.76	2,472,658.50	460,526.26	18.6
118002 CASH TRUST IN-TRANSIT	424.00		424.00	100.0
118100 CASH-TRUST CLEARING	66,568.11-	125,057.03-	(58,488.92)	(46.8)
119001 CASHONHAND-CHNGEFUND	7,600.00	7,600.00	0.00	0.0
119002 CASHONHAND-PETTYCASH	500.00		500.00	100.0
120001 CASH WITH COUNTY		38,099.14	(38,099.14)	(100.0)
122001 PAYROLL CLEARING				
<b>** Cash and Cash Equivalents</b>	<b>3,896,977.27</b>	<b>3,614,575.37</b>	<b>282,401.90</b>	<b>7.8</b>

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		

**Assets (continued)**

130001 A/R-ACCRUED REVENUE	20,221.75	25,940.70	(5,718.95)	(22.0)
131601 A/R EMPLOYEE	133.95		133.95	100.0
140001 A/R - DUE FM OTH FDS	594,684.49	738,820.29	(144,135.80)	(19.5)
150001 A/R - DUE FM OTH GOV	733,187.53	1,251,099.89	(517,912.36)	(41.4)
152000 A/R-DUE FROM STATE	462,153.84	264,520.57	197,633.27	74.7
<b>* Receivables</b>	<b>1,810,381.56</b>	<b>2,280,381.45</b>	<b>(469,999.89)</b>	<b>(20.6)</b>

172001 PREPAID EXPENSES	3,287.69	119,823.08	(116,535.39)	(97.3)
<b>* Prepaid Expenses</b>	<b>3,287.69</b>	<b>119,823.08</b>	<b>(116,535.39)</b>	<b>(97.3)</b>

**Liabilities**

301001 A/P - GENERAL	6,395.82	58,434.41	(52,038.59)	(89.1)
301002 A/P - GR/IR	18,327.80		18,327.80	100.0
311001 FUND/BA CLG ACCT				
311002 INTERFACE CLG ACCT				
311401 A/P - DUE OTH FUNDS	594,684.49	738,820.29	(144,135.80)	(19.5)
311403 INTEREST CONTROL				
321501 A/P DUE TO STATE	58,687.00	463,636.54	(404,949.54)	(87.3)
321600 A/P - TC145 LIABILITY	577,816.15	588,773.82	(10,957.67)	(1.9)
323001 A/P - SALES & USE TAX				
323002 BACKUP WH FEDERAL		67.48	(67.48)	(100.0)
323010 TREAS INTEREST PAY				
353050 AB145 DUE TO GOV AG	471,596.68	373,140.68	98,456.00	26.4
330001 A/P - ACCRUED LIAB	1,324,090.13	1,913,484.57	(589,394.44)	(30.8)
<b>** Accounts Payable / Accrued Liab</b>	<b>3,051,598.07</b>	<b>4,136,357.79</b>	<b>1,084,759.72</b>	<b>(26.2)</b>

**Revenues**

841010 SMALL CLAIMS ADVISORY	(13,398.37)	(15,192.30)	(1,793.93)	(11.8)
841015 OTHER COUNTY SERVICES	(16,113.00)	(16,113.00)	0.00	0.0
<b>** 840000-COUNTY PROGRAM - RESTR</b>	<b>(29,511.37)</b>	<b>(31,305.30)</b>	<b>(1,793.93)</b>	<b>(5.7)</b>
861010 CIVIL JURY REIMBURSE	(64,210.00)	(43,003.78)	21,206.22	49.3
861011 MISC REIMBURS	(3,025.35)	0.00	3,025.35	100.0
<b>** 860000-REIMBURSEMENTS - OTHER</b>	<b>(67,235.35)</b>	<b>(43,003.78)</b>	<b>24,231.57</b>	<b>56.3</b>

834010 PROGRAM45.45-CRT INT	(1,117,125.18)	(1,147,848.42)	(30,723.24)	(2.7)
<b>** 834000-PROGRAM 45.45 - REIMBU</b>	<b>(1,117,125.18)</b>	<b>(1,147,848.42)</b>	<b>(30,723.24)</b>	<b>(2.7)</b>
816110 OTHER STATE RECEIPTS	0.00	(150,357.00)	(150,357.00)	(100.0)
<b>** 816000-OTHER STATE RECEIPTS</b>	<b>0.00</b>	<b>(150,357.00)</b>	<b>(150,357.00)</b>	<b>(100.0)</b>

822102 NON-FEE REV 2	(13,096.47)	(131,751.60)	(118,655.13)	(90.1)
822104 NON-FEE REV 4	(640.00)	(6,124.32)	(5,484.32)	(89.5)
822120 CRC3.670f COURT CALL	(17,129.00)	(17,236.00)	(107.00)	(0.6)
<b>** 822000-LOCAL NON-FEES REVENUE</b>	<b>(30,865.47)</b>	<b>(155,111.92)</b>	<b>(124,246.45)</b>	<b>(80.1)</b>

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Revenues (Continued)</b>				
812110 TCTF-10-OPERATIONS	(28,831,666.94)	(30,071,499.75)	(1,239,832.81)	(4.1)
812140 TCTF-10-SMALL CLAIMS	(1,713.00)	(1,939.00)	(226.00)	(11.7)
812141 TCTF-10-ADM FEE NSF	(1,702.00)	(1,811.00)	(109.00)	(6.0)
812142 TCTF-10-ADM PRTL PMT	(853.00)	(1,168.00)	(315.00)	(27.0)
812144 TCTF-10-CLERK TRANSC	(21,216.00)	(29,804.00)	(8,588.00)	(28.8)
812145 TCTF-10-EXT CRT RPTR	(3,589.00)	(3,526.00)	63.00	1.8
812146 TCTF-10-COPY PREP	(54,539.00)	(63,550.00)	(9,011.00)	(14.2)
812148 TCTF-10-RCRDS SEARCH	(11,384.00)	(8,999.00)	2,385.00	26.5
812149 TCTF-10-OTHER	(8,602.00)	(7,170.00)	1,432.00	20.0
812150 TCTF-10-ESTATE SEARC	(300.00)	(15.00)	285.00	1900.0
812151 TCTF-10-VISIT-MEDIAT	(5,335.00)	(6,600.00)	(1,265.00)	(19.2)
812153 TCTF-10-GUARDIANSHIP	(1,582.00)	(1,500.00)	82.00	5.5
812154 TCTF-10-INFO PACKAGE	(782.00)	(1,232.00)	(450.00)	(36.5)
812155 TCTF-10-ASSESSMENT	(49,707.00)	(57,558.00)	(7,851.00)	(13.6)
812157 TCTF-10-WAITING ROOM	(76,849.54)	(69,939.00)	6,910.54	9.9
812158 TCTF-10-VISIT-FLF	(3,556.00)	(4,400.00)	(844.00)	(19.2)
812159 TCTF-10-CIVIL ASSESS	(1,173,786.80)	(1,037,551.77)	136,235.03	13.1
812160 TCTF-10-MICROGRAPHICS	(42,658.48)	(45,195.00)	(2,536.52)	(5.6)
<b>** 812100-TCTF - PGM 10 OPERATIO</b>	<b>(30,289,821.76)</b>	<b>(31,413,457.52)</b>	<b>(1,123,635.76)</b>	<b>(3.6)</b>
821121 LOCAL FEE 1	(2,863.40)	(5,366.60)	(2,503.20)	(46.6)
821122 LOCAL FEE 2	(1,642.45)	(1,336.00)	306.45	22.9
821123 LOCAL FEE 3	(164,470.93)	(201,781.92)	(37,310.99)	(18.5)
821126 LOCAL FEE 6	(1,005.00)	(270.00)	735.00	272.2
821127 LOCAL FEE 7	(790.00)	0.00	790.00	100.0
821161 FC3112 CUSTDY INVEST	(9,464.63)	(8,284.60)	1,180.03	14.2
821163 FC9002 STEP PARENT	(8,400.00)	(12,600.00)	(4,200.00)	(33.3)
821183 PC1463.22a INS CONV	(42,122.50)	(45,517.50)	(3,395.00)	(7.5)
821191 VC40508.6 DMV/PRIORS	(70,949.57)	(79,158.51)	(8,208.94)	(10.4)
821193 VC42006a NIGHT COURT	0.00	(18,946.25)	(18,946.25)	(100.0)
<b>** 821000-LOCAL FEES REVENUE</b>	<b>(301,708.48)</b>	<b>(373,261.38)</b>	<b>(71,552.90)</b>	<b>(19.2)</b>

There is one issue in this area that we consider significant enough to bring to management's attention in this report and it is reported below. There are no minor issues that have been identified.

#### 4.1 Grant Accounting and Administration Documentation and Reporting Enhancements Needed

##### Background

Grant funds awarded by government, business and other organizations may substantially benefit the trial court's ability to serve the public. At the same time, the acceptance of grant funds may also represent an area of risk to the court. This is because money received by the court through grants is provided for specific purposes and under conditions that apply to its use (FIN Policy No. 5.03, Section 6.1).

FIN No.5.04, 6.2 Grant Requirements states:

1. The uniform administrative rules for federal grants and cooperative agreements and sub-awards to state and local governments are established in Title 28, Part 66 of the Code of Federal Regulations (CFR).
2. Various grant programs (federal, state, local, private foundation, and corporate) may have other requirements associated with specific legislation or the rules of the grantor. The trial court is responsible for familiarizing itself and complying with the requirements of the grant agreements it enters into. Other requirements include:

#### FIN No. 5.04, 6.5 Reporting Requirements

1. The trial court is responsible for monitoring the day-to-day activities of grant-funded operations to assure compliance with federal, state, Judicial Council, and grantor-specific requirements and performance goals. The trial court must make periodic reports to the grantor regarding grant program performance and financial status.
2. In cases where the trial court is a sub recipient of a grant awarded to the Judicial Council, the trial court must submit reports to the AOC, which in turn reports to the grantor.

#### FIN No.5.04, 6.5.1 Performance Reporting

This section states the trial court may be required to submit performance reports related to grant funds as required by the terms of their grant agreements. For federal grants, the trial court shall submit annual performance reports unless the grantor requires quarterly or semiannual reports. Performance reports shall not be required more frequently than quarterly. Also, FIN No. 5.04, 6.5.2 Financial Reporting requires accurate, current and complete disclosure of the financial results of grant-related activities must be made according to the reporting requirements of each grant.

#### **Issues**

IAS obtained an understanding of the Court's grant accounting and administration procedures and noted several minor reporting and documentation discrepancies including:

1. The court has documented procedures instructions only for the Child Support Commissioner grant. These instructions are outdated and last updated in 2005.
2. We compared the detailed employee timesheets for the Child Support Commissioner grant for May and June 2010 to the program hours reported on the AOC Payroll Summary forms and determined that the Payroll Summary forms reported fewer actual program hours.
3. In 2011 we inquired with the JBSIS group at the AOC whether the Sonoma court was current with their JBSIS reporting and they advised that "Sonoma's last report were submitted in November 2010 but that they were still missing the Juvenile reports (08a – 09a) for that month."

#### **Recommendations**

The court shall:

1. Please review documented procedures for Child Support Commissioner Grant Accounting and revise where appropriate. Also, consider documenting grant accounting procedures for Family Law Facilitators and Drug Court grants.
2. Please ensure grant accounting payroll procedures results in accurate payroll reporting and,
3. Submit all Juvenile reports (08a-09a) for November 2010 to JBSIS as soon as possible.

**Superior Court Response By: Linda Walker Date: 4/15/11**

1. The Court will update and document procedures for the AB1058 grants and Drug Court grants and assure we are following the documented procedures.
2. The Court will continue to ensure that payroll timesheets reconciles to grant timesheets and will add an additional step requiring that copies of the payroll timesheet be attached to the grant timesheet so that supervisors/managers can verify the grant hours. This process will begin immediately.
3. The Court currently contracts with the County ISD Department for its case management system. Each month, the County is contracted to run the Court's JBSIS reports and submit final reports to the AOC. According to the Court's records, as well as the records of the County ISD Department, the finalized November 2010 Juvenile reports (08a-09a) were sent to the AOC on January 13, 2011. At the Court's request, the final reports were resent on March 29, 2011. The reports were returned with an error report stating that the reports already exist.

## 5. Cash Collections

### Background

TCFPPM Procedures No. FIN 10.01 and FIN 10.02 were established to provide uniform guidelines for trial court employees to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders. The court shall institute procedures and internal controls that assure the safe secure collection and prompt deposit, and accurate accounting of all payments.

The Court collects court-ordered payments at two locations. Legal Processing Clerks there use three different cash collection cash management systems including:

1. Civil, Family Law, Probate, Small Claims, records and Criminal all use the IJS UNIX system
2. Traffic uses the Minor Offense System (MOS) while
3. The Collections Unit uses the MOS system to account for traffic fees and fines in which the defendant has requested and been granted installment payments. These installment payments are placed in the County owned Columbia Business System (CUBS).

The table below presents balances from the court's general ledger system accounts that are associated with this section. A description of the areas and how they are reviewed are discussed below.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Assets</b>				
111000 CASH-OPERATIONS	1,182,137.53	527,633.94	654,503.59	55.4
111002 CASH OPS IN-TRANSIT				
111100 CASH-OPERS CLEARING	850,411.67	269,287.68	581,123.99	68.3
114000 CASH-REVOLVING	10,062.29		10,062.29	100.0
117000 CASH DISTRIBUTION	102,232.32	374,154.68	(271,922.36)	(266.0)
117002 CASH DIST IN TRANSIT				
117500 CASH CIVIL FILING FEES	577,816.15	588,773.82	(10,957.67)	(1.9)
117502 CASH CFF IN-TRANSIT				
118000 CASH-TRUST ACCOUNT	2,933,184.76	2,472,658.50	460,526.26	18.6
118002 CASH TRUST IN-TRANSIT	424.00		424.00	100.0
118100 CASH-TRUST CLEARING	66,568.11	125,057.03	(58,488.92)	(46.8)
119001 CASHONHAND-CHNGEFUND	7,600.00	7,600.00	0.00	0.0
119002 CASHONHAND-PETTYCASH	500.00		500.00	100.0
120001 CASH WITH COUNTY		38,099.14	(38,099.14)	(100.0)
122001 PAYROLL CLEARING				
<b>** Cash and Cash Equivalents</b>	<b>3,896,977.27</b>	<b>3,614,575.37</b>	<b>282,401.90</b>	<b>7.8</b>

### Expenditures

952599 CASHIER SHORTAGES	20.00	164.84	(144.84)	(87.9)
<b>* 952500 - CASH DIFFERENCES</b>	<b>20.00</b>	<b>164.84</b>	<b>(144.84)</b>	<b>(87.9)</b>

We performed our cash handling audit at both the Hall of Justice (civil, small claims, records, traffic and criminal units) as well as the new Family Courthouse (family law and probate) to assess the Court's cash handling controls and practices through observation, interviews with court Operations Managers and staff and subsequent analytical tests. Our review of cash handling controls and practices included but was not limited to:

- Beginning of the day opening procedures
- Daily cashiering practices including void and manual receipt transactions
- End-of-day closeout and reconciliation
- Bank Deposit preparation
- Segregation of cash handling duties
- Safe access, controls over keys and stamps, and security over court assets, and
- Physical and logical security of cashiering areas and systems.

We also reviewed a sample of monetary and non-monetary system transactions and validated that they were supported by receipts, case files and other court documentation. In contrast, we reviewed in detail the controls over manual receipts to ensure the existence of proper physical safeguards, the uses of manual receipts, and other requisite controls to periodically reconcile and account for these manual receipts.

The following two issues were considered significant enough to bring to management's attention. In addition there is one minor issue contained in the Appendix A.

## **5.1 The Court Did Not Properly Distribute Certain Collections in Accordance with Statutes and Guidelines**

### **Background**

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

The Court uses Minor Offense System (MOS) as its case management system (CMS) for traffic cases. However, MOS performs distribution of funds for both traffic and criminal accounts as it is interfaced with the Integrated Justice System (IJS), the Court's criminal, civil and juvenile CMS. It is capable of both base-up and top-down distribution methodologies and automatically performs all necessary distribution calculations with minimal manual intervention or calculations for month-end revenue reporting. The Court, however, is in the process of deploying a new traffic CMS because the county will cease support of MOS by June 2012 and the Court finds it infeasible to continue support on its own.

## Issues

To determine whether the Court distributed collections in accordance with applicable statutes and guidelines, we tested cases to review that the Court collected between January 1, 2009 and June 30, 2010. Our review focused on high-volume cases such as Speeding and Red Light and on cases with violations involving complex or special distributions such as Driving Under the Influence (DUI) and traffic school dispositions. Our review identified the following issues:

1. The Court did not correctly calculate PC §1465.7 – 20 Percent State surcharge. The surcharge as the Court does is not levied on the base fine used to calculate the penalty assessments but instead is calculated from the distributed base fine amount, which is already reduced by the 2 percent State Automation and/or 30 percent allocation for Red Light or Railroad violations. Thus, the 20 percent surcharge is understated.
2. The Court did not correctly assess and distribute the collections on all cases with traffic school dispositions as follows:
  - a. The total fine assessed for traffic school cases is overstated by \$1 due to the following distributions:
    - o Total VC §42007 distribution to the County (bucket #115) is overstated by \$2.
    - o GC §70372(a) - State Court Facilities Construction Fund (SCFCF) portion is understated by \$1.
  - b. SCFCF portion of GC 70372(a) is incorrectly calculated and does not reflect the proper \$3 for every 10 calculation. It appears the Court assessed \$5 for every 10 for the SCFCF portion and assessed \$2 for every 10 for the ICNA portion thus a total GC 70372(a) penalty assessment of \$7 for every 10 instead of \$5 for every 10.
  - c. GC §76104 - EMS penalty assessment is incorrectly calculated. Testing shows that the distributed amount is calculated using \$2 for every 10 instead of \$1 for every 10 as levied by board resolution no. 92-0127.
  - d. GC §76104.6 - DNA penalty assessment and GC §76104.7 - Additional DNA penalty assessment distribution are incorrect. They are distributed separately instead of being part of the VC 42007 traffic violator fee distribution to the County.
3. The Court did not correctly distribute the collections on specific cases with traffic school dispositions as follows:
  - a. For traffic school cases with Red Light violations, the Court did not distribute GC §76104 – EMS penalty and GC §76000.5 – Additional EMS penalty amounts in whole or 100 percent of the amount prior to 30 percent Red Light application. Instead, amounts distributed are after 30 percent is applied thus overstating the VC §42007 TVS fee remaining balance distribution to the County and the subsequent VC 42007 (77%) MOE reporting to the State.
  - b. For traffic school cases with city arrests, the Court did not apply 2 percent to the city portion of the base fine pursuant to VC §42007(c). Thus, distributions to the City are overstated while understating VC §42007 TVS fee remaining balance distribution to the County and the subsequent VC 42007 (77%) MOE reporting to the State.

- c. For traffic school cases with Child Seat violations or VC §27360 and VC §27360.5 violations, distribution followed a traffic school distribution instead of a regular bail forfeiture distribution pursuant to SCO guidance.
4. The Court did not correctly calculate 30 percent allocations on Red Light cases as follows:
    - a. For Red Light traffic school dispositions, the Court did not correctly apply the 30 percent allocation pursuant to VC §42007.3. The Court incorrectly applied 30 percent to the 20 percent surcharge.
    - b. For Red Light bail forfeiture or non-traffic school dispositions, the Court did not correctly apply the 30 percent allocation pursuant to PC §1463.11. The Court incorrectly applied 30 percent to GC §76000.5 – Additional EMS penalty, both DNA penalty assessments and 20 percent surcharge. Also, 2 percent state automation was not applied to the 30 percent allocated amount.
    - c. For Red Light violations with applicable priors, the Court did not apply 30 percent allocation on the \$10 priors base fine enhancement.
  5. The Court did not correctly address special distributions related to DUI violations, Testing showed that the base fine used to calculate penalty assessment is in excess of \$20, which is more likely caused by treating PC §1463.18 - DUI Indemnity of \$20 as a base fine enhancement rather than a required distribution out of the base fine collected. Thus, base fine and subsequent penalty assessments and surcharge distributions are overstated.
  6. The Court did not perform the special base fine distribution as required for the following violations:
    - a. For Unattended Child or VC §15620 violations, base fine distribution did not follow statute pursuant to VC §15630.
    - b. For Child Seat or VC §27360 or VC §27360.5 violations, existing special base fine distribution did not comply with statute pursuant to VC §27360 or VC §27360.5.
  7. The Court did not correctly assess PC §1465.8 - Court Security fee. Pursuant to SB 13 and effective 7/28/09, court security fee increased from \$20 to \$30 for every conviction. However, the Court assessed only \$20 not \$30 for test cases with conviction dates after 7/28/09.

### **Recommendations**

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

1. Modify the calculation of PC 1465.7 – 20 Percent Surcharge. The surcharge is based on the entire base fine amount or the amount used to calculate the penalty assessments and not on the net base fine distributed or the base fine after 2 percent automation and/or 30 percent red light allocation.

2. Ensure that it correctly calculates traffic school distributions for all applicable cases by doing the following:
  - a. Evaluate why the total fine for traffic school cases is overstated by \$1 if correcting the distribution of both the VC §42007 remaining balance to the County and the SCFCF portion of GC 70372(a) are insufficient.
  - b. Calculate the total GC §70372(a) penalty based on \$5 for every 10 whereby the SCFCF portion is \$3 for every 10 and the ICNA portion is \$2 for every 10.
  - c. Calculate GC §76104 - EMS penalty based on the current GC §76000(a) resolution levied, which is \$1 for every 10 per resolution no. 92-0127.
  - d. Include both DNA penalties in the VC §42007 remaining balance distribution to the County.
  
3. Ensure that it correctly calculates traffic school distributions for specific cases by doing the following:
  - a. For traffic school cases with Red Light violations, modify distribution logic to properly calculate 30 percent allocation but still ensure that GC §76104 – EMS penalty and GC §76000.5 – Additional EMS penalty amounts are distributed in whole or 100 percent of the amount prior to applying 30 percent. According to the SCO and pursuant to VC §42007.3(a)(2), the remaining balance of the TVS fee after allocating 30 percent shall be deposited pursuant to VC §42007. VC §42007(b)(2) states that amounts equal to what would have been collected pursuant to GC §76104 and GC §76000.5 shall be deposited with the County. This logic also applies to GC §70372(a) penalty assessment distributions pursuant to VC §42007(b)(3).
  - b. For traffic school cases with city arrests, apply 2 percent on the city portion of the base fine and ensure the 2 percent amount is redirected to the VC §42007 TVS fee remaining balance distribution to the County. According to the SCO Appendix C and pursuant to VC §42007(c), the amount deposited will be an equal amount of the city base fine pursuant to PC §1463.001(b), which is reduced by 2 percent via the GC§68090.8 – 2 percent state automation.
  - c. For traffic school cases with Child Seat violations or VC §27360 and VC §27360.5 violations, ensure distribution is the same regardless of disposition (e.g. traffic school or bail forfeiture). The only difference should be the assessment of VC 42007.1 traffic school fee of \$49 and other TS-related fees such as VC §11205.
  
4. Ensure that it correctly calculates 30 percent allocations on Red Light cases by doing the following:
  - a. For Red Light traffic school dispositions, do not apply 30 percent allocation on the 20 percent surcharge. According to the SCO Appendix C and pursuant to VC §42007.3, 30 percent is taken from the VC 42007 fee that includes the base fine and all penalty assessments only.
  - b. For Red Light bail forfeitures or non-traffic school dispositions, do not apply 30 percent red light allocation to GC §76000.5 – Additional EMS penalty, both DNA

penalties and 20 percent surcharge. According to the SCO Appendix C and pursuant to PC §1463.11, 30 percent is taken from the following distribution components only: base fine, PC §1464 penalty assessment, GC §76000 local penalty assessments, and GC §70372(a) moneys.

Also, apply 2 percent on the 30 percent allocation. According to GC §68090.8 (b), 2 percent is applied prior to any required distributions of fines, penalties and forfeitures. Thus, 30 percent should have been calculated from applicable distribution components that are net of 2 percent.

- c. For Red Light violations with applicable priors, apply 30 percent allocation on the \$10 priors base fine enhancement. Each allowable prior conviction enhances the base fine by \$10. Thus, the enhanced base fine is the basis for all necessary distribution calculations including the 30 percent allocation.
5. Ensure the base fine to be distributed is reduced by \$20 pursuant to PC §1463.18 - DUI Indemnity for DUI violations. This has no impact to the calculation of penalty assessments and surcharge because calculation is still based on the original base fine
  6. Ensure special base fine distributions for specific violations are performed either automatically by the CMS or manually at month-end.
    - a. For Unattended Child or VC §15620 violations, base fine distribution should follow VC §15630. Depending on the specifics of the arrest, the base fine is generally distributed into 3 distinct funds; 70 percent to the health department, 15 percent for program administration and 15 percent to the general fund.
    - b. For Child Seat violations or VC §27360 and VC §27360.5 violations, base fine distribution follows VC 27360 subdivision (e) or VC 27360.5 subdivision (d) respectively. Depending on the specifics of the arrest, the base fine is generally distributed into 3 distinct funds; 75 percent to the health department, 25 percent for program administration and 15 percent to the loaner program.
  7. Ensure the PC 1465.8 – Court security fee is assessed on every conviction and follows the current statute in effect.

**Superior Court Response By:** Linda Walker **Date:** June 3, 2011

1. We will review the current distribution in our current CMS and modify the 20% surcharge based on the entire base fine amount.
2. We will review all traffic school distributions cases to determine where the distributions are incorrect for 2a. through 2d. We will implement changes to our CMS where necessary.
3. For these specific and special distributions we will review the distributions in our current CMS and make any necessary changes. Any changes made will be based on audit recommendation 3a. through 3c. and per the State Controller's Office distribution tables Appendix C.
4. For Red Light violations, whether traffic school or non-traffic school applicable and whether priors are applicable, we will review the current CMS distribution and make sure we follow the State Controller's Office distribution table. We will ensure that the 30% allocations for these cases calculate correctly.

5. We will review the distribution for the \$20 DUI indemnity for DUI violations and make sure that the base fine is reduced by \$20.
6. We will review the current distributions for our special base fine distributions to find out where we lack compliance. We will be sure to follow the State Controller's Office Appendix C Table 2 for special fine distributions.
7. For any future changes to the security fee, we will try and make sure this fee is assessed on every conviction and as timely as possible.

The Court agrees that we need to improve the accuracy of our calculations and distributions. However, due to the antiquated case management and distribution system we currently have and support for our CMS ending in 2012, many of the changes needed may not be feasible for the Court to implement.

The Court is currently working on reviewing and implementing any changes that are feasible in our current CMS that are needed to correct the distributions per recommendations 1-7.

The Court is also currently in the process of implementing a new case management system. With this new case management system we are working closely with our vendor and will ensure to have correct distributions per audit recommendations 1-7 and per the State Controller's Office distribution tables.

## **5.2 UNIX Case Management System Control Concerns Relating to Approval of Voids**

### **Background**

The seventh edition of the FIN Policy No. 10.02, Cash Handling, § 6.3.8, Void Transactions states:

1. A supervisor must approve all voided transactions. Where possible, the security access levels to the trial court's case management system should be adjusted so that supervisory employees must approve a void before it takes effect in the system. The supervisor is responsible for reviewing and approving all voided transactions. The trial court will retain all void receipts, including the details of any re-receipting of the original voided transaction for the lesser of five years.
2. The trial court's case management system should keep an appropriate audit trail of voided transactions by showing both the original transactions entered into the case management system as well as the subtraction caused by the void. The original transactions entered into the case management system should not be deleted.
3. Once the daily close out process has been performed, the case management system should prevent payments included in the daily close out from being voided.

Internal Audit Services performed a review of void transactions in the IBM-Unix case management system (CMS) used by Civil, Appeals, Family Law, Records, Probate, and Criminal Divisions.

**Issues**

IAS identified numerous of internal control weaknesses relating to voids including:

1. Lack of supervisory approval of voids – Civil, Family Law and Appeals Division
  - a. Lack of timely supervisor approval - Criminal, Records and Probate Division supervisors/or manager acknowledged that they do not review and approve void transactions during the normal workday. Void transactions are reviewed at the end of the day only if a clerk is experiencing balancing difficulties.
2. Lack of an audit trail
  - a. The Civil, Family Law, Appeals and Probate Divisions – The entry of the new transaction deletes the original payment altogether.
  - b. The Civil, Family Law, Appeals and Probate Divisions – These units dispose of the original receipt after the transaction is voided and reposted to UNIX CMS.
  - c. The Civil, Family Law and Probate Division personnel stated that the CMS does not print a void transaction receipt.
  - d. The Civil, Family Law and Probate Divisions acknowledged that the CMS does not give the clerks an opportunity to enter an explanation for void transactions.
3. In addition, if the Accounting Division identifies a void transaction during the deposit process, they must generate a “super void transaction” and create a manual adjustment which reduces the deposit amount while minimizing segregation of duties issues.
4. Cashiers have to ask a co-worker to enter the co-worker’s user-id and password on the Void Receipt screen.

**Recommendations**

The court recognizes the limitations of its existing void transaction procedures used in the UNIX CMS for many of its Court divisions and is waiting for the Sustain eCourt CMS to address the computer-related control weaknesses. In the meantime, the Court must implement mitigating controls to:

1. Ensure and document supervisory approval of voided transactions.
2. Retain the original and void transaction receipts. The documentation should include why a void was necessary.
3. Reduce if not eliminate Accounting’s need to void transactions because of a lack of supervisory involvement in the void process thereby increasing the strength of the court’s segregation of duties.

**Superior Court Response By: Cindia Martinez****Date: 3/11/11**

As noted, our current case management system has limitations. We have developed the following process in the interim to keep us in compliance with FIN Policy No. 10.02, Cash Handling, § 6.3.8, Void Transactions: All voids will now be approved by the Supervisor/Lead or Manager. This should reduce Accounting’s need to void transactions from the various divisions. All voids will be entered into a void log, which will include void date, receipt number, original receipt date, amount, reason, original cashier initial, supervisor void initial, and reapplication receipt number and date. A copy of the original receipt will be kept with the void logs, which indicates it has been voided.

Corrective Action: By March 14, 2011 all divisions will be in compliance with this new procedure

### **5.3 Supervisors do not Review and Approve the End of Day Cash Balancing**

#### **Background**

The seventh edition of the FIN Procedure no.10.02, § 6.3.10, Daily Balancing and Closeout states in relevant part:

1. At the end of each workday, all cashiers must balance their own cash drawer or register. Cashiers may not leave the premises nor transact new business until daily balancing and closeout are complete.
2. Balancing and closeout include completing and signing the daily report; attaching a calculator tape for checks; turning in the report, money collected and change fund to the supervisor; and verifying the report with the supervisor.

#### **Issue**

No Court departments including: Civil, Traffic, Family Law, Records, Probate, and Criminal obtain supervisor review and approval for daily closeout and balancing except when cashiers do not balance.

#### **Recommendation**

Currently, Court cashiers are complying with procedure step 1 of FIN Policy No. 10.02, § 6.3.10 but they also need to comply with procedure step 2, specifically:

- Supervisors review and approve the collection report in the presence of the cashier.

#### **Superior Court Response By: Cindia Martinez**

**Date: 3/11/11**

FIN Procedure No. 10.02, § 6.3.10 indicates that staff should turn in the daily balancing report and verify the report with the supervisor. Our Court believes it is complying with this section. Cashiering staff close out their cash drawers and balance it to the computerized report daily. Our process utilizes a reverse verification process in that all daily reports that are balanced are put in the vault overnight and the Fiscal department retrieves them the following day. At that time Fiscal re-verifies all cash drawers as they complete the daily deposit. If a cashier does not balance their cash drawer, the division supervisor works with the employee to resolve the discrepancy until the cash drawer is balanced to the computerized report. Adding a step requiring all of our court cashiers to re-verify that they have balanced with the supervisor at the end of the day would result in increased overtime and a loss of other supervisory duties as a result of the number of cashiers our court has. Since our Fiscal Division recounts the money and reconciles the daily cash this serves as a double check for our daily process. Daily, any cash drawer exceptions that do not balance are immediately brought to the supervisor's attention, with the remaining cash drawers recorded as balanced.

Date of Corrective Action: We believe we are already in compliance with this section.

Responsible Person(s): Court Supervisors and Fiscal staff are currently responsible for this process.

**Internal Audit Services Response:**

FIN 10.02 6.3.10 paragraph 3 presumes the monies will be recounted by whomever prepares the deposit. While seemingly redundant with the next procedure, the supervisor verification required in paragraph 2 provides an independent check of the monies *before* the monies are transferred from the custody of the operations division to the fiscal division. Blind balancing such as that designed into the soon to be released California Court Case Management System (CCMS) is an acceptable alternative but the Court's current process is not blind balancing and increases the Court's risk. The Court has been advised to submit a request for an alternative procedure pursuant to FIN 1.01 § 6.4 paragraph 4.

**5.4 Cash-in-Mail is Not Logged or Processed Timely, And Not Secured Overnight**

**Background**

FIN Procedure No. 10.02, § 6.4, Payments Received through the Mail states in relevant parts:

1. Checks and money orders received through the mail should be processed (i.e., including restrictedly endorsed) entered into the court's receipting system and deposited to the appropriate bank on the day they are received. Any exceptions are to be brought to the attention of a supervisor, placed under dual control, and processed as soon as practicable. Money received through the mail will be deposited and entered in the court's cashiering system on the day received.
3. To provide for the strongest oversight and monitoring of payment received through the mail, the preferred method for processing payments received through the mail is as follows:
  - a. Checks and money orders received through the mail should be listed on a Payments Receipts Log sheet.
  - g. Any payment that cannot be processed will be attached to the Payments Receipts Log sheet and appropriately safeguarded until the payment can be processed.

**Issues**

During our review of cash handling we noted the following mail payment exceptions observed in the Civil, Probate, and Family Law divisions:

1. The aforementioned departments do not maintain a log of mail payments.
2. In addition, the departments do not process all mail payments on the same day received.
  - a. On 9-16-10September 16, 2010, auditors identified one cashier had 14 unprocessed cash-in-mail payments of which the oldest was dated 9-8-2010. Our review of a second cashier noted another four unprocessed mail payments of which the oldest payment was dated 9-3-2010.

- b. The Probate cashier had eight unprocessed Request For Estate Search forms that had a check attached. Five were received by the court on 9-7-2010 (5 days); two were received by the court on 9-3-2010 (6 days); and one was received by the court on 9-2-2010 (7 days). The division secretary was also assisting the LPCs process research requests.
3. Finally, the departments did not properly secure or safeguard the unprocessed payments.
  - a. The Civil, Department retains unprocessed checks at a clerk's desk or at a central location within that division overnight; the Probate Department leaves unprocessed mail payments on their cashier's desk overnight and, the Family Law Department had unprocessed mail payments that were on the clerk's desk, too.

### **Recommendations**

The court needs to comply with FIN 10.02 § 6.4 when processing cash in mail, including:

1. Logging in all cash in mail payments.
2. Processing all cash in mail payments the same day.
3. If they cannot be processed that day, attached to the Cash in Mail Payment Log and retained in a secure location until the payment can be processed.

### **Superior Court Response By: Cindia Martinez Date: 3/9/11**

Our Court is partially able to comply with FIN 10.02§ 6.4. We agree with the recommendations, generally, except we are unable to comply with Recommendation # 1 and can only partially comply with Recommendation #3. Sonoma Superior Court endeavors to process all payments received the same day. In the event that it is not possible due to volume of payments and/or lack of resources, each Court Division will provide a secure, locked cabinet or location in which unprocessed payments can be safely stored until the payment can be processed. The key to this cabinet will be held by appropriate staff and a manager or supervisor. Due to high volume of payments in some divisions and current staffing limitations, logging in of payments received would be too difficult and time consuming to do efficiently or effectively, therefore, payments are to be bundled and labeled, including the date and name of the cashier, and locked up overnight in lieu of tracking them on a log sheet.

Date of Corrective Action: March 14, 2011

## **5.5 Controls over Payments Received in the Courtroom Need Improvement**

### **Background**

Courts may accept money (checks and money orders) in the courtroom. However, when payments are accepted in the courtroom, the same internal controls including policies and procedures which apply to payments accepted at a cashier window apply to payments taken in the courtroom. For example:

FIN Procedure No. 10.02, § 6.3.7, Receipts, states:

1. All payments to the trial court must be acknowledged by a unique sequentially numbered receipt. Receipts issued by the trial court should provide information sufficient to create an adequate audit trail that ensures proper distribution of the monies received including:
  - a. Unique Receipt number.
  - b. Date of payment.
  - c. Case number.
  - d. Amount received.
2. The trial court shall keep a record of all receipts issued. A receipt is deemed to be cancelled if a payment made by check, money order, credit card, or debit card is dishonored.
3. Periodically monitor receipt sequence numbers to identify gaps and assure that all receipts are accounted for.

During our review of court cash handling practices we were advised that money is accepted in the courtroom in the Civil and Family Law Divisions. Prior audits throughout the State have discussed that accepting money in the courtroom is not commonly performed. We inquired further and determined the courtroom clerks including (i.e. Civil, Probate and Family Law) accept cash, check, or money order payments in the courtroom. Courtroom clerks are not entering a notation in the Register of Action that a payment has been accepted in the courtroom and these payments are sent to the civil clerk's office for posting to CMS. These payments include jury fees, ex parte fees, and/or court reporter fees.

### **Issues**

During our review of court cash handling practices we noted that:

1. Courtroom clerks are not entering a notation in the Register of Action that a payment has been accepted in the courtroom and these payments are sent to the civil clerk's office for posting to CMS. These payments include jury fees, ex parte fees, and/or court reporter fees.
2. Manual receipts are not always given to those submitting payment in the courtroom and CMS receipts are only mailed to the client, if requested.

### **Recommendations**

The court needs to acknowledge and account for all money received in the courtroom by court clerks. The court, among other controls:

1. Must provide the customer with either a computer generated receipt or a manual receipt that includes the following information; a receipt number, the date of payment, the case number, the amount received and signature of the courtroom clerk receiving the money.
2. Confirm that the manual receipt was entered into the CMS and follow-up to completion if it was not posted to the CMS.
3. Periodically monitor the receipt sequence numbers to identify gaps and assure that all receipts are accounted for.

**Superior Court Response By: Cindia Martinez**

**Date: 3/10/11**

The Court will be able to comply with Fin. No. 10.02, § 6.3.7, by providing either a printed copy of the transaction through the case management system which will indicate the date of the payment, the case number, amount received and signature of the courtroom clerk, or by a manual

receipt which will also include all the pertinent information. At the end of each day the clerk “closes” their cash drawer, prints a copy of the daily receipts and attaches this log to the payments which is then forwarded to the vault for the next day’s processing. The courtroom clerk’s process will include entering the payment in the court register of actions. In the event that the case management system is down a manual receipt will be produced. Manual receipt books are issued to staff and will be available for use when the computer system is not available. The courtroom clerk will issue a signed manual receipt to the customer that includes the dollar amount received, date of payment, case number, and the type of action the payment is for. The supervisor will periodically inspect the manual receipt books to assure that all receipts are accounted for and that there are no gaps in the numerical sequence. If a manual receipt is issued to a customer, the courtroom clerk will post the information to the case management system as soon as the system becomes available.

Date of Corrective Action: The new procedure takes effective March 1, 2011

## **5.6 Combination to Vault Not Changed and other Security Enhancements Needed**

### **Background**

The seventh edition of the FIN Manual Procedure No. 10.02, Cash Handling Procedure No. § 6.1.1, discusses the use of safes and vaults and states:

1. The preferred method for securing Change Funds, unprocessed payments or other valuable documents when not in use is to house them in a safe or vault. During the day, collections shall be secured in a lockable cash drawer.
2. Safes that are moveable should be attached to the courthouse using a method that would prevent easy removal.
3. When using safes and vaults, the following procedures must be followed:
  - a. The combination will be distributed to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.
  - b. The combination should be memorized by trial court employees and should not be kept in legible form. If it should be necessary to maintain the combination in legible form, it should not be kept in any written or electronic document that identifies it as the combination to the safe and should be maintained in a secure location not visible or accessible to anyone else. Only the Court Executive Officer or the Court Executive Officer’s designee(s) are approved to maintain the combination to the safe in legible form that identifies it as such.
  - c. The combination will not be an easily guessable number like birthdays or dates of employment of trial court employees.
  - d. A record will be kept showing:
    - i. The date the combination was changed last and
    - ii. The names of persons knowing the present combination.
  - e. The combination should be changed when:
    - i. It becomes known to an excessive number of trial court employees.
    - ii. Any trial court employees having knowledge of the combination

leaves the employ of the trial court.

- iii. If any trial court employee no longer requires the combination in the performance of his or her duties, or
- iv. On a periodic basis defined by the trial court.

The seventh edition of the FIN Manual Procedure No. 1.03, Internal Controls discusses one methodology when safeguarding assets and that is to limit access while controlling the use of those assets and their records.

### **Issues**

During our review of cash handling, the auditors observed the opening of the vault and disbursement of starting cash to court operations personnel and identified these exceptions including:

1. The auditors identified the following vault security issues including:
  - a. The vault door is left open all day.
    - i. On the afternoon of 9-16-2010, we inventoried the metal boxes and bank bags in the vault and counted 12 metal boxes and 4 bank bags. Each contained beginning cash funds between \$50 and \$150 and are accessible to anyone who walks by or into the vault and,
  - b. The cash is not stored separately and securely from non-financial assets such as exhibits and old probate wills.
2. Accounting personnel didn't know when the combination to the vault was last changed and some of them have been at the court for eight years.

### **Recommendations**

The Court needs to:

1. Reevaluate leaving the vault door open during business hours while immediately securing the metal boxes and bank bags and establishing a court policy to limit access to vault to only authorized court employees.
2. Comply with FIN Manual Procedure No. 10.02, § 6.1.1, Use of Safes and Vaults, and change the combination on regular periodic intervals.

### **Superior Court Response By: Cindia Martinez Date: 3/10/11**

The Court will comply with FIN Manual Procedures No. 10.02, § 6.1.1, and has defined a written procedure for changing the vault(s) combinations. The combination changes will be logged and stored electronically, including names of court staff that have the current combination. Both vault combinations were changed 3/1/11 and beginning March 14, 2011 the Fiscal vault will be open from 7:45 a.m. to 9:00 a.m. and 4:00 p.m. to 5:00 p.m. This restricted time will allow court employees' access to their cash drawers at required times of the day. The rest of the day the vault will be closed and locked. Employees who do not work the full day and need to turn in their cash box outside the parameters of the vault opening should turnover their cash boxes to the Supervisor/Lead or Manager for safe keeping until the vault is opened.

Date of Corrective Action: The vault combinations were changed 3/1/11 and beginning 3/14/11 the Fiscal vault will have restricted opening times.

## **5.7 Beginning Cash Verification was not Always Performed and a Location's Change Fund could be reduced to Reduce Risk**

### **Background**

The FIN Manual Procedure No.10.02, § 6.3.2, Beginning Daily Balance states:

At the beginning of each day, cashiers receive a nominal amount of money (e.g., \$30 in currency and coin) to enable them to return change on cash transactions. Trial Courts should require Cashiers to secure these funds in individually locked drawers or bags. Cashiers must verify receipt of their beginning cash funds with their supervisor, evidenced in a log signed by the Cashier and supervisor for each such receipt. Any beginning cash drawer/bag cash discrepancies (i.e., bag does not contain \$30) must be resolved before the cashier starts his or her daily cash collection duties.

IAS reviewed the Court's cash handling procedures and noted that some Court divisions need more cash than others because they process more cash transactions. Cash has an inherent high risk of theft and one best practice to reduce this risk is to reduce the amount of cash in those locations where cash transaction volumes and amounts are low.

### **Issues**

Our cash handling reviews in various operational divisions with starting cash disclosed the following issues:

1. No Supervisory Verification of the Beginning Cash
  - a. The Family Law cashiers do not verify their beginning cash funds in the presence of the supervisor.
  - b. The two Probate cashiers retrieve their cash funds from the safe in the morning. They verify their funds and initial the Cashier Start Cash Verification Sheet. However, they do not verify their beginning cash funds in the presence of the Manager.
  - c. The Appeals clerks, after retrieving their beginning cash funds from the vault, take their cash funds to their desks and count their monies there. They do not verify their cash funds in the presence of the supervisor. In addition, they do not acknowledge verification of their cash funds on a Cashier Start Cash Verification Sheet similar to that used in Civil.
2. The two Appeals clerks each have a \$150 beginning cash fund. The auditor asked the Appeals supervisor if the clerks really needed these change funds because they do not have a public window. She advised the auditor that the clerks should have the cash funds because they are also backup cashiers for Records. She did agree, however, that the amount of the funds could be reduced to \$50.

### **Recommendations**

Daily, all Court cashiers should start with a nominal amount of cash to make change for their customers. However:

1. Court supervisors must verify the beginning cash amount and document the verification by completing the Cashier Start Cash Verification Sheet.
2. The Accounting Division working with the Appeals supervisor should re-evaluate whether or not there is a business need to have the cashier's beginning cash at \$150.

**Superior Court Response By: Cindia Martinez Date: 3/11/11**

Our Court will comply with FIN Manual Procedure No.10.02, § 6.3.2, by having all court cashiers count, verify and sign a daily verification sheet. Cashiers will provide the sheet to their supervisor affirming they have verified their cash opening balances to approved start amounts. The supervisor will sign off that the cash has been verified. In reading this financial policy it does not indicate that the cashiers must verify the cash in front of their supervisor, rather it indicates they must verify their receipt of such cash in a log, signed by both for receipt of said daily start cash. If supervisors had to observe each employee recount their start cash, we would incur overtime and loss of supervisor time, as staff would have to arrive much earlier in order to be ready for the public at 8:00. For some divisions it would take the supervisor an hour or more in the morning to recount all cashiers cash, due to the volume of staff. Since staff are balanced out the night before and the cash bags are locked in the vault, there should be no change of environment that would alter these daily start balances.

After evaluation of the Appeals' cashier start cash of \$150 it was determined that they no longer need to maintain start cash so this has been adjusted.

Date of Corrective Action: March 11, 2011

## **5.8 Judge's Signature Stamps Not Always Secured**

### **Background**

In practice, a signature impressed by a stamp upon official documents is accepted as carrying the same weight or value as a person's original signature. As a result, such stamps should be safeguarded in a similar manner as other valued assets. Specifically, signature stamps must be properly controlled to protect them from misuse.

The FIN Manual in Procedure No. 1.03, § 6.3.3, Control Activities states in relevant part:

1. In implementing appropriate controls, courts must incorporate internal control concepts in establishing policies and procedures that help ensure that management directives are carried out. Control activities can be categorized as the establishment, preparation, completion or performance include but are not limited to:
  5. Proper Authorization and Documentation
    - a. The court must establish a system of authorization to provide effective management control over its assets, liabilities, revenues and expenditures. The

specific levels and scope of authority of executives, managers, supervisors, and staff, with dollar limits where appropriate, must be established and documented. That documentation will be provided to applicable court, county, and accounting service provider personnel, and to the AOC, for reference.

- b. When processing transactions, evidence of authorization must be maintained in the accounting files to document that:
  - i. Proper authorizations are obtained.
  - ii. Authorizations are issued by court employees acting within the scope of their authority.
  - iii. Transactions conform to the terms of the authorizations.

#### 7. Safeguarding

The court must limit access to its assets to authorized personnel who require these assets to perform their assigned duties. Access includes both direct physical access and indirect access such as preparing and processing documents authorizing transactions that impact court resources.

### Issues

During the review of judge's stamps in the Civil, Probate and Family Law Divisions we noted the following exceptions including:

1. Civil, does not perform a secondary review of documents of the judge's signature stamp when it is used.
2. Civil retains judge's signature stamps in the employee's private work area; they are not secured overnight.
3. Probate, signature stamps are not secured overnight and left on the Probate clerk's desk.
4. The Family Law Division signature stamps were not secured properly overnight.

### Recommendations

The Court should perform on a sample basis surprise inspections to:

1. Ascertain that Court personnel are acting within the scope of their authority and,
2. Promote proper safeguarding of the stamp(s).

### Superior Court Response By: **Cindia Martinez** Date: **3/10/11**

Pursuant to FIN Manual Procedure No. 1.03, § 6.3.3, the Court will comply with ensuring the proper safeguarding of the signature stamps. Stamps will be stored in a locked, secure cabinet or location when not in use, including at the end of each day for overnight storage. The keys for the storage units will be held by each staff person and by the manager or supervisor of the division. Supervisors will ensure that Court staff are acting within the scope of their authority in utilizing the stamps for legitimate court business through ongoing performance reviews of staff work. Due to the sheer volume of incoming documents that are stamped, a secondary review would delay access to justice for litigants and further reduce the Court's ability to meet standard case processing times. The Court will however perform spot checks.

Date of Corrective Action: This process will be implemented no later than March 31, 2011, which allows for time to procure keys and cabinets to implement this new process.

## **5.9 Control and Monitoring of Unused Manual Receipt Book Needs Strengthening**

### **Background**

Pursuant to FIN Procedure 10.02 § 6.3.9, manual receipt books are to be used when the computer system is unavailable (system down time). As proof of payment which may not be recorded elsewhere such as in the court case management system, manual receipts have an inherent risk of abuse and thus need to be well controlled.

The Court's Accounting Department maintains a log of all manual receipts books and who they were issued to and the date. This log also captures any returned books and who and when they were re-issued to. Overall, we noted that usage of these books was very low, which appears reasonable since we were able to confirm that the Court down-time (CMS not available) was low.

While all divisions issue manual receipt books to division supervisors and are initially used should the CMS go down, they are used for a second purpose. This second purpose is to manually account for the collection of traffic school fees received by collection agents for CTS when it's representative is not available to collect these fees due to; lunch, breaks, sickness or any other time they are not available.

### **Issue**

During our review of manual receipt books, the auditor was advised by the new Supervisor-Criminal Division that she had two manual receipt books at her desk. After receiving these books and determining that there had been no manual receipt book usage he was advised that both books had never been used. The auditor inquired why they had not been used and was informed by the Criminal supervisor that this division has not issued a manual receipt in many years. He then asked the criminal supervisor why she needed two manual receipt books if there is no usage. The supervisor noted that she thought she would need the book and that is why she brought it from the Probate Division.

A few days later, the auditor was advised that the new supervisor in the Probate division had just ordered a new manual receipts book.

### **Recommendation**

The Court needs to remind supervisors that the Court's manual receipt book policy is to:

1. Return all unused manual receipt books to Accounting for re-stocking.
2. Accounting should re-issue manual receipt books returned to them prior to issuing new books.
3. Annually review the manual receipts books that go outstanding and unused for two years and request their return and redeployment.

**Superior Court Response By: Cindia Martinez Date: 3/10/11**

Pursuant to FIN Procedure 10.02 § 6.3.9, the Court will continue to require departments to return all unused receipt books back to the Fiscal Department. An email reminder of the current policy will be sent to all managers and supervisors by March 15, 2011. This will include reminding court staff that partial unused books should also be returned, and that Fiscal will re-issue these partially used receipt books before issuing new receipt books. Fiscal will additionally review once a year in January, whether a continued need exists for each division to maintain a manual receipt book and if not, require their return, if not utilized in the past two years.

Date of Corrective Action: The e-mail communication reminding staff of this policy will be sent to court managers and supervisors by March 15, 2011.

## 6. Information Systems

### Background

The Sonoma Court uses a combination of Court and County IT staff to support its Information Technology operations. The court's IT staff is comprised of one position, however the court is in the process of recruiting for two court information technicians. This unit supports the network environment that provides email services internally and research services to the public. In addition, the County's IT Department provides support for the court's two case management systems: (MOS and IJS case management system). IJS is a twenty-year old system that is scheduled for replacement by V2 or CCMS in 2012.

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures</b>				
943202 IT MAINT - HARDWARE	55,265.91	61,100.06	(5,834.15)	(9.5)
943203 IT MAINT - SOFTWARE	53,050.98	24,549.90	28,501.08	116.1
* 943200 - IT MAINTENANCE	108,316.89	85,649.96	22,666.93	26.5
943301 IT COMMERCIAL CONTR	39,314.49	196,243.50	(156,929.01)	(80.0)
* 943300 - IT COMMERCIAL CONTRA	39,314.49	196,243.50	(156,929.01)	(80.0)
943401 IT INTERJURISD CNTRT	7,726.76	6,690.68	1,036.08	15.5
* 943400 - IT INTER-JURISDICTION	7,726.76	6,690.68	1,036.08	15.5

We reviewed various IS controls through interviews with Court IS managers and system technicians, 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 Criminal Offender Record Information (CORI) records via the Department of Motor Vehicles (DMV) and the California Law Enforcement Telecommunications System (CLETS).
- Calculation and distribution of fees, fines, penalties, and assessments for a sample of criminal and traffic convictions.

The following two issues were considered significant enough to bring to management's attention. There are no minor issues that have been identified.

## 6.1 The Court's Procedures for Monitoring and Controlling Access to DMV Information Needs Enhancement

### Background

The California Department of Motor Vehicles (DMV) and the Courts enter into an On-Line Access MOU to provide inquiry and update access to DMV information. Specifically, these MOUs provide court users on-line inquiry access to DMV's Automated Name Index System and remote update capabilities to Vehicle Registration and Driver License files. DMV requires the Court to agree to certain conditions to control and monitor access to sensitive and confidential DMV information including:

- Maintain a current list of individuals who are authorized to access DMV files.
- Allow audits or inspections by DMV authorized employees at court premises for purposes of determining compliance with the terms of the MOU.
- Establish security procedures to protect DMV access information, including ensuring that each employee having access to DMV records sign an individual security statement that 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. DMV has informed us that it has allowed manual logging since some agencies are unable to log electronically.

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

### Issues

IAS contacted personnel at the AOC's Information Services Division (ISD) and ISD confirmed that there is an AOC-DMV MOU that provides access to the DMV systems via the California Courts Technology Center (CCTC). ISD also advised us that each court must still execute its own MOU with the DMV. Later, IAS met with Court personnel and determined:

- The court does not have a MOU with the DMV, instead it accesses DMV records through the County.

Our review of Court DMV forms and records (Form 1128) noted some exceptions including:

- Four court employees have a Form 1128 in file but are not included on the DMV User Id list.
- One employee is included on the DMV User Id list but does not have a completed Form 1128.
- Seven employees with DMV online inquiry access but do not have a Form 1128 in file.

Finally, one Traffic case reviewed contained a “Failure to Pay” action. At that time, the Court placed a DMV hold on the driver’s license. The defendant then requested and was granted the ability to make installment payments. When the case went to installment payments the Court released the “Failure to Pay” DMV hold on the driver’s license. However, pursuant to VC § 40509(b) or VC § 40509.5(b), fines must be paid in full prior to the releasing the DMV hold on a defendant’s driver’s license. In addition, since the DMV computer system only allows one hold per violation, if the defendant falls behind again, the court will NOT be able to reinstitute the hold, one of the incentives to complete the sentence.

### **Recommendations**

The court shall:

1. Obtain an executed agreement with DMV and retain it in its files.
2. Perform an annual reconciliation to ensure the court is maintaining a current list of individuals authorized to access DMV while ensuring that those authorized to access DMV records have signed the annual DMV individual security agreement.
3. Annually remind court employees that no defendant holds on their driver’s licenses shall be removed until all fees and fines are paid in full.

**Superior Court Response By: Christine Gentry Date: 4/29/11**

#### **Recommendation One**

The Court agrees with the recommendation and will execute an agreement with the DMV and will retain a copy of the agreement. The court is in the process of converting to a new Traffic Case Management System and this agreement will be executed as part of the conversion process.

#### **Recommendation Two**

The Court agrees with the recommendation and will continue to perform an annual reconciliation to ensure that the current DMV access list is accurate and reflective of current users. The Court also annually will ensure that all staff that have DMV access annually sign the DMV security agreement.

#### **Recommendation Three**

Regarding Failure to Pay holds, all holds removed prior to full payment of the fine are only removed by employees after receiving a court order to remove the hold. Employees must fulfill all orders of the Court. These orders may include release of a failure to pay hold prior to payment of the fine. All employees are aware of this requirement and will continue to be reminded several times per year and during all subject related training sessions.

## **6.2 IT Preparedness and Contingency Planning and Physical and Logical Safeguards over IT Assets Need Improvement**

### **Background**

Information technology (IT) is critical to business processes and promotes operational efficiency within the trial court. Therefore, IT management and subsequent technology decisions should be compatible with the trial court’s overall technology plan and more importantly, with the judicial

branch's strategic technology initiatives. To achieve this core business requirement, strong IT controls must be implemented and instilled in the trial court's business environment. Though IT control policies and procedures are yet to be developed in the FIN Manual, best practices exist in order to confront the growing need for IT controls.

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

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

### **Issues**

The Court's current case management systems (CMS) reside at the county data center. The Integrated Justice System (IJS) is a newer county system that includes criminal, civil and juvenile CMS modules. However, the County plans to retire and cease support on its antiquated IBM mainframe which is loaded with many county applications including the Minor Offense System (MOS), the Court's traffic CMS. The County committed to support MOS until June 2012. The Court requested an AOC assessment to obtain options regarding this matter. In July 2010, the AOC recommended continuing using MOS and determined that the best options were to: support it by using an outside vendor or, to have the Court support it. The Court has determined that staying with MOS is not feasible and will more than likely implement a new traffic CMS and is considering several options including: Sustain, CCMS V2 and TCMS by SoftSol. As of this date, the Court has not made a final decision.

In addition, the Court is in the process of building a new courthouse to replace the Hall of Justice (HOJ) that includes allocated space for a new data center. The combination of a new data center and a new traffic system are major IT-related projects. Both these projects coupled with our evaluation of the Court's computing environment heighten the significance of the lack of IT control issues noted below including:

1. The Court lacks a formalized and comprehensive IT contingency plan. It does not have its own business continuity plan (BCP) and disaster recovery plan (DRP) for its network resources and relies exclusively on the County's BCP and DRP for its CMS's. Furthermore, the Court is unaware if the existing county BCP and DRP are aligned with the Court's needs. Finally, the Court has not developed its own continuity of operations plan (COOP) as is offered by the AOC that provides a Court-wide emergency preparedness framework.
2. The Court lacks formalized and comprehensive IT policies and procedures. The Court's logical security control procedures for its network are outdated and are not properly documented such as, password management and virus protection. Moreover, the Court does not have any existing procedures for user account management for its regular users, privileged users (i.e. administrator) and special users (i.e. temporary/generic accounts)
3. Network logical security controls are inadequate to ensure unauthorized access is mitigated and appropriate access levels are assigned including:
  - a. User accounts are manually disabled after a period of inactivity but the review of user activity to perform this control is not done periodically (e.g. monthly or quarterly) and, a non-active user may continue have network access.
  - b. Concurrent logins are not limited and users can sign-on to multiple computers at the same time.
  - c. There is no formal management approval process when creating system level accounts or administrator accounts.
  - d. Management does not review privileged user or administrator rights on a regular basis.
4. Physical Security controls in the Court's computer room which houses its network servers and other sensitive computer equipment are inadequate. Flood sensors are installed and managed by the County but the Court is not aware of whether they are operational.

### **Recommendations**

The Court needs to finalize its new traffic CMS to coincide with the construction and implementation of its new court data center at the new courthouse while implementing major IT controls that at a minimum include the following:

1. The Court should ensure that a comprehensive IT contingency plan which includes both a detailed BCP and DRP. The contingency plan should be developed in conjunction with the COOP to align and to properly support the strategic goals of the Judicial Council and branch wide efforts to ensure business continuity. All three plans together with other emergency preparedness plans fall under the umbrella of IT Contingency Planning as documented in *NIST Special Publication 800-34* section 2-2.
2. The Court should prepare and document its IT security policies and procedures in a manual that includes pertinent logical security controls that include but are not limited to; comprehensive passwords, user account management policies, virus protection management policies, and granular controls for each policy area. Comprehensive IT policies and procedures provide enhanced training while transferring knowledge to end-users and system administration staff. It also promotes consistent and streamlined enforcement of policies and procedures across different critical systems (e.g. network and CMS).

As a baseline, the Court should refer to the access control, awareness and training, identification and authentication, configuration and maintenance security controls in the *NIST Special Publication 800-53 Appendix F*.

3. The Court should strengthen its logical security controls by consistently enforcing the following:
  - a. Periodically, review user activity to ensure non-active user accounts are timely disabled. This manual control should also be documented.
  - b. Determine the need for concurrent logins. If necessary, limit the capability to select users to minimize the likelihood of unauthorized access.
  - c. Implement and document a formal approval process in creating system administrator accounts to mitigate creation of "shadow" accounts with administrator functions.
  - d. Periodically review administrator rights assigned to ensure they are still suitable for the functions of each administrator and especially if systems are upgraded and/or should the organization undergo restructuring.
4. The Court should periodically test and document test results of existing environment equipment controls including flood alarms to ensure functionality. When possible, install a more sophisticated fire suppression system that includes a gas-based suppression system such as FM-200.

**Superior Court Response By:** Tom Ferriola

**Date:** 6/3/11

1. We agree this could be improved. The Court is currently in transition and will have a new IT Director by the end of June 2011. The new IT Director will assess current plans and will improve and expand based on best practices identified in the NIST Special Publication 800-34 section 2-2, to include a Business Continuity Plan (BCP) and a Disaster Recovery Plan (DRP). These updated and expanded plans will be completed by December 31, 2011 and will be incorporated into the COOP.
2. The Court agrees that these processes could be improved. While some documents do exist, they have not been updated and are not part of a comprehensive security policies and procedures manual. Our new Court IT Director will have this as one of his tasks once on board and we will target March 31, 2012 as a completion date.
3. The Court does currently perform some review of the security controls, but agree they could be strengthened. With the hiring of a new IT Director we will be able to re-evaluate all of the current practices and make improvements. A final policy for all log-ins and administrative accounts and rights will be developed as a final outcome.
4. We agree with the periodic testing are in compliance with the exception of the Ray Chem leak detection system in the HOJ server room. Court maintenance has initiated a preventative maintenance testing on a semi-annual schedule with documentation to be filed with the Facility Manager's office. There are two main data centers and Sonoma Courts, one at the Hall of Justice, and one at the Civil and Family Law Courthouse. There are three HVAC units in the Server Room of the Hall of Justice (HOJ), one primary and two backups. The primary system has a chill water system supplied by County Central Mechanical Plant. That system is covered in the County preventative maintenance program with semiannual inspections and logs. Those logs are available on request from the County. The two back-up units are standalone split systems that are under AOC OCCM responsibility for preventative maintenance, and work orders and logs with specific documentation are automatically

generated in the OCCM Computer Assisted Facility Maintenance System (CAFM). HOJ already has an FM200 fire suppression system which is under AOC OCCM responsibility for maintenance, testing, and repair. FM200 and fire alarm notification panel preventative maintenance is supported through the AOC OCCM CAFM system. Inspection tags with last date of inspection are posted on fire systems. At the Civil and Family Law Courthouse (CFC) data center, there is a primary split system HVAC unit under the responsibility of AOC OCCM for preventative maintenance coordinated through the CAFM system. There is a whole building HVAC system which serves as backup for the room and is under responsibility of the landlord with monthly testing and preventative maintenance. CFC already has a Novec 1230 fire suppression system under the responsibility of the AOC OCCM with an annual preventative maintenance program in CAFM and date of last inspection tag posted on the equipment.

## 7. Banking and Treasury

### Background

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

In April 2006 the Court established four bank accounts to record transactions from the Phoenix Financial System. These bank accounts were separate from the county and are used; (a) to receive funding from the AOC, (b) to disburse vendor payments, (c) to disburse payroll and, (d) as a trust depository for a variety of court ordered payments such as interpleaders, bail and jury fees. These bank accounts are under the Court and AOC Bank of America Master Banking Agreement. As of June 30, 2010, the court has increased the number of bank accounts to seven to include two additional operations and one revolving fund disbursement account.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Assets</b>				
120050 S/T INVEST-LAIF	6,804,924.91	7,146,413.16	(341,488.25)	(4.8)
120051 S/T INVEST-CAP SHARE	369,638.03		369,638.03	100.0
201110 INVEST FINANCIAL	667,042.34	50,000.00	617,042.34	1234.1
<b>* Investments</b>	<b>7,841,605.28</b>	<b>7,196,413.16</b>	<b>645,192.12</b>	<b>1,329.31</b>

### Expenditures

920302 BANK FEES	18,870.81	14,919.93	3,950.88	26.5
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### Revenues

825010 INTEREST INCOME	(56,940.86)	(194,594.09)	(137,653.23)	(70.7)
<b>** 825000-INTEREST INCOME</b>	<b>(56,940.86)</b>	<b>(194,594.09)</b>	<b>(137,653.23)</b>	<b>(70.7)</b>

As with other Phoenix courts, the Court relies on Trial Court Trust and Treasury Services for many banking services, such as performing monthly reconciliations of bank balances to the general ledger, overseeing the investment of trial court funds, and providing periodic reports to trial courts and other stakeholders. Therefore, we only 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. payroll check stock only).
- Processes for reconciling general ledger trust balances to supporting documentation; including daily deposit, CMS, and case file records.
- Whether AOC approval was obtained prior to opening and closing bank accounts.

There were no issues to report to management regarding banking and treasury based upon our review.

## 8. Court Security

### Background

During the week of September 13, we performed our physical security review at all four Court locations to determine whether the Trial Court has established adequate procedures and internal controls to ensure:

- Court security measures provide adequate public safeguards.
- Court assets are adequately safeguarded from misappropriation.
- Court security service costs are reasonable.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures</b>				
934504 PERIM SECURITY-OTHER	420,721.31	440,509.41	(19,788.10)	(4.5)
934510 CRTRM SECURITY-SHRFF	5,756,377.92	6,089,481.71	(333,103.79)	(5.5)
934512 ALARM SERVICE	520.68	513.73	6.95	1.4
* 934500 - SECURITY	6,177,619.91	6,530,504.85	(352,884.94)	(5.4)
** SECURITY TOTAL	6,177,619.91	6,530,504.85	(352,884.94)	(5.4)
941101 SHERIFF-REIMB-AB2030	18,780.00	13,768.00	5,012.00	36.4
941199 SHERIFF	90.00	81.00	9.00	11.1
* 941100 - SHERIFF	18,870.00	13,849.00	5,021.00	36.3

Our review of the court security controls included reviews with Court management observation of security conditions, and County Sheriff invoices and payments as well as a review of related documents.

In addition, we followed-up on the status of the security review performed in 2006 by the Administrative Office of the Courts' Emergency Response and Security unit (OERS) which is discussed in the issues below.

The only issue identified for management's attention is noted below. There are no minor issues that have been identified.

### 8.1 Court Security Risks Caused By Existing Building Deficiencies and Lack of Some Procedural Controls

#### Background

In 2006, the Administrative Office of the Courts' Emergency Response and Security unit (OERS) conducted a security review of the Sonoma Superior Court. The OERS unit identified

security needs in the Hall of Justice (HOJ). However, many of these issues have not been addressed due to other higher priority projects, economic constraints and various structural limitations at the HOJ that cannot be immediately rectified.

To appropriately define, standardize and prioritize budgeting, accounting and planning of security projects and associated costs, development and adoption of a court security plan is essential according to *the Trial Court Financial Policies and Procedures* (FIN Manual), FIN 14.01 section 6.1 and Cal. Rules of Court, rule 10.172. The Court has an established court security plan and has a court security committee to adequately evaluate the security needs of the court and the framework of its comprehensive security plan.

The Court and the AOC Office of Court Construction and Management (OCCM) are currently in the planning stages of determining the site for the proposed new criminal courthouse that will replace HOJ. The new courthouse will be a 15-courtroom modern facility with features and services that will address the existing deficiencies of HOJ.

### **Issues**

We performed a high-level security review at each of these court's locations including: the Hall of Justice (HOJ), the Civil and Family Law Courthouse (CFC), and the Empire Annex (Empire) with assistance from Court personnel. We observed and evaluated the physical conditions and arrangement of each facility that may present security risks to all individuals who works for, works with, and visit the Court. We also followed-up on the HOJ security concerns identified in the 2006 OERS security review to evaluate if there are any outstanding issues.

The issues summarized below are risk issues and/or unresolved issues previously noted in the 2006 ERS security review and some overall comments. IAS has categorized these risks into HOJ issues and court-wide procedural security issues:

The HOJ security issues continue to exist because of building or structural constraints at this court location. Also, the planned construction of a new courthouse to replace the HOJ has prevented full implementation of other security measures.

The following procedural risks weaken the Court's overall security and include:

1. A uniform court-wide employee screening policy cannot be enforced because it cannot be performed in the current HOJ court building.
2. Fire and smoke detectors are not consistently tested annually to all court locations.
3. Emergency manuals are not consistently reviewed and updated, at least annually.
4. Mail, package, and delivery protocols should be reviewed and improved as necessary.
5. Vendors and delivery persons are not escorted by court security or court staff when accessing staff areas.
6. Procedures are not in place to require security passes to remove inventory and fixed assets from the building.

### **Recommendations**

The Court needs to continue to remind, or bring to the attention of, facilities and security court personnel assigned with the planning and construction of the new criminal court building, the

security limitations identified at the old HOJ to make sure they are addressed at the new facility in order to ensure this new criminal court building provides a safe and secure facility for judges, employees, visitors and defendants at all times. Once operational, the new HOJ building should:

1. Enforce a uniform employee screening policy to better prevent unauthorized access into the building
2. Test its duress or panic alarms and its existing fire and smoke alarms at least annually
3. Annually review its existing emergency manuals for all court locations. Any necessary changes to the manual should be highlighted and document the review and/or update dates clearly in the manual.
4. Require security procedures and security passes or some other type of notification to provide to security personnel to document the fact that inventory or fixed assets are to be removed and transported within or to another building. This security procedure and the related documentation ensure that a proper authorization was obtained and a record exists when removing or transferring equipment or assets between court locations.

**Superior Court Response By: Cindia Martinez Date: 4/13/11**

1. The AOC, Court, and Sheriff personnel are working on the design of the new criminal courthouse which will incorporate standards set by the AOC as it relates to security and operations.
2. The new facility will use the newest technology including proximity access systems which will allow the Court to control access to the facility by employees, vendors, justice partners and the public. All public will be screened under our current screening court order.
3. We currently test our panic/duress alarms annually. Our Sheriff performs this service on court holidays, when the court is closed. We will assure that the testing is conducted annually.
4. Emergency manuals will be updated when changes need to occur as a result of improvements upon the plan, or changes within the facility or operations. While these types of changes do not occur frequently, we will attempt to annually, review the existing manuals to see if anything needs to be updated and incorporate such changes as needed.
5. This response seems like it should be on I/M # 14 for Fixed Assets, however we will respond here since it is listed here. The Court will begin utilizing an inventory/Fixed Asset transfer form for those items contained in our database, to properly record the movement of various assets and inventory items, pursuant to FIN. 9.01 section 6.7.1. The Court does not utilize Security Personnel however to transport or move items. Court Technical Services Staff, Facility Staff, or Procurement Staff will primarily be responsible for the movement of Fixed Asset or Inventory Items between court divisions and will complete the appropriate paperwork for transfer or disposal.

## 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 the approval by an authorized individual. Depending on the type, cost, and frequency of the goods or services to be procured, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases.

We assessed the Court's compliance with the FIN Manual requirements for procurement through interviews with Financial Services managers and staff, reviews of the Court's Procurement Manual and internal controls and other practices, review of procurement user functions set up on the Phoenix Financial System, and review of purchase orders and associated procurement documents. We also tested selected procurements to determine the Court's compliance with open and competitive procurement requirements and its use of blanket purchase orders. The results of that review follow.

The only issue identified for management's attention is noted below. There are no minor issues that have been identified.

### **9.1 Court's Approval Thresholds Do Not Agree with Those in the FIN Manual, Some Users should have their SAP User IDs Deleted and Procurement Roles May Lack Adequate Separation of Duties**

#### Background

A written or electronic purchase requisition is used to initiate all procurement actions. Please refer to FIN 6.01, 6.3 Purchase Requisition and Approval. The requestor identifies the correct account code(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the trial court employee responsible for approving the requisition. After assessing the need for the purchase, verifying that the correct account code(s) are specified, and assuring that funding is available, the approved *requisition* is forwarded to the trial court's buyer.

The following table provides **suggested** requisition approval authority levels for trial court staff and management. Although suggested, policy states that any thresholds which exceed those indicated require evaluation and approval.

**Suggested Approval Thresholds for Trial Court Procurements – FIN Manual**

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

On September 1, 2010 the 7<sup>th</sup> Edition of the FIN Manual was implemented and revised FIN 6.01, 6.3 Purchase Requisition and Approval regarding the approval threshold procedures requirement under paragraph 2 which now states:

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. Any alternative procedure, other than changes in threshold dollar amounts, that is different from what is included in the Trial Court Financial Policies and Procedures Manual is required to be approved by the AOC prior to its implementation.

As a result, Courts no longer are required to obtain the Administrative Office of the Court's approval for the approval of alternative approval thresholds. However, prior to the 7th Edition, courts were required to seek AOC approval of alternative approval thresholds.

Court procedures also include an organization plan should be established that provides for appropriate segregation of duties. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction. The following duties must not be assigned to only one individual (FIB 1.03, 6.3.3 para. 6(a) 7<sup>th</sup> Edition and FIN 2.01, 6.4.2 Segregation of Duties [Sixth Edition]):

- Authorizing expenditure and recording the transaction in the accounting system.
- Approving a purchase requisition and performing the purchasing function (choosing the vendor, deciding on the price, and issuing the purchase order) or using the purchase card to pay for the transaction.
- Performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order), and approving or processing the invoice for payment.
- Performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order), performing accounts payable, authorizing payment, or processing accounts payable, and maintaining the vendor master file (establishing new vendors and updating vendor information).

Moreover, in FIN 2.02, 6.3.1 (Sixth Edition) Appropriate Segregation of Duties, if segregation of duties cannot be achieved due to staffing limitations, court management must apply alternate control methods to mitigate the risks. Work processes should be carefully reviewed to determine the critical points where segregation of duties must be implemented, considering the staff resources that are available. If segregation of duties cannot be achieved due to staffing

limitations, then additional review and reconciliation of activities by supervisors or higher levels of management might also be performed on a routine basis.

### Issues

IAS (Internal Audit Services) identified a number of issues after performing a review of the Court's procurement and purchasing processes.

As documented in the table below, the Court's authorization thresholds differs from the suggested approval thresholds for trial court procurements in FIN 6.01, 6.3, Purchase Requisition and Approval which we replicated in the background section above.

### Requisition approval authority on goods and services and contracts – Trial Court

Position	Actual Approval Thresholds
Presiding Judge and Executive Officer	Unlimited*
Deputy Executive Officer , Fiscal	\$0 to 99,999
Court Accounting Manager or Court Director	\$0 to \$4,999
Court Purchasing Agent	\$0 to \$1,999
Court Directors	\$0 to \$1,999

\* For all purchases and contracts over \$400,000 concurrence of Presiding Judge is required

This issue is now a log item due to the changes in the 7<sup>th</sup> FIN Manual at Procedure

6.01, 6.3, para.2. See Appendix A, Issue 6.1, item1 and/or Court's comments in #1 below.

1. The court's SAP user roles must be updated for personnel changes.
  - Two of seven employees assigned SAP procurement user roles should be deleted as one no longer has procurement responsibilities and the other employee is now retired.
  - The accounting manager retired in December 2010 and should be removed from all authorization approvals including SAP approvals.
2. The Segregation of Duties for Accounts Payable Matrix indicates that the Procurement Specialist's duties may not be sufficiently segregated. As a result, we used FIN 2.02, 6.4.2 para 2(a) – (d) [Sixth Edition] to further our understanding of these roles and responsibilities.
  - The Procurement Specialist, on the court's authorization matrix, has authority to approve requisitions of disposable items only up to \$1,999. She is also assigned a Cal Card purchase card and approves the Cal Card bank statements for payment. This individual handles too many consecutive steps in the procurement and accounts payable processes which is a control concern.
  - The Procurement Specialist initiates the establishment of new vendors. She can create requisitions and purchase orders, and record receipt of goods in SAP. She also receives and approves vendor invoices. We do, however, acknowledge that she cannot release requisitions in SAP.
3. While the court is to be commended for creating its own manual, the Court's Purchasing and Contracts Job Manual appears incomplete since it does not include key policies and procedures from the Trial Court Financial Policies and Procedures Manual.
  - Specifically, the court manual currently has 32 sections but does not include a section for the authorization matrix or contract administration. Also, section 4 on contracts

addresses compliance items that should actually be discussed in a section on Contract Administration. As a result, the compliance items from FIN 7.01, Contracts are not addressed in the Purchasing and Contracts Job Manual.

### Recommendations

1. a. The Court should revoke SAP user roles for the three users that no longer perform purchasing activities.
2. a. We feel that the Procurement Specialist's activities are not sufficiently segregated. We are also mindful, however, that the court has only two employees performing procurement and/or purchasing activities. We would ask the court to ensure that the Procurement Specialist's approval threshold of \$0 to \$1,999 for disposable items is strictly adhered to, in other words, her approval authority does not extend to inventory items or fixed assets.
  - b. We also recommend that all requests for new vendors are approved by the court accounting manager before remitting to Phoenix Financials for processing.
3. Please consider adding the authorization matrix to the Purchasing and Contracts Job Manual. We also recommend that the court add sections to the Purchasing and Contracts Job Manual for the compliance items listed in FIN 7.01 Contracts and FIN 7.03 Contract Administration.

### Superior Court Response By: Cindia Martinez

Date: 4/13/11

1. The Court believes it is in compliance with FIN 6.01, 6.3, related to approval thresholds for trial court procurements. The policy states, "Alternative thresholds **and** (emphasis added) AOC approved alternative **procedures** (emphasis added) must be documented, incorporated into the local trial court procurement manual, and distributed to court personnel. Any alternative procedure, **other than changes in threshold dollar amounts** (emphasis added), that is different from what is included in the Trial Court Financial Policies and Procedures Manual is required to be approved by the AOC prior to its implementation." This implies that the Court has the ability to have changes in threshold dollar amounts, as long as the Court has them documented, which we do. **We will however add to our process an annual review by the presiding judge, including date and signature.**

*Auditor's Note: During the period under review, the 6th Edition was effective and thus the lack of AOC approval for the alternate thresholds was required and thus an exception. However, since policy has changed, there is no recommendation for the court to implement as a result.*

*Thus a court response to issue #1 is not required in the body of the report but the first paragraph of the auditor's note above will remain to explain the lack of a recommendation and a related court response. Appendix A will note the lack of an annual review of the matrix by the presiding judge and courts response above.*

2. The Court's authorization matrix controls who can authorize the request for purchases. By the time it is entered in SAP, those approvals have already been obtained and the Purchasing Agent is merely entering the transaction into the SAP system. SAP user roles have been revoked for the three users that no longer perform purchasing activities and/or are no longer employed by the Court.

3. Court Accountants are only processing in SAP the PO's that already have manual signatures from those that have higher authorities. Those documents are attached to the PO and will be reviewed a second time when the processing of the invoice occurs. Court Accountants cannot enter PO's; only the Purchasing Agent can. The agent secures the approvals from the appropriate managers/executives and then enters the PO. The Court Accountants, then release the PO, which indicates who has approved on the PO line. This provides for the proper authorizations at each level.

Any items that are not disposable and that are within the Procurement Specialist's requisition amount will be forwarded to the appropriate authorizing agent, dependent on dollar amounts, for approval.

The Court will continue to train and review the work of the Purchasing Agent to assure adherence to the approval threshold of disposable items to less than \$2,000. All new vendor requests will be forwarded to the Court Fiscal Manager for approval prior to submitting to Phoenix for processing.

4. The Court will update our Purchasing and Contracts Job Manual to include the authorization matrix and other compliance items as listed in FIN 7.01 and 7.03

## 10. Contracts

### Background

TCFPPM Procedure No. FIN 7.01, Contracts, establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. The trial court shall issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply sound contract principles and procedures that protect the interests of the court.

Rule of Court 10.610 specifies that the CEO has a duty which, at the direction of the presiding judge and consistent with the law and rules of court, shall:

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

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Revenues</b>				
821201 ENHANCED CLCT-CIVIL	(352,774.77)	(401,680.32)	(48,905.55)	(12.2)
821202 ENHANCED CLCT-OTHER	(461,164.79)	(510,685.43)	(49,520.64)	(9.7)
<b>** 821200-ENHANCED COLLECTIONS -</b>	<b>(813,939.56)</b>	<b>(912,365.75)</b>	<b>(98,426.19)</b>	<b>(10.8)</b>

### Expenditures

938201 CNSLT SRVS-TEMP HELP	18,936.31	11,814.75	7,121.56	60.3
<b>* 938200 - CONSULTING SERVICES</b>	<b>18,936.31</b>	<b>11,814.75</b>	<b>7,121.56</b>	<b>60.3</b>
938301 ACCOUNTING SERVICES	67,476.19	0.00	67,476.19	100.0
938401 GENERAL CONSULTANTS	536,298.80	510,718.88	25,579.92	5.0
938403 PAYROLL SERVICE	29,004.49	0.00	29,004.49	100.0
938404 ADMINISTRATIVE SVC	120,335.00	120,334.00	1.00	0.0
938409 ARCHIVING/IMAGE SVC	10,584.84	51,501.45	(40,916.61)	(79.4)
<b>* 938300 - GENERAL CONSULTANT A</b>	<b>763,699.32</b>	<b>682,554.33</b>	<b>81,144.99</b>	<b>11.9</b>
938601 COURT REPORTERS	69,461.20	0.00	69,461.20	100.0
<b>* 938600 - COURT REPORTER SERVI</b>	<b>69,461.20</b>	<b>0.00</b>	<b>69,461.20</b>	<b>100.0</b>
938701 COURT TRANSCRIPTS	283,361.20	327,436.80	(44,075.60)	(13.5)
<b>* 938700 - COURT TRANSCRIPTS</b>	<b>283,361.20</b>	<b>327,436.80</b>	<b>(44,075.60)</b>	<b>(13.5)</b>

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures (Continued)</b>				
939002 PSYCH EVALUATIONS	429,160.25	384,605.50	44,554.75	11.6
939009 EXPERT WITNESS	21,150.00	20,362.50	787.50	3.9
939020 PROBATE EVAL & RPT	21,852.00	21,852.00	0.00	0.0
<b>* 939000 - COURT ORDERED PROFES</b>	<b>472,162.25</b>	<b>426,820.00</b>	<b>45,342.25</b>	<b>10.6</b>

938801 DEPEND COUNSEL-CHILD	0.00	183,206.21	(183,206.21)	(100.0)
938802 DEPEND COUNSEL-PARNT	75.00	144,663.75	(144,588.75)	(99.9)
938803 CRT APPT CNSL-FC3150	52,093.65	40,454.44	11,639.21	28.8
938899 CRT COUNSEL CHGS	2,917.50	0.00	2,917.50	100.0
<b>* 938800 - COURT APPOINTED COUN</b>	<b>55,086.15</b>	<b>368,324.40</b>	<b>(313,238.25)</b>	<b>(85.0)</b>

938901 INVESTIGATIVE SERV	2,479.00	11,746.80	(9,267.80)	(78.9)
<b>* 938900 - INVESTIGATIVE SERVIC</b>	<b>2,479.00</b>	<b>11,746.80</b>	<b>(9,267.80)</b>	<b>(78.9)</b>

939401 LEGAL SERVICES	931.41	450.00	481.41	107.0
939402 LABOR NEGOTIATIONS	21,716.22	921.48	20,794.74	2256.7
939412 ATTNY JUV CONFLICT	0.00	345.00	(345.00)	(100.0)
939420 SM CLMS ADVISORY SVC	12,000.00	12,000.00	0.00	0.0
<b>* 939400 - LEGAL</b>	<b>34,647.63</b>	<b>13,716.48</b>	<b>20,931.15</b>	<b>152.6</b>
<b>** CONTRACTED SERVICES TOTAL<sup>a</sup></b>	<b>2,001,587.13</b>	<b>2,224,431.82</b>	<b>(222,844.69)</b>	<b>(10.0)</b>

<sup>a</sup> Contracted Court Interpreter Expenditures are displayed in Chapter 19.

942302 AUDITOR-CNTRL SVC	68,245.00	92,780.00	(24,535.00)	(26.4)
942501 CNTY - H/R SERV	15,995.08	94,723.00	(78,727.92)	(83.1)
942601 CNTY - OFFICE SERV	17,131.81	25,564.40	(8,432.59)	(33.0)
942701 CNTY - BUS SERV	30,409.39	34,888.25	(4,478.86)	(12.8)
942801 COUNTY - EDP SERVICES	1,261,306.96	1,658,108.02	(396,801.06)	(23.9)
<b>* 942100 - COUNTY-PROVIDED SERV</b>	<b>1,393,088.24</b>	<b>1,906,063.67</b>	<b>(512,975.43)</b>	<b>(26.9)</b>

We interviewed Court management and staff regarding the Court's contracting and contract monitoring practices to determine compliance with applicable FIN Manual requirements. We also reviewed selected contract agreements in effect in FY 2009–2010. Primary contracts and testing performed included the following:

- Agreements entered into with the County, including the County Services MOU and agreement with the Sheriff for security services. We performed the following tests:
  - Determine whether they are current, comprehensive of all services currently received or provided, and contain all required terms and conditions.
  - Determine whether services billed were reasonable, allowable, sufficiently documented and supported, and appropriately accounted for.
- Contracts tied to our review of invoices and claims discussed in Section 11 (Accounts Payable) of this report. For these contracts, we performed the following tests:

- Determine whether terms and conditions specified in the contracts are sufficient to protect the interest of the Court
- Evaluate compliance with the FIN Manual requirements
- Assess the Court's efforts to monitor contractor performance

The following issue in this area was considered significant enough to bring to management's attention. There was one minor issue that is noted in the Appendix A.

## **10.1 Contracts Lack Some Mandatory Elements and Discretionary Terms and Conditions**

### **Background**

FIN Procedure No. 7.01, §6.1, Contract Elements states:

1. Every contract must identify the contracting parties and consists of four major elements;
  1. cost or other consideration,
  2. schedule,
  3. scope of work, and
  4. terms and conditions.

The second of these mandatory elements is discussed in FIN Procedure No. 7.01, § 6.1 paragraph 3, Schedule, which states:

1. Time is usually a critical element in every contract. The schedule of when work will be started and completed will be included in the contract. If applicable, interim dates for the completion of specific portions of the contract should also be stated.

FIN Procedure No. 7.01, § 6.1 paragraph 5, Terms and Conditions states:

Contract terms and conditions can be somewhat flexible to suit the needs of the court and the specific contract circumstances. However, it is the responsibility of the authorized trial court employees to assure that contract terms and conditions are appropriate to the type of contract that is being awarded.

Examples of terms and conditions that are required per policy include but are not limited to paragraph:

- n. Insurance requirements. A listing of the minimum insurance coverage that must be maintained by the contractor during the course of the work as well as the requirements for submitting evidence of such coverage.

Other terms and conditions may not be required and maybe discretionary depending on the contract characteristics and the services and/or goods the vendor is providing and includes but is not limited to the following:

1. FIN 701, § 6.1 paragraph 5, item f. Withholding of payments (retention): The part of a contract that establishes an amount, if any, to be withheld from progress billings until final and satisfactory project completion.
2. FIN 701, § 6.1 paragraph 5 item o. Indemnification paragraph "o" states: The part of a contract that establishes the extent to which either party is required to hold

- the other party harmless from loss, damage, or liability that may arise out of the contractor's performance of the contract or other circumstances specified in the contract. The trial court may require indemnification from the contractor, but the trial court should not agree to indemnify the contractor.
3. FIN 7.01, § 6.1 paragraph 5, q. Termination clauses paragraph "q" states: The portion of a contract that specifies what rights each party will have to terminate the contract unilaterally. The trial court should specify that the court may terminate the contract either for cause, convenience, or unavailability of funds.
  4. FIN 7.01; § 6.1 paragraph 5 Audit rights clause paragraph "s" states: The part of a contract that establishes the right of the trial court to conduct an audit of the contractor's financial records and records that specifically relate to the work performed by the contractor for the trial court.

### Issues

During our contract review, Internal Audit Services (IAS) selected ten contracts for review and eight of the contracts contained exceptions worth noting, including:

1. Two of six contracts did not contain required clauses including:
  - a. Schedules of contract start and/or completion dates and,
  - b. Lacks the proper insurance or did not have proof of proper insurance before contract work began.
2. Some discretionary contract terms and conditions that should have been appropriate to a particular types of contract were missing, including:
  - a. Five of five or 100% of contracts reviewed did not contain a clause for withholding payments.
  - b. Two of seven or 28.5% of contracts reviewed did not contain an indemnification clause of the trial court by the contractor
  - c. One of eight or 12.5% of contracts reviewed did not contain a termination clause
  - d. Four of seven or 42.8% contracts reviewed did not contain an audit rights clause
  - e. Other discretionary terms that could have been in the contracts include:
    - Seven did not contain a remedies clause
    - Four did not contain a confidentiality clause
    - Six did not contain an ownership of deliverables clause and,
    - One did not contain a travel clause

### Recommendation

The trial court, when procuring and/or contracting for goods and services needs to review FIN 7.01 Procedures No. 7.01, § 6.1 to confirm that all five contract elements including those required terms and conditions are present, too. Those terms and conditions described in 6.1 paragraph 5 (a-z) that are discretionary and may be included should also be reviewed to ensure that authorized have included those conditions are appropriate to the type of contract being awarded.

**Superior Court Response By: Cindia Martinez**

**Date: May 13, 2011**

Procurement will review the contract to make sure it meets the requirements per the FIN manual and if it doesn't then suggest to the vendor that we use the Court's contract template. If the vendor is not in agreement with this we will forward the contract to AOC counsel for review prior to finalizing the contracts with signatures. Often vendors have their own agreements for services and negotiations become challenging when both entities have legal requirements that contradict each other. With the enactment of SB 78 effective March 24, 2011, contract procedures will change drastically and we are awaiting the approval of the Judicial Branch Contracting Manual from the Judicial Council to further guide the Court in implementing this new law for contracts negotiated beginning 10/1/11.

## 11. Accounts Payable

### Background

All trial court vendor, supplier, consultant and contractor invoices shall be routed to the trial court accounts payable department for processing. The accounts payable staff shall 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.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Assets</b>				
119002 CASHONHAND-PETTYCASH	500.00		500.00	100.0

### Liabilities

301001 A/P - GENERAL	6,395.82-	58,434.41-	(52,038.59)	(89.1)
301002 A/P - GR/IR	18,327.80-		18,327.80	100.0
311001 FUND/BA CLG ACCT				
311002 INTERFACE CLG ACCT				
311401 A/P - DUE OTH FUNDS	594,684.49-	738,820.29-	(144,135.80)	(19.5)
311403 INTEREST CONTROL				
321501 A/P DUE TO STATE	58,687.00-	463,636.54-	(404,949.54)	(87.3)
321600 A/P - TC145 LIABILITY	577,816.15-	588,773.82-	(10,957.67)	(1.9)
323001 A/P - SALES & USE TAX				
323002 BACKUP WH FEDERAL		67.48-	(67.48)	(100.0)
323010 TREAS INTEREST PAY				
353050 AB145 DUE TO GOV AG	471,596.68-	373,140.68-	98,456.00	26.4
330001 A/P - ACCRUED LIAB	1,324,090.13-	1,913,484.57-	(589,394.44)	(30.8)
<b>** Accounts Payable / Accrued Liab</b>	<b>3,051,598.07-</b>	<b>4,136,357.79-</b>	<b>1,084,759.72</b>	<b>(26.2)</b>

### Expenditures

929201 IN-STATE TRAV CLAIM	2,834.39	0.00	2,834.39	100.0
929205 PER-DIEM - JUDICIAL	4,191.20	6,577.44	(2,386.24)	(36.3)
929208 PRVT CAR MILEAGE-JUD	723.42	2,736.16	(2,012.74)	(73.6)
929209 PRVT CAR MILEAGE-EMP	13,485.10	9,315.81	4,169.29	44.8
929299 TRAVEL IN STATE	5,412.46	5,296.60	115.86	2.2
<b>* 929200 - TRAVEL- IN STATE</b>	<b>26,646.57</b>	<b>23,926.01</b>	<b>2,720.56</b>	<b>11.4</b>
929301 CAR POOL EXPENSE	3,790.00	1,615.00	2,175.00	134.7
<b>* 929300 - OTHER TRAVEL EXPENSE</b>	<b>3,790.00</b>	<b>1,615.00</b>	<b>2,175.00</b>	<b>134.7</b>
<b>** TRAVEL IN STATE TOTAL</b>	<b>30,436.57</b>	<b>25,541.01</b>	<b>4,895.56</b>	<b>19.2</b>

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures (continued)</b>				
931101 OUT-OF-STATE TRAVEL	13.32	11.24	2.08	18.5
* 931100 - TRAVEL OUT OF STATE	13.32	11.24	2.08	18.5
** TRAVEL OUT OF STATE TOTAL	13.32	11.24	2.08	18.5
920302 BANK FEES	18,870.81	14,919.93	3,950.88	26.5
920304 REGIST FEES-PERMITS	688.00	1,032.00	(344.00)	(33.3)
920399 FEES/PERMITS	0.00	162.00	(162.00)	(100.0)
* 920300 - FEES/PERMITS	19,558.81	16,113.93	3,444.88	21.4
920601 OFFICE SUPPLIES	99,091.20	119,598.93	(20,507.73)	(17.1)
920608 TONER	23,117.47	24,467.73	(1,350.26)	(5.5)
920615 BOTTLED WATER	5,888.47	6,121.57	(233.10)	(3.8)
920628 BADGES/ID CARDS SPLY	0.00	491.71	(491.71)	(100.0)
920631 PROMOTIONAL MATERIALS	1,487.68	0.00	1,487.68	100.0
920632 AWARDS	3,003.87	3,343.40	(339.53)	(10.2)
* 920600 - OFFICE EXPENSE	132,588.69	154,023.34	21,434.65	(13.9)
921599 ADVERTISING	893.20	2,358.91	(1,465.71)	(62.1)
* 921500 - ADVERTISING	893.20	2,358.91	(1,465.71)	(62.1)
921799 MEETING/CONF/EXH/SHW	2,503.35	8,547.01	(6,043.66)	(70.7)
* 921700 - MEETINGS, CONFERENCE	2,503.35	8,547.01	(6,043.66)	(70.7)
922304 LEGAL PUB/ON LINE	50,699.81	46,766.69	3,933.12	8.4
922399 LBRY PCHSE/SUBSCRIP	60,255.45	69,836.97	(9,581.52)	(13.7)
* 922300 - LIBRARY PURCHASES AN	110,955.26	116,603.66	(5,648.40)	(4.8)
922599 PHOTOGRAPHY	815.00	225.00	590.00	262.2
* 922500 - PHOTOGRAPHY	815.00	225.00	590.00	262.2
922702 COPIERS-RENTAL-LEASE	68,228.15	64,239.39	3,988.76	6.2
922799 EQUIP RENTAL/LEASE	0.00	185.00	(185.00)	(100.0)
* 922700 - EQUIPMENT RENTAL/LEA	68,228.15	64,424.39	3,803.76	5.9
922806 SECURITY SYS MAINT	11,694.40	48,274.40	(36,580.00)	(75.8)
922899 OFFICE EQUIP MAINT	2,367.33	3,018.00	(650.67)	(21.6)
* 922800 - EQUIPMENT MAINTENANC	14,061.73	51,292.40	(37,230.67)	(72.6)
922999 EQUIPMENT REPAIRS	895.06	521.02	374.04	71.8
* 922900 - EQUIPMENT REPAIRS	895.06	521.02	374.04	71.8
924599 PRINTING	153,758.34	153,705.93	52.41	0.0
* 924500 - PRINTING	153,758.34	153,705.93	52.41	0.0

	TOTAL FUNDS AS OF JUNE 30			
ACCOUNTS	2010	2009	\$ INC.(DEC)	% CHANGE
<b>Expenditures (Continued)</b>				
926199 STAMPS, STAMPED ENV	182,882.90	183,132.88	(249.98)	(0.1)
* 926200 - STAMPS, STAMPED ENVE	182,882.90	183,132.88	(249.98)	(0.1)
928801 INSURANCE	3,238.00	0.00	3,238.00	100.0
* 928800 - INSURANCE	3,238.00	0.00	3,238.00	100.0
923905 COURIER SERVICE	5,146.99	4,922.60	224.39	4.6
923908 SHREDDING SERVICE	892.00	1,129.53	(237.53)	(21.0)
923909 DOC RETRIEVAL SERVICE	139,912.78	191,371.29	(51,458.51)	(26.9)
923914 MOVING/TRANSPORT SVC	100.36	27,381.01	(27,280.65)	(99.6)
923999 GENERAL EXP-SERVICE	1,225.36	1,135.20	90.16	7.9
* 923900 - GENERAL EXPENSE - SE	147,277.49	225,939.63	(78,662.14)	(34.8)
925101 TELECOMMUNICATIONS	11,761.44	16,953.52	(5,192.08)	(30.6)
925102 ISP SERVICES	1,420.94	1,943.50	(522.56)	(26.9)
925103 CELL PHONES/PAGERS	14,542.20	19,151.77	(4,609.57)	(24.1)
925106 LEASED LINES	115,157.94	65,756.46	49,401.48	75.1
925113 TELEPHONE SYSTEMS	34,346.35	35,416.00	(1,069.65)	(3.0)
925118 TELECOM SERVICE	10,877.58	30,917.64	(20,040.06)	(64.8)
* 925100 - TELECOMMUNICATIONS	188,106.45	170,138.89	17,967.56	10.6
965101 JURORS - FEES	176,140.00	154,245.00	21,895.00	14.2
965102 JURORS - MILEAGE	56,501.88	49,455.72	7,046.16	14.2
* 965100 - JUROR COSTS	232,641.88	203,700.72	28,941.16	14.2
** JURY COSTS TOTAL	232,641.88	203,700.72	28,941.16	14.2
972399 NON EXPERT WITNESS	0.00	487.74	(487.74)	(100.0)
* 972300 - NON-EXPERT WITNESS	0.00	487.74	(487.74)	(100.0)

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with accounts payable supervisor and staff. We also tested 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 and contract interpreter claims. Furthermore, we reviewed a sample of travel expense claims and business meal expenses to assess compliance with *AOC Travel Reimbursement Guidelines* and *Business-Related Meals Reimbursement Guidelines* provided in the FIN Manual.

We reviewed selected jury fees and mileage reimbursement expenditures to determine whether amounts were properly paid and reported. Finally, we reviewed the Court's procedures related to petty cash payments to determine if the Court's procedures and practices were in compliance with the FIN Manual. The results of that review follow.

There were two issues identified for management's attention is noted below. In addition, there are three minor issues that have been identified in Appendix A.

## **11.1 Petty Cash Procedures Need Enhancements**

### **Background**

The FIN Manual Procedures No. 8.04, § 3.0, Policy Statement it states:

A petty cash fund may be established when the trial court finds it necessary to keep a small amount of cash on hand to purchase low value supplies and services that cannot be practically purchased by other means. The maximum petty cash purchase is \$100.00 unless advance approval from the Court Executive Officer, or documented designee is obtained.

Paragraph 6.2, Petty Cash Fund Custodian goes on to state:

1. The Court Executive Officer must appoint a custodian of the trial court petty cash fund. The custodian is personally responsible for the safekeeping, disbursement, and accounting for petty cash. A copy of this procedure shall be given to the custodian to ensure that he or she understands the requirements for using petty cash funds.
2. The petty cash custodian shall have no other cash handling responsibilities.
3. Petty cash funds should be kept separate from all other monies. The petty cash fund shall be kept in a locked drawer or cabinet with the key in the custodian's possession.

Finally, Paragraph 6.8, Change in Petty Cash Custodian states:

When custody of a petty cash fund is transferred to another custodian:

- (2) a personal review of the fund will be made by the employees directly concerned, and
- (3) a Petty Cash Change of Custodian Form (provided at the end of this procedure) should be completed for the approval of the Court Executive Officer.

The purpose of this form is to document the change of custodian, that the total of the cash and the receipts equal the specified amount of the fund, and that the new custodian is aware of his or her specific responsibilities related to custody of the fund.

### **Issues**

IAS performed a review of the Court's Petty Cash fund and noted several issues including: Previously reported issues 1, 2 and 3 have been downgraded to log items and may be reviewed in Appendix A at 11.1 1, 2 & 3.

1. The three custodians reimburse petty cash. However, a Petty Cash Change of Custodian Form was not prepared when the last custodian left. See FIN 8.04, § 6.8
2. There were six petty cash disbursements entries in April 2010. One of the disbursements was for \$126.16 which exceeded the \$100 maximum. See FIN 8.04 § 3 .0
3. The court has not appointed a petty cash custodian in writing. The custodian is personally responsible for the safekeeping, disbursement, and accounting of the petty cash fund. See FIN 8.04, § 6.2 (1) and,
4. If the Court wants alternative Petty Cash Procedures it needs to comply with FIN 1.01, § 6.4 paragraph 4, Trial Court Operating Standards wherein alternative procedures must be documented and submitted to the AOC for review and approval.

### **Recommendations**

The Court needs to comply with the required procedures noted in FIN 8.04, Petty Cash or, if it wants to implement alternative Petty Cash Procedures, it needs to comply with FIN 1.01, § 6.4 paragraph 4, Trial Court Operating Standards.

### **Superior Court Response By: Cindia Martinez Date: 3/11/11**

Our Court will comply with Items 1-7 identified above with respect to FIN Manual Procedures No. 8.04, § 3.0. We will lock the petty cash in a different location than our daily receipts and will appoint a unique petty cash custodian who does not participate in the deposit process nor will they be involved in the monthly reconciliation of this fund. We will remind the petty cash custodian that no reimbursements over \$100 will be distributed from this fund.

## **11.2. Travel and Meal Reimbursement Documentation Not Always Timely or Complete**

### **Background**

FIN 8.03, Travel Expense Reimbursement for Trial Court Judges and Employees, states that the trial court should reimburse its judges and employees for reasonable and necessary travel expenses incurred while traveling on court business. All exceptions to the Judicial Branch Travel 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 Policy No. FIN 1.01, Section 6.4, paragraph 4, Trial Court Operating Standards.

In addition, the trial court may pay vendors' invoices or reimburse its judges and employees for the actual cost of business meals when the rules and limits described in FIN 8.05, Business Meals Expense Guidelines are met.

The TEC (Travel Expense Claim) is a form used to record business travel, business meals and other business related expense costs when requesting reimbursement. The form must be signed by the person requesting reimbursement, his/her appropriate approval level and accompanied by appropriate receipts before payment of the claim may be processed.

**Issues**

We reviewed the Court's responses to the Travel and Business Meals Internal Control Questionnaire and tested a sample of travel and business meal reimbursement transactions.

1. Our review of the court's responses to the questionnaire identified the following exceptions:
  - a. The Court is not completing the certification form for judicial officers and court employees that are authorized to drive in the scope and course of their duties.
  - b. The court does not require frequent drivers to attend and successfully complete an approved defensive driver-training course at least once every four years.
  - c. The court is using Standard Form 269 to report accidents but travelers must complete Standard Form 270 as soon as possible and forward it to their supervisor.
2. We created an attribute table to test compliance with FIN 8.03 Travel Expense Reimbursement for Trial Court Judges and Employees. The more notable exceptions that we observed during testing include:
  - a. Five of 10 TEC forms that lacked documentation to support the purpose for the business trip,
  - b. Two of 11 TEC forms were not appropriately signed by the traveler's supervisor,
  - c. Two of two rental car charges which indicate the rental car were secured without using the recommended credit cards which prevented the State's car liability insurance coverage from being activated,
  - d. Two of five hotel charges that did not have a receipt with a pre-printed bill head showing a zero balance, and
  - e. One of three hotel bills that exceeded the AOC allowed rate of \$110 and lacked an Exception Request for Lodging form.
3. A sample of three business meal reimbursements were also tested and the following exceptions to the meals guidelines were identified and included:
  - a. Two of three business meal forms were not pre-approved by the Presiding Judge or CEO. One form contained the Presiding Judge's approval after the event while the second business-related form was not approved at all.
  - b. One of three meal-reimbursement forms lacked a purpose for the business meal.
  - c. One of three business meals reimbursements at a restaurant did not identify the number of attendees. Therefore, we could not determine if the guideline of \$12.00 for breakfast, \$18.00 for lunch, \$40 for dinner or, \$6.00 for breaks was met.
  - d. One of three business meal transactions did not contain a business-related meal form, memo, or e-mail.

**Recommendations**

1. Please insure compliance with FIN 8.03, 6.1.3 Use of Trial Court and Personal Vehicles which requires anyone who operates a vehicle on court business to hold a valid California driver's license, a good driving record, and have an approved Annual Certification on file. Please refer to FIN 8.03, 6.2, paragraph 7 Annual Certification for additional information on this requirement. In consort with FIN 8.03, 6.2 State of California Motor Vehicle Liability Program Coverage, please insure that the Court's accident reporting procedures are compliant with FIN 8.03, 6.2 paragraph 10 Motor Vehicle Accidents and Reporting.
2. Please insure that the Court's procedures for submitting and approving TECs comply with the policies, schedules and procedures approved by the Judicial Council. The minimum

standards for travel expense reimbursement are provided in FIN 8.03, Travel Expense Reimbursement for Trial Court Judges and Employees.

3. Please insure that the Court's procedures for submitting and approving TECs comply with the policies, schedules and procedures approved by the Judicial Council. The minimum standards for arranging and paying for business meals reimbursement are provided in FIN 8.05, Business Meal Expense Guidelines.

**Superior Court Response By: Cindia Martinez Date: 4/15/11**

1. \*The Court is in compliance with FIN 8.03, 6.13 Use of Trial Court and Personal Vehicles. The documents have now been secured, and are kept in a separate file in the Human Resources Department, and a copy is maintained by the supervisor/or manager. The request to complete will be generated on an annual basis in January of each year.  
\* Standard Form 270 will be completed and forwarded to the supervisor, and maintained in a separate file in Human Resources in the event of an accident.
2. We will remind supervisors and managers of the requirements of the FIN 8.03. Staff will be resent the Financial Policy as well as additional training will be conducted by Fiscal to answer any questions about the process. Fiscal staff will be reminded to return any claims that do not follow the policies, back to the employees, so that the appropriate documentation can be obtained.
3. While our Court infrequently uses the business meals expense reimbursement we will assure that all steps of the Financial Policy are followed, including appropriate signatures, attendees, purpose and other appropriate documentation.

## 12. Fixed Asset Management

### Background

The Trial Court Financial Policy and Procedures Manual states that the trial court shall establish and maintain a Fixed Asset Management system to record, control, and report court assets. The primary objectives of the system are to:

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

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures</b>				
922601 MINOR EQUIP-NON-IT	464.47	2,151.24	(1,686.77)	(78.4)
922603 OFFICE FURN-MINOR	247.12	149,478.39	(149,231.27)	(99.8)
922605 MODULAR FURN-MINOR	0.00	274,359.93	(274,359.93)	(100.0)
922606 NON-OFFICE FURNITURE	867.10	404.97	462.13	114.1
922608 WEAPON SCRN/MAGNETO	0.00	7,432.75	(7,432.75)	(100.0)
922610 COMPUTER ACCESSORIES	7,631.11	55,291.46	(47,660.35)	(86.2)
922611 COMPUTER	6,324.24	110,210.59	(103,886.35)	(94.3)
922612 PRINTERS	5,837.05	35,942.06	(30,105.01)	(83.8)
922614 MINOR SECURITY SURV	0.00	5,157.56	(5,157.56)	(100.0)
922699 MINOR EQUIPMENT	5,406.36	266,914.19	(261,507.83)	(98.0)
* 922600 - MINOR EQUIPMENT - UN	26,777.45	907,343.14	(880,565.69)	(97.0)
922806 SECURITY SYS MAINT	11,694.40	48,274.40	(36,580.00)	(75.8)
922899 OFFICE EQUIP MAINT	2,367.33	3,018.00	(650.67)	(21.6)
* 922800 - EQUIPMENT MAINTENANC	14,061.73	51,292.40	(37,230.67)	(72.6)
922999 EQUIPMENT REPAIRS	895.06	521.02	374.04	71.8
* 922900 - EQUIPMENT REPAIRS	895.06	521.02	374.04	71.8
945207 MAJOR SECURITY SURV	0.00	0.02	(0.02)	(100.0)
945301 MAJOR EQUIP - NON-IT	44,096.26	0.00	44,096.26	100.0
* 945200 - MAJOR EQUIPMENT	44,096.26	0.02	44,096.24	100.0
** MAJOR EQUIPMENT(OVER \$5,000)	44,096.26	0.02	44,096.24	100.0
952499 VEHICLE OPERATIONS	15,270.21	10,259.40	5,010.81	48.8
* 952300 - VEHICLE OPERATIONS	15,270.21	10,259.40	5,010.81	48.8

We evaluated compliance with the FIN Manual requirements over fixed assets management, inventory control, software licensing control, and transfer and disposal practices through interviews with Court managements and staff, and reviews of supporting reports and documentation. Our review included the following:

- Reviewing the accuracy of the Court's fixed asset information system reported in the Comprehensive Annual Financial Report worksheet statements 18 and 19 by comparing the reported amounts to the court's supporting fixed asset listings or reports.
- Reviewing supporting purchase documents and invoices of selected expenditure transactions recorded to major and minor equipment general ledger accounts to determine whether the Court appropriately classified and recorded its purchases of fixed assets items.
- Determining whether the Court followed the FIN Manual fixed asset capitalization policies.
- Validating the existence of selected inventory and fixed asset items from inventory records to the physical observation of the inventory and fixed asset items.

The following issue was identified as a result of our review of the Court's Fixed Asset Management System. There are no minor issues that have been identified.

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

### **Background**

The Trial Court Financial Policies and Procedures Manual (FIN Manual), Procedure No. 9.01, Section 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, section 6.2.2 requires courts to maintain a detailed and up-to-date listing of inventory items. Inventory items are defined as items with an individual value of more than \$1,000 and less than \$5,000 and an anticipated useful life of more than one year. In addition, items that are particularly subject to loss or theft, such as small office equipment, cellular phones, and small phones valued at less than \$1,000, are also included as inventory items. Further, section 6.2.3 requires courts to maintain a current list of court-owned computer software. Section 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, and copiers.

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

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

### **Issues**

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

1. Trial courts are required to conduct periodic physical inventories. A thorough physical inventory of all court assets and equipment helps organizations avoid the numerous errors we noted during our physical inventory testing. Among the objectives of an inventory is to ensure that court assets are locatable, properly identified and recorded. Issued noted are:
  - a. The court is tracking fixed assets and inventory items in three systems: (a) the AOC provided Access database, (b) in an Excel spreadsheet, and (c) in the help desk software Track-It.
  - b. For all locations (occurrences in parentheses):
    - 1) There are 348 records for PCs and laptops on the inventory listings. The court did not enter the following information on the listings: Computer Name (8), Department (1), Model (5), User (5), Monitor Model and serial number (196).
    - 2) There are 136 records for printers. The court did not enter the following information for printers: Network ID (80), Unix Name (15), Model (9), Dept/Crtm/User (22), Serial number (86), Printer (2), and IP address (3).
    - 3) We found 22 errors out of 39 sampled items (56 percent) in the physical inventory testing we conducted. 18 of these errors resulted from a lack of ID tags on inventory items and complete records in the fixed asset management system.
  - c. The court was unable to account for three of nine (33 percent) laptops selected for testing on the "PC Inventory List – Laptops" report where the court entered 'Inventory' or 'Spare' in the Assigned User column. In an attempt to locate the laptops, the court brought us many laptops to examine. Most of these laptops were not on the "PC Inventory List – Laptops" report. The court stated that it was also entering laptops in the

- Track-It helpdesk software. As a result, we looked in Track-It to determine if the serial numbers had been entered.
- 1) One laptop was parted out and was not on any list.
  - 2) Four laptops were listed in Track-It as missing but two of these laptops were listed on the "PC Inventory List – Laptops" report.
  - 3) There were 13 laptops not entered in Track-It and two of these were also not on the PC Inventory List- Laptops report.
- d. We were unable to see the ID tag on any of the PIC 515 E firewall units. However, we do acknowledge that there may not be a good place to place an ID tag on equipment that is installed on racks.
- e. The IBM model 346 (ID tag 149) server on the Inventory Checklist is noted as being in storage. However, we were unable to find it in the storage locations.
- f. Six items marked for disposal during the court's 7-21-2009 physical inventory are still in storage.
2. We noted that the court does not tag inventory items. Generally, these are items with a value of more than \$1,000 and less than \$5,000. These items would include purchases of monitors, printers, and other items costing less than \$5,000 such as laptops and PCs. FIN 9.01, 6.3 Identification Tags clearly requires a court to assign a unique identification number to each fixed asset or inventory item. The tag should be located on the item so that it is readily legible during physical inventories.

We also inventoried the five boxes of ID tags for the purpose of determining if we could account for the ID tags that appear to have been issued. There are 156 ID tags that have been removed from the five boxes of ID tags. We found evidence of assignment for only 47 of the ID tags. As a result, we were unable to account for 109 (70 percent) ID tags. Fourteen ID tags have been issued since the current Procurement Specialist started with the court in December 2007. We were unable to account for one (7 percent) of those tags. It appears that management of ID tags has improved since December 2007, although we would like to mention that the ID tags are being stored in a cubicle overhead unsecured.

3. We use the serial number of a fixed asset item during physical inventory testing to ensure positive identification of an item we sample.
- a. We noted on the servers that the serial number captured in the fixed asset management system included the Type, Model, and Serial Number.
  - b. We sampled two "burstlers" in physical inventory testing. We were unable to find the serial number on either of the two units.
  - c. We sampled a spare magnetometer at the south entrance of the main courthouse. The serial number captured on the fixed asset report was annotated in pencil on the inside of the horizontal overhead door. There are serial numbers on the four electronic components inside the horizontal overhead door of the magnetometer. We have observed that most courts enter the serial number of the center component on their fixed asset reports.

4. When confirming what software has been loaded on a PC or laptop, the court must first select a computer and identify the software installed on it. The court must then review the software entered in Track-It for that computer. The reverse is not easily performed because there is no location entered in Track-It that would enable the court to easily locate the specific computer upon which the software is installed. In addition, Track-It may be an inadequate tool for tracking software because it appears to lack the capability to electronically query PCs remotely.

### **Recommendations**

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

1. We recommend that the court consolidate inventory and fixed asset items in one application. We also strongly urge the court to populate all the fields of inventory and fixed asset records.

We recommend that the court consider affixing ID tags on a copy of the purchase invoice for those server room items that are installed in racks. Please be mindful that the court must also annotate on the copy of the invoice the serial number of the item that is associated with that ID tag.

We also recommend that the court conduct a complete and thorough physical inventory. Please ensure that all inventory and fixed asset items are tagged, a complete record for each item is entered in the fixed asset management system, and that all items designated for disposal are disposed of timely and in compliance with CRC 10.830 Disposal of Surplus Court Personal Property.

2. We recommend that the court tag all purchases of monitors, printers and other items costing less than \$5,000 such as laptops and PCs in compliance with FIN 9.01, 6.3 Identification Tags.

We also recommend that the court implement procedures to ensure ID tags are properly secured and issued in sequential number order sequence.

3. (a) We recommend that the court enter only the serial number in the fixed assets management system of the item being described. (b) Please make the serial numbers of each burster unit in the court more conspicuous. (c) Please consider using the serial number of the center component inside the horizontal overhead door of the magnetometer.
4. We recommend that the court acquire software that is more appropriately designed for tracking software installed on PCs such as Level Platforms.

### **Superior Court Response By: Cindia Martinez Date: May 13, 2011**

1. The court will be pursuing a software application that will allow us to consolidate the inventory and fixed asset items and will include the required fields in order to best manage inventory and assets as described by the Financial Policy. We are currently in the process of

recruiting for a new IT Director and will assign them this task once on board. We anticipate that it will take several months to evaluate, procure and train once our Director is on board. Our goal would be to have a new software up and running by January 1, 2012. In the meantime we will continue to keep track of the inventory and assets in existing, separate systems.

Purchasing will begin to affix the ID tag on the PO and invoice for equipment that cannot be properly tagged, such as servers installed in computer racks. The Court will be sure that serial numbers are included on the invoice and/or PO that is identified with the ID tab. This process will begin 5/1/11.

A physical inventory will be performed to coincide with the implementation of our new asset and inventory tracking system so that we can be sure to have accurate information in the new system. The goal would be to conduct a physical inventory each year, but no less than once every three years as prescribed by the Financial Policy. A proper schedule for disposal will also be developed and included in the new administrative policy that will be written to memorialize our fixed asset and inventory processes. This policy will be developed during the summer of 2011 and amended to incorporate the new software application as needed.

2. Purchasing will begin issuing tags for items such as printers, monitors and other items costing less than \$5,000 which may be at risk for loss or theft, even though some of the items cost less than the required \$500. Monitors are approximately \$150 and printers can range from \$300 to \$500. The process for this will be included in our new administrative asset and inventory policy.

The Court will also include in the administrative asset and inventory policy, procedures for securing the ID tags and issuing consecutively in sequential number order sequence. This will be coordinated between Purchasing and IT.

3. The Court finds that entering more description related to the asset or inventory items helps in better identifying assets, particularly with staff who may be unfamiliar with the items upon an inventory check. We will continue to include the Model number and Type, in addition to the serial number but will be sure they are represented in separate fields in the software application.

For equipment that has the manufacturer's serial number located in a difficult to locate position the Court will engrave the serial number. The bursters and magnetometers will be engraved with serial numbers from current records in conspicuous locations. The AOC currently tracks magnetometers by our listed serial number for replacement and therefore do not want to change on existing equipment to the center motherboard component serial number. For future purchases the Court will use this process if multiple serial numbers are included. Engraving will occur by 5/31/11.

4. The Level Platforms software recommended by the audit appears to be for tracking software installed on PCs and possibly other IT related items. Recommendations under Item 1 seemed to suggest consolidating our asset and inventory items into one software application. The

Court will explore a solution that will allow asset and inventory tracking for all items, including software, on one system if possible, so that double entry is not required. As indicated in response Item 1, the Court hopes to be operational on a new system by January 1, 2012.

### 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 full accountability, efficient use of public resources, and compliance with all requirements. Substantiated audit findings shall be investigated and corrected in a timely fashion.

In September 2005, a performance review of operations of the Court was performed for the Administrative Office of the Courts (AOC) by Sjoberg Evashenk Consulting, Inc (SEC). In conjunction with the performance review, SEC assessed the Court's ability to implement the AOC's new general ledger and procurement system Court Accounting and Reporting System, now referred to as Phoenix.

Overall, the SEC review indicated that the court had established processes to appropriately manage its operations and the financial business cycles and court staff on several formalized operations manuals that provided guidance on specific processes such as cash handling, claims processing, month end closing, accounts payable and trust management. However, the consulting firm identified areas in which the Court would benefit from implementing stronger internal controls including:

- Cash handling and safeguarding of court assets;
- Procurement and expenditure authorization; and
- Programming of revenue distributions in the Court's case management system (CMS).

While the Court responded to the consulting firm's recommendations by implementing enhancements in four areas including; two in cash handling, one in banking and treasury, and vendor invoice processing the remaining seventeen issues required additional work and were not updated in that report.

Finally, the State Controller's Office (SCO) reported on its audit of Sonoma County court revenues for the period of July 1, 2001 through June 30, 2005 on December 6, 2006. That report disclosed that the County over remitted \$482,187 in court revenues to the State Treasurer because it:

- Overestimated the 50% excess of qualified fine, fees, and penalties by \$484,331; and
- Under remitted court automated fees by \$2,144.

As a result, the county was asked to reduce subsequent remittances to the State Treasurer by that amount. There was been no reviews of court revenues by the SCO since that time.

## 14. Records Retention

### **Background**

It is the policy of the trial court to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, the trial court shall employ sound business practices that best serve the interests of the court. The trial court shall apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records. This policy applies to all trial court officials and employees who create, handle, file, and reproduce accounting and financial records in the course of their official responsibilities.

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

## 15. Domestic Violence

### Background

There are three main categories of domestic violence cases: Criminal, Civil, and Juvenile. There is little to no money collected in Civil and Juvenile domestic violence cases. The bulk of court-ordered domestic violence fines and fees are derived from assessments in criminal cases. At most courts the collection and distribution of court-ordered domestic violence fines and fees in criminal cases are handled by the County Probation Department. Domestic violence fines and fees are usually not assessed in civil cases where the victim's requests are mainly restraining orders.

The main types of domestic violence fine and fee assessments are:

- Penal Code 1203.097 Fees
- Penal Code 1202.4(b) State Restitution Fees
- Direct Restitution Payments to Victims
- Court-ordered Payments to Battered Women's Shelters
- Penal Code 273.5 Fines
- State Penalty Assessments
- Local Penalty Assessments

The only issue identified for management's attention is noted below. In addition, there are no minor issues that have been identified.

### 15.1 Domestic Violence Fines and Fees Were Not Adequately Described and Assessments Could Not Be Confirmed

#### Background

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

Relevant statutes include but are not limited to:

**PC §1203.097(a)** states that if a person is granted probation for a crime in which the victim is a person defined in Section 6211 of the Family Code, terms of probation shall include but not limited to a minimum payment of \$200 to be distributed to various local and State level domestic violence program funds (domestic violence probation fine). The fine was \$400 prior to January 1, 2010. If, after a hearing in court on the record, the court finds that the defendant does not have the ability to pay, the court may reduce or waive this fee. On August 13, 2010, the minimum fine for PC §1203.097 (a) (5) was amended by Stats 2010 Ch 132 § 1 (AB 2011) from

\$200 to \$400 effective on January 1, 2010. Prior to the enactment of AB 2011, the minimum fine was \$200 between January 1, 2010 and August 13, 2010.

**PC §1202.4(i)** At its discretion, the board of supervisors of any county may impose a fee to cover the actual administrative cost of collecting the restitution fine, not to exceed 10 percent of the amount ordered to be paid, to be added to the restitution fine and included in the order of the court, the proceeds of which shall be deposited in the general fund of the county.

**GC 1203.1(i)** If the court orders restitution to be made to the victim, the entity collecting the restitution may add a fee to cover the actual administrative cost of collection, but not to exceed 15 percent of the total amount to be paid.

**GC 70373 (a)(1)** to ensure and maintain adequate funding for court facilities, an assessment shall be imposed on every conviction for a criminal offense, including a traffic offense, except parking offenses as defined in subdivision (i) of Section 1463 of the Penal Code, involving a violation of a section of the Vehicle code or any local ordinance adopted pursuant to the vehicle Code. The assessment shall be imposed in the amount of thirty dollars (\$30) for each misdemeanor or felony and in the amount of thirty-five dollars (\$35) for each infraction.

**PC §1202.44** requires that in every case in which a person is convicted of a crime and the conviction includes a conditional sentence or a sentence that includes a period of probation, the court shall, at the time of imposing the restitution fine, assess an additional probation revocation restitution fine in the same amount as that imposed pursuant to subdivision (b) of Section 1202.4.

**PC §1465.8(a)(1)** requires the court to impose a \$30 fee on every conviction for a criminal offense to ensure and maintain adequate funding for court security (court security fee). This fee was \$20 per conviction prior to July 28, 2009.

Under the following Penal Codes, the Court may require the defendant to make a payment to the Battered Woman's Shelter 166(e)(2); 243(e)(2); 262(e)(1); 273.5(h); 273.6(h); 273.65(h); 1203.097(a)(1); and 1203.097(11).

### Issues

During our review of 7 judgmentally sampled misdemeanor and felony cases in which the defendant was convicted of a domestic violence charge code in FY 2009-2010, we identified the following exceptions:

1. Seven of seven (100%) DV cases reviewed lacked a definitive statutory code when describing the fee assessed by the Court including:
  - a. One of seven cases reviewed assessed a \$20 for Court Security fee one month after the fee was increased to \$30
  - b. Five of five other cases sampled assessed a fee of \$30 which appears to be the Court Security fee of \$30. However, the court referred to this as a "fee" but provided no other further description

- c. Five of six cases reviewed included \$30 for a, "Criminal Conviction Fee" which may be the fee for GC 70373 but it was defined as GC70373.
  - d. It appears that the Court assessed \$50 on one other DV case reviewed but it cannot be determined whether the Court was assessing \$20 for the Court Security fee and \$30 for GC70373 fee, or not.
2. Two of seven cases reviewed in the Court did not impose the Probation Revocation pursuant to 1202.44
  3. In 7 out of 7 or 100% of cases reviewed, the Court did not require the defendant to make a payment to a Battered Woman's Shelter. The Court may require the defendant to make a payment to the Battered Woman's Shelter 166(e)(2); 243(e)(2); 262(e)(1); 273.5(h); 273.6(h); 273.65(h); 1203.097(a)(1); 1203.097(11).

### **Recommendations**

To ensure that statutorily required minimum criminal domestic violence fines and fees are assessed, the Court should develop and keep current a bench schedule which highlights domestic violence-related fines, fees and assessments and promote its use to judicial officers to better assist them in adjudicating required assessments for criminal domestic violence cases. In addition, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why required minimum fines and fees are not assessed should be documented in minute orders or the case management system.

Finally, the Court needs to document its compliance to state statutes and any local ordinances in its Register of Actions, dockets and/or minutes to ensure compliance.

### **Superior Court Response By: Lesley Allen Date: May 13, 2011**

#### Recommendations One: Maintenance of a current bench schedule of DV fines and fees.

The Court agrees with the recommendation. The Court will continue to update and maintain a schedule of fines and fees. The judicial officers are provided with a copy of this schedule. Staff has checked to make sure all judicial officers have the updated version of this document. The Court will also periodically update and review this information with judges at the various judicial meetings to keep them educated on the required fine and fee statutes.

#### Recommendation Two: Documentation of reasons why fees and fines are reduced

The Court agrees that the minute order will indicate the fines and fees assessed as well as the reason for the reduction in fines as indicated by the judicial officer.

#### Recommendation Three: Documenting compliance with statutes

The Court agrees with the recommendation and the Court will continue to document compliance with statutes and local ordinances through the Register of Actions to ensure compliance.

Responses to the specific audit findings are below in bold type:

One of seven cases reviewed assessed a \$20 for Court Security fee one month after the fee was increased to \$30

**The error most likely occurred due to a delay in the implementation of the new fee due to programming changes that needed be completed in both the criminal and traffic systems. This system update has been completed.**

Five of five other cases sampled assessed a fee of \$30 which appears to be the Court Security fee of \$30. However, the court referred to this as a “fee” but provided no other further description

**Yes, this is the court security fee.**

Five of six cases reviewed included \$30 for a, “Criminal Conviction Fee” which may be the fee for GC 70373 but it was defined as GC 70373, and

**Space limitations on the minute sheet do not allow us to define each assessment separately. The security fee and the criminal conviction fee are the first items deducted from any total fine ordered.**

It appears that the Court assessed \$50 on one other DV case reviewed but it cannot be determined whether the Court was assessing \$20 for the Court Security fee and \$30 for GC 70373 fee, or not.

**Yes, that is a \$20 security fee and \$30 criminal conviction fee.**

Two of seven cases reviewed in the Court did not impose the Probation Revocation pursuant to 1202.44

**This fee was not included when the DV minute sheet was originally drafted. This fee has now been added to the minute sheet.**

In 7 out of 7 or 100% of cases reviewed, the Court did not require the defendant to make a payment to a Battered Woman’s Shelter. The Court may require the defendant to make a payment to the Battered Woman's Shelter 166(e)(2); 243(e)(2); 262(e)(1); 273.5(h); 273.6(h); 273.65(h); 1203.097(a)(1); 1203.097(11).

**There is a place on the DV minute sheet where the judge can order this if he or she deems it would be correct to do so.**

## 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.

The only issue identified for management's attention is noted below. There are no minor issues that have been identified.

### 16.1 Court Needs to Improve Some Exhibits Handling Controls and Procedures

#### Background

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

- A physical inventory of exhibits to confirm their existence and status and reconciliation of the records stored in an electronic/automated system and/or a well maintained manual inventory system.
- A periodic and independent inspection by Court employees not handling exhibits.
- A methodology to purge exhibits in a timely and according to statutes *is* dictated in PC §1417 – PC §1417.9.

Furthermore, different levels of caution should be exercised depending on the types of exhibits presented. The Court's exhibit manual must provide procedures for courtroom clerks and exhibit custodians when handling certain sensitive exhibits such as body fluids and tissues, firearms and ammunition, weapons, narcotics and controlled substances, money and other valuables, and flammable or otherwise hazardous chemicals or materials.

The Court has two permanent exhibit storage areas in the Hall of Justice (HOJ). Criminal exhibits (including valuable and sensitive items) are held in the Criminal Exhibits Vault (Criminal vault) located at the north end of HOJ while civil exhibits are held in the Civil Exhibits Cage (Civil cage) inside the Vault at the Administration and Operations office area (Admin Vault). Also, the Court has temporary exhibit storage cabinets for each courtroom. The HOJ has 14 courtrooms in use and all have temporary exhibit cabinets secured by lock & key. The Civil & Family Law Courthouse (CFC) has a total of four courtrooms; two civil courtrooms in the 1st floor and two family law courtrooms in the 2nd floor, with each floor having two temporary exhibit closets secured by lock and key. Empire Annex (Empire) has two courtrooms with temporary exhibit cabinets secured via key pad combination. The Juvenile Justice Center (JJC) has two courtrooms sharing one temporary exhibit cabinet secured via lock and key.

The Court when recording and tracking exhibits, uses a database called “Evidence Tracker” to record and track criminal exhibits. The database can also generate an exhibits inventory list. Civil exhibits, however, are currently tracked manually using a spreadsheet. According to the Court, the database is capable of tracking of civil exhibits but has yet to be configured.

### **Issues**

Through discussions with Court exhibits personnel, visits to all exhibit storage locations, and exhibits validation testing, we documented and identified several minor process inefficiencies, procedural inadequacies and control weaknesses:

#### Formal Exhibits Policies and Procedures

1. The Exhibit Clerk’s “exhibits policies and procedures manual” is in draft and yet to be formalized. Disposal of exhibits is currently halted (as of April 2010) because of this, which has resulted in space constraints in the criminal exhibits vault and in the necessary use of the civil exhibits cage for overflow exhibits.

#### Physical and Logical Access to Exhibits

2. The Civil cage is located inside the “Administration” vault where the safe and lockboxes store operation’s starting cash and deposit are secured. Though the Civil Cage is locked at all times, the vault is left open during the day thus relegating civil exhibits accessible to non-exhibits personnel and susceptible to tampering.
3. The lock combination for the Criminal vault and “Administration” vault, has not been changed or the past 3 years even with movement of employees knowing the combination.
4. Access to the temporary exhibit cabinets is not unique and not exclusive.
  - In CFC, a courtroom clerk in the first floor can open both exhibit cabinets in the first floor with the same key and the same applies for a courtroom clerk in the second floor.
  - In Empire Annex, key pad combination to the exhibit cabinet is the same as the key code access to enter the building.
5. In the JJC, there are two courtrooms that share *one* temporary exhibit cabinet secured via lock and key. Each courtroom clerk has the key to the exhibit cabinet; however, the key is kept in an unlocked drawer.
6. Most temporary exhibit cabinets in each court location are also used for storage of non-exhibit items such as supplies and personal items.
7. Access to the Evidence Tracker database is not current and has not been updated. There are four users identified that should not have access due to organizational movement.

#### Transfer of Exhibits

8. The Exhibits transfer process and controls are inconsistent and inadequate.
  - The current exhibit list transfer form is inconsistently signed by both the courtroom clerk and exhibit clerk to signify appropriate exhibit transfer.
  - Courtroom clerks may place civil subpoenas and exhibits in the civil exhibit clerk’s inbox at the mail center instead of physically handing them over for a more effective transfer of custody.

#### Periodic Inspections

9. Periodic inspections are not performed on all exhibit storage areas (permanent and temporary) to monitor proper safekeeping of exhibits. During exhibits validation testing in

the temporary exhibit cabinets, 4 of the 11 exhibits tested (36%) are for closed (adjudicated) cases thus should have been transferred in the main exhibit rooms in HOJ.

#### Tracking of Exhibits

10. The Civil exhibits tracking spreadsheet is not formalized and lacks adequate tracking details for long-term efficiency such as:

- Exhibit description is inconsistently recorded
- Location is not descriptive (e.g. shelf location)
- Disposal and return date is not noted instead the exhibit record is deleted when exhibits are destroyed or returned to parties

#### **Recommendations**

To address the aforementioned issues and to further develop a more effective and efficient exhibits handling process, we recommend the following:

#### Formal Exhibits Policies and Procedures

1. Formalize the Exhibit Clerk exhibits policies and procedures manual and immediately conduct proper disposal of exhibits to better organize storage within the Criminal Vault and to slowly discontinue the use of the Civil Cage. Also, once the manual is completed, the Court should:
  - Distribute the manual among individuals involved in the exhibits activity
  - Require individuals provided with the manual to sign a document stating understanding of the manual and reaffirm this understanding for any changes or updates to the manual.
  - Perform periodic review of the manual for any necessary updates

#### Physical and Logical Access to Exhibits

2. Develop a plan to gradually discontinue the use of the civil cage as a permanent exhibit storage area. During this process, the Court should re-evaluate leaving the “Administration” vault door open during business hours to reduce the risk of unauthorized access to exhibits.
3. Periodically change the lock combination (e.g. annually) of both the Criminal Exhibits Vault and “Administration” Vault, which houses the Civil cage. Immediately change the combination when an employee with knowledge of suddenly leaves employment or loses access rights due to a change in duties.
4. Ensure access to temporary exhibit cabinets is unique and exclusive whenever possible. For CFC, there should be one unique key for each of the four cabinets. For Empire Annex, key code combination of the exhibit cabinet should be unique from the key code combination of the building.
5. Ensure keys to access any exhibits storage areas (permanent or temporary), if applicable, are secured by the designated key holder.
6. Disallow the use of all exhibit areas, including the exhibit storage cabinets, as storage other than exhibit items to prevent excessive access and increased likelihood of unauthorized access.
7. Periodically evaluate Evidence Tracker database access listing for appropriateness. Immediately update user access especially when employees with access leaves exhibits activity role.

#### Transfer of Exhibits

8. Ensure an effective and proper exhibits transfer or change of custody process by enforcing the following:

- Exhibits transfer form should be consistently signed by both the exhibit clerk and courtroom clerk with a copy retained by both or imaged.
- All exhibits should be physically handed over by the courtroom clerk to the exhibit clerk.

#### Periodic Inspections

9. Perform an inspection of each exhibit area periodically, such as every 90 days. The inspection should document the addition, movement and destruction of exhibits from the last inspection, test any security features within and around the exhibit rooms, assess the condition of the exhibits with emphasis on sensitive exhibits (e.g. seals broken or damaged) and assess the overall condition of the exhibit rooms (e.g. water leaks, pest problems)

#### Tracking of Exhibits

10. Formalize the civil exhibits tracking spreadsheet until such a time when civil exhibits are tracked in the Evidence Tracker database. Exhibit items should be adequately recorded in the spreadsheet with detailed descriptions and locations. Location is better recorded once exhibit room shelves are properly labeled. Any movement of the exhibit item should be noted in the spreadsheet. Exhibit entries should not be deleted to maintain record integrity and proper audit trail.

**Superior Court Response By: Cindia Martinez**

**Date: 4/4/11**

#### **Formal Exhibits Policies and Procedures**

1. \*The Exhibit Manual was finalized in March 2011; it was distributed to all department managers, including the manager for the courtroom clerks.
  - \*The Exhibits Department has begun the identification of exhibits that can be returned or destroyed. Notices are being sent to the appropriate agencies and parties.
  - \*The Exhibits Department and the Courtroom Clerks Department will conduct joint training for courtroom clerks on the proper handling of exhibits. All Courtroom Clerks will have received this training by the conclusion of FY 2010-11.
  - \*The Exhibit Department will maintain a file with the Exhibit Manual acknowledgement receipt. All Exhibit Department staff will be required to read the manual and acknowledge understanding of the guidelines provided therein.
  - \*The Exhibit Manual will be reviewed and updated periodically to reflect any physical, staffing or statutory changes that may impact exhibit management and disposal.
  - \*Once we are able to dispose of some of the criminal exhibits in the Exhibit Vault, we will be able to transfer the exhibits currently located in the Civil/Accounting Vault to the Exhibit Vault.

#### **Physical and Logical Access to Exhibits**

2. \*As mentioned above, the Court plans to make room in the Criminal Exhibit Vault by disposing of the exhibits that are eligible for disposal. Once the room is available, the exhibits currently located in the Civil/Accounting Vault will be moved to the Exhibit Vault.
  - \*The Accounting Vault is now only open between the hours of 07:45 – 09:00 and 16:00 – 17:00. A new combination to this vault was put in place in March 2011.

3. \*The combination for the Civil/Accounting Vault and the Exhibit Vault were changed in March 2011 and will be changed if staffing leaves employment or this division. Otherwise, periodic combinations will be changed, approximately every two years.
4. \*At the Empire Annex, the Court has installed prox card access to the temporary exhibit cabinets. The Exhibit Manager and Supervisor and the Courtroom Clerks have prox card access to these cabinets.
  - \*Given that Courtroom Clerks are frequently rotated to various departments across court facilities, it would be unfeasible to establish unique and exclusive keys for each of the exhibits cabinets. Courtroom Clerks are responsible for securing the keys to these cabinets at the end of each day. All Courtroom Clerks will have been trained in the proper temporary safekeeping of exhibits by the end of April 2011.
5. \*The Manager and Supervisors for the courtroom clerks have provided clear guidelines to the courtroom clerks regarding the safekeeping of the keys to the temporary exhibit cabinets.
  - \*The combination to the Exhibit Vault is only known to the exhibit custodians, the Department Manager, the Department Supervisor and the Facility Manager.
6. \* This practice has already been implemented at all Court facilities. Items that are not considered exhibits, such as administrative forms, office supplies, and personal belongings, have all been removed from all exhibit storage cabinets.
7. \*This practice has already been implemented.
  - \*The Court completed the web-based version of the Evidence Tracker for civil exhibits. All data held in the old civil database will be transferred to the new database by the end of April 2011.

#### **Transfer of Exhibits**

8. \*These business practices are included in the Exhibits Manual and will be followed consistently.
  - \*Additional training on exhibit handling for courtroom clerks will be conducted by 4/30/11.

#### **Periodic Inspections**

9. \*This business practice is included in the Exhibits Manual. The Exhibits Department will inspect the Exhibits Vault on a quarterly basis. Using reports obtained from the Criminal and Civil Exhibits Tracker, the Exhibits Department staff will inventory existing exhibits and those that were removed or destroyed. In conjunction with the manager and supervisors of the courtroom clerks, the Exhibit Department staff will conduct periodic inspections of the exhibit storage closets in the courtrooms to verify the proper safekeeping of exhibits and ensure that all exhibits that are eligible for transfer of custody to the Exhibits Department have been processed according to standard business practices.

#### **Tracking of Exhibits**

10. \*The Exhibits Department now has a web-based Evidence Tracker for civil exhibits. It is fully operational as of March 2011. The civil exhibits custodian is in the process of checking for accuracy and transferring all the data to the new database. This data transfer will be completed by the end of April 2011.

## 17. Facilities

### Background

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

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

### Responsibility for Court Facilities

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

### Transfer Status

According to the Office of Court Construction Management's (OCCM) "*Completed Transfer Agreements through September 30, 2009*", the City and County of Sonoma has entered into eleven transfer agreements with the Judicial Council with eight transfers of responsibility, two consolidated agreements, and one limited use agreement.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures</b>				
935202 RENT/LEASE NON STATE	603,173.61	136,971.54	466,202.07	340.4
935203 STORAGE	3,384.00	3,684.00	(300.00)	(8.1)
* 935200 - RENT/LEASE	606,557.61	140,655.54	465,902.07	331.2
935301 JANITORIAL SERVICES	72,344.11	72,000.00	344.11	0.5
* 935300 - JANITORIAL	72,344.11	72,000.00	344.11	0.5
935499 MAINT & SUPPLIES	3,851.42	514.39	3,337.03	648.7
* 935400 - MAINTENANCE AND SUPP	3,851.42	514.39	3,337.03	648.7

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Expenditures (continued)</b>				
935601 ALTERATION & IMPROVE	93,231.37	2,846,128.33	(2,752,896.96)	(96.7)
* 935600 - ALTERATION	93,231.37	2,846,128.33	(2,752,896.96)	(96.7)
935799 OTH FCLTY CSTS-GOODS	1,322.59	29,080.93	(27,758.34)	(95.5)
* 935700 - OTHER FACILITY COSTS	1,322.59	29,080.93	(27,758.34)	(95.5)
** FACILITY OPERATION TOTAL	777,307.10	3,088,379.19	(2,311,072.09)	(74.8)
936101 UTILITIES	60,654.54	0.00	60,654.54	100.0
* 936100 -UTILITIES	60,654.54	0.00	60,654.54	100.0
** UTILITIES TOTAL	60,654.54	0.00	60,654.54	100.0

There were no issues noted in this area.

## 18. Bail

### **Background**

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

While Penal Code §1269b is not definitive as to whether the sheriff, the police and/or the clerk of the superior court should approve and accept bail, Bail is commonly presented at the jail which is manned by law enforcement personnel rather than court personnel. If the bail bond is accepted by the court staff then the court must ensure compliance with PC§ 1269.

There were no issues noted in this area.

## 19. Court Interpreters

### Background

Government Code §68560 (f) states competent interpreters services in the courts and judicial and administrative agencies should be provided through programs to recruit, train, test, certify, and evaluate interpreters. Continuing education and evaluation would also help ensure adequate interpreter services to the courts.

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

ACCOUNTS	TOTAL FUNDS AS OF JUNE 30		\$ INC.(DEC)	% CHANGE
	2010	2009		
<b>Revenues</b>				
834010 PROGRAM45.45-CRT INT	(1,117,125.18)	(1,147,848.42)	(30,723.24)	(2.7)
** 834000-PROGRAM 45.45 - REIMBU	(1,117,125.18)	(1,147,848.42)	(30,723.24)	(2.7)
<b>Expenditures</b>				
938502 COURT INT - TRAVEL	48,981.60	68,411.86	(19,430.26)	(28.4)
938503 COURT INT - REGISTRD	17,211.48	20,082.19	(2,870.71)	(14.3)
938504 COURT INT - CERT	133,701.45	148,813.34	(15,111.89)	(10.2)
938505 COURT INT - NONREG	7,945.52	5,372.14	2,573.38	47.9
938506 COURT INT - NONCERT	56,430.27	97,410.35	(40,980.08)	(42.1)
938507 COURT INT - ASL	37,483.75	41,928.38	(4,444.63)	(10.6)
* 938500 - COURT INTERPRETER SE	301,754.07	382,018.26	(80,264.19)	(21.0)

A review court interpreters is performed to ensure the court has established procedures and internal controls to ensure that it

- Has adopted the California Rules of Court to promote efficiency and uniformity within a system of trial court management.
- Is managing its operations consistent with statute, rules of court and standards of judicial administration, and
- Is reporting the results of its operations in a timely and accurate manner.

There was one issue noted in this area. There were no minor issues identified.

### 19.1 Interpreters Were Reimbursed For Excess Mileage

#### Background

The court should established adequate accounts payable control procedures that assure the court:

- Verifies that the goods and services received agree with the goods and services ordered before accepting the goods and services (FIN 8.01, 6.3.2, para.1);

- Documents and properly records the receipt and acceptance of goods and services (FIN 8.01, 6.2.2, para.1-3);
- Promptly submits for processing vendor invoices and claims to the accounts payable department (FIN 8.01, 6.2.1, para.1);
- Reviews and matches invoices and claims to the corresponding approved order documents before processing for payment (FIN 8.01, 6.3.2, para 3); and
- Has appropriate level court-authorized personnel review and approve invoices and claims prior to payment (FIN 8.01, 6.4, para 1-5).

### **Issues**

IAS performed a review of twenty-five procurement transactions (ten transactions were reimbursements to jurors and/ or interpreters) and noted the following exceptions:

1. One of six interpreter requests for mileage reimbursement lacked documentation that Fiscal Accounting verified the distance claimed from interpreter's home to the Court and the form does not require his home address and,
2. Two of six Court interpreter's reimbursements were paid excessive mileage.

### **Recommendations**

The Court shall:

1. All employee requests for mileage will be verified to established standards and retained in the vendor payment files and,
2. All reimbursements for mileage will be verified in writing by Fiscal Accounting for accuracy.

### **Superior Court Response By: Linda Walker Date: 4/15/11 & 6/22/11**

1. Our Fiscal Department will create a standard mileage rate chart for employees and common locations and verify against employee reimbursement. This will be completed by May 31, 2011.
2. Our Fiscal Department will initial the total mileage section of each reimbursement claim as verification that it has been review

## **20. Miscellaneous**

This section covers Court donations, escheatment activities, and indirect cost recovery processes.

There were no issues identified in this section to report on.

## Appendix A

### Superior Court of California, County of Sonoma Issue Control Log

**Note:**

The Issue Control Log contains all the issues identified in the audit. Any issues discussed in the body of the audit report are cross-referenced in the "Report No." Column.

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

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

	FUNCTION	Issue Sheet	RPT NO.	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1	Court Administration	24	1.1	Causes under Submission Coding and Other Enhancements Needed	C	While the Court appreciates the value-added recommendation by the Internal Audit Services regarding the enhanced automation of our current submitted cause tracking and reporting system, it will not pursue the suggested level of automation to our case management system at this time. The time and cost associated with this CMS enhancement is not viable at this time. Court has evaluated its current internal processes and controls and determined that current improved administrative procedures will continue to ensure compliance with CRC 10.603(c)(3)(B).	Jose Guillen	4/8/2011
2	Fiscal Management	12	2.1	The Court can Improve its Documentation of Employee Payroll Changes and Overtime	C	1. A merit Change form has been created , effective 5/15/11. 2. The court will retain documentation that overtime was approved as of 5/01/11	C. Martinez	5/13/2011
3	Fund Accounting			There were no issues in this area.				
4	Accounting Practices	21	4.1	Grant Accounting and Administration Documentation and Reporting Enhancements Needed	C	Court will document grant procedures, ensure payroll timesheets agree to grant timesheets and has provided the necessary reports.	L. Walker	4/15/2011
5	Cash Collections	25	5.1	The Court Did Not Properly Distribute Certain Collections in Accordance with Statutes and Guidelines	I	1. We will review the current distribution in our current CMS and modify the 20% surcharge based on the entire base fine amount. 2. We will review all traffic school distributions cases to determine where the distributions are incorrect for 2a. through 2d. We will implement changes to our CMS where necessary. 3. For these specific and special distributions we will review the distributions in our current CMS and make the necessary changes. Any changes made will be based on audit recommendations 3a. through 3c. and per the State Controllers Office distributions tables Appendix C. 4. For Red Light violations, whether traffic school or non-traffic school applicable and whether priors are applicable, we will review the current CMS distribution table and make sure we follow the State Controllers Office distribution table. We will ensure that the 30% allocations for these cases calculate correctly. 5. We will review distribution for the 20% DUI indemnity for DUI violations and make sure that the base fine is reduced by \$20. 6. We will review the current distributions for our special base fine distributions to find out where we lack compliance. We will be sure to follow the State Controllers Office Appendix C for special distributions. 7. For any future changes to the security fee, we will try and make sure this fee is assessed on every conviction and as timely as possible.	L. Walker	6/3/2011

FUNCTION	Issue Sheet	RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	9	5.2	UNIX Case Management System Control Concerns Relating to the Lack of Approval of Voids		C	All void transactions will be approved by the supervisor/lead or manager	C. Martinez	3/14/2011
	8	5.3	Supervisors do not Review and Approve the End of Day Cash Balancing	I		The Court will submit a request for alternative procedure.	C. Martinez	7/29/2011
	1	5.4	Cash-in-Mail is Not Logged or Processed Timely, and Is Not Properly Secured Overnight		C	Our Court is partially able to comply with FIN 10.02§ 6.4. We agree with the recommendations, generally, except we are unable to comply with Recommendation # 1 and can only partially comply with Recommendation #3. Sonoma Superior Court endeavors to process all payments received the same day. In the event that it is not possible due to volume of payments and/or lack of resources, each Court Division will provide a secure, locked cabinet or location in which unprocessed payments can be safely stored until the payment can be processed. The key to this cabinet will be held by appropriate staff and a manager or supervisor. Due to high volume of payments in some divisions and current staffing limitations, logging in of payments received would be too difficult and time consuming to do efficiently or effectively, therefore, payments are to be bundled and labeled, including the date and name of the cashier, and locked up overnight in lieu of tracking them on a log sheet.	C. Martinez	3/9/2011
	2	5.5	Controls over Payments Received in the Courtroom Need Improvement		C	Court will comply with FIN 10.02, 6.3.7 by providing a printed copy of the transaction or indicate all required case information.	C. Martinez	3/10/2011
	5	5.6	Combination to Vault Not Changed and other Security Enhancements Needed		C	Court will comply with FIN Manual 10.02, 6.1. and follow procedures for changing vault combinations.	C. Martinez	3/10/2011
	7	5.7	Beginning Cash Verification was not Always Performed and a Location's Change Fund could be reduced to Reduce Risk		C	Court will comply with FIN Manual 10.02, 6.3.2 and have cashiers count and verify starting cash and sign a verification sheet then provide to their supervisors to affirm their agreement of the count.	C. Martinez	3/11/11
	4	5.8	Judge's Signature Stamps Not Always Secured		C	The Court will comply with FIN Manual 1.03, 6.3.3 to ensure that judge's stamps are safeguarded at all times.	C. Martinez	3/10/11
	3	5.9	Control and Monitoring of Unused Manual Receipt Book Needs Strengthening		C	On March 15, 2011 A notice will be sent to all departments to remind them to return all unused manual receipt books to the Fiscal department.	C. Martinez	3/15/11
	6	Log	Court Needs to Expand Its Use of Signs		C	The Court will comply with CRC 3.58 which requires signs in all lobbies advising customers of fee waivers and rights, placing of requirement to issue receipts as well as notices to prohibit smoking in the HOJ and Juvenile Justice Center.	C. Martinez	3/18/11

	FUNCTION	Issue Sheet	RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	<b>6 Information Systems</b>	<b>20</b>	<b>6.1</b>	The Court's Procedures for Monitoring and Controlling Access to DMV Information Needs Enhancement		<b>C</b>	1. The Court agrees and will execute an agreement with DMV. 2. The court agrees and will continue to perform an annual reconciliation. 3. For Failure to Pay Holds: The Court will not remove DMV hold unless the staff receives a Court Order to do so.	C. Gentry	4/29/2011
		<b>11</b>	<b>6.2</b>	IT Preparedness and Contingency Planning and Physical and Logical Safeguards over IT Assets Need Improvement	<b>I</b>		1. These updated and expanded plans will be completed by December 31, 2011 and will be incorporated into the COP. 2. The Court agrees and will be a task of the new director with a target date of 3/31/12. 3. the court currently performs but needs strengthening. With the hiring of the new IT Director this will a duty to re-evaluate the need for a new policy for all log-ons, and administrative accounts and rights. 4. The Court agrees to conduct tests of the flood sensors.	Tom Ferriola	3/31/2012
	<b>7 Banking and Treasury</b>			There were no issues to report in this area.		-			
	<b>8 Court Security</b>	<b>17</b>	<b>8.1</b>	Court Security Risks Caused By Existing Building Deficiencies and Lack of Some Procedural Controls		<b>C</b>	1 and 2. responses w/b included in design of new courthouse. 3. Alarms tested annually 4. Emergency Manuals will be updated, as needed. 5. Court will use a transfer form for equipment and assets in data base to track.	C. Martinez	4/13/2011

	FUNCTION	Issue Sheet	RPT NO.	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
9	Procurement	15	9.1	Court's Approval Thresholds Do Not Agree with Those in the FIN Manual, Some Users should have their SAP User IDs Deleted and Procurement Roles May Lack Adequate Separation of Duties	C	<p>1. The FIN Manual-7th Edition FIN Manual at 6.01.6.3 no longer requires AOC approval for alternative approval thresholds that differ from the manual. Court will add a process to perform an annual review of approval levels by PJ.</p> <p>2. The Court authorization matrix controls who can authorize the request for purchases. By the time it is entered into SAP, those approvals have already been obtained and the Purchasing Agent is merely entering the transaction into the SAP system. In addition, SAP user roles have been revoked for the three users that no longer perform purchasing activities and/or no longer employed by the Court.</p> <p>3. Court Accountants can only enter properly authorized approved P.O.s into PHOENIX G/L but cannot approve them and, disposable items not within procurement specialist authority will require an approved authority. All new vendor requests will be forwarded to Fiscal Manager for approval.</p> <p>4. The Court's Procurement Manual will be updated to agree to the FIN Manual 7.01 and 7.03.</p>	C. Martinez	4/13/2011
10	Contracts	13	10.1	Contracts Lack some Mandatory Elements and Discretionary Terms and Conditions	C	Court will comply with the FIN Manual but will await changes to law and guidelines from Judicial Branch pursuant to SB 78.	C. Martinez	4/13/2011
		26	Log	Court did not Notify the AOC of Discontinued Services	C	Now that the Court is aware of this requirement, we will in the future notify the AOC Director of Finance any notification of discontinued Court or County services under GC 77212.	C. Martinez	6/3/2011
11	Accounts Payable	10	11.1	Petty Cash Procedures Need Enhancements	C	The Court will comply with procedures noted in FIN 8.04.	C. Martinez	3/11/2011
		19	11.2	Travel and Meal Reimbursement Documentation Not Always Timely or Complete	C	<p>1. The Court is currently in compliance with FIN 8.03, 6.13 with the Use of Trial Court and Personal Vehicles and has secured the proper documentation and secured it in a separate file and placed it in Human Resources.</p> <p>2. The Court will send reminders to supervisors and managers of FIN 8.03 procedures and perform staff training while reminding fiscal staff to return reimbursements that do not meet policy requirements.</p> <p>3. The Court rarely uses business meal reimbursements but will review for appropriate signatures, verify that a purpose is provided and proper documentation has been obtained.</p>	C. Martinez	4/15/2011

	FUNCTION	Issue Sheet	RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		23	Log	Some Accounts Payable Procedures were not Followed		C	<p>Court will:</p> <ol style="list-style-type: none"> <li>1. Ensure Invoices are date stamped.</li> <li>2. Assure three-point match process is adhered to and verify signatures are appropriate.</li> <li>3. Court purchasing will provide fee schedules to those authorized to approve invoices for review prior go approving.</li> <li>4. The court will make sure to verify signature approvals are appropriate on all invoices.</li> </ol>	L. Walker	4/15/2011
12	Fixed Assets	14	12.1	The Court Could Improve Its Tracking and Reporting of Court Assets	I		<ol style="list-style-type: none"> <li>1. The court will be pursuing a software application that will allow us to consolidate the inventory and fixed assets and will include the required fields in order to best manage inventory and assets as described by the financial policy.</li> <li>2. Purchasing will begin issuing tags for items such as printers, monitors, and other items costing less than \$5,000 which may be at risk for loss or theft, even though some items cost less than the required \$500.</li> <li>3. The Court finds that entering more description related to the asset or inventory items helps identifying assets, particularly with staff who may be unfamiliar with the items upon an inventory check.</li> <li>4. The Level Platforms software recommended by the audit appears to be for tracking software installed on PCs and possibly other IT related items. The court will explore a solution that will allow asset and inventory tracking for all items, including software, on one system if possible, so that double entry is required.</li> </ol>	C. Martinez	5/13/2011
13	Audits			There were no issues to report in this area.					
14	Records Retention			There were no issues to report in this area.					
15	Domestic Violence	18	15.1	Domestic Violence Fines and Fees Were Not Adequately Described and Assessments Could Not Be Confirmed		C	<p>Recommendations #1, 2 &amp; 3 are complete. However, some systems space limitations prevent documenting assessments separately.</p>	L. Allen	5/13/2011
16	Exhibits	16	16.1	Court Needs to Improve Some Exhibits Handling Controls and Procedures		C	<p>See the Court's responses at exhibits, 16.1 regarding completion of its formal exhibits manual, physical access to the exhibits vaults, transfers of exhibits within and out of the court, periodic inspections, and tracking of exhibits. All issues completed by April 30, 2011.</p>	C. Martinez	4/30/2011
17	Facilities			There were no issues to report in this area.					

	FUNCTION	Issue Sheet	RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
18	Bail			There were no issues to report in this area.					
19	Court Interpreters	23	19.1	Interpreters were Reimbursed Excess Mileage		C	Court will: 1. Have Fiscal Department create a standard mileage chart to verify employee reimbursement by May 31, 2011 and, 2. Fiscal will initial that they verified the reimbursement has been reviewed.	L. Walker	4/15/2011
20	Miscellaneous			There were no issues to report in this area.					

I = Incomplete as of Report Issuance  
 C = Complete as of Report Issuance