



Audit of the  
Superior Court of California,  
County of Madera

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AUDIT SERVICES REPORT

JUNE 2014



JUDICIAL COUNCIL  
OF CALIFORNIA

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LEADERSHIP SERVICES DIVISION

AUDIT SERVICES

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**Superior Court of California, County of Madera**

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## MANAGEMENT SUMMARY

### Introduction

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

The audit of the Superior Court of California, County of Madera (Court) was initiated by Audit Services in January 2014. Depending on the size of the court, the audit process typically involves three or four audit cycles encompassing the following primary areas:

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

The audit process includes a review of the Court's compliance with California statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. External consultants hired by Audit Services conducted the prior audit of the Court in FY 2007–2008. Audit Services followed up on the issues identified in this prior audit to determine whether the Court adequately resolved previous issues.

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

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

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

Audits conducted by Audit Services identify instances of non-compliance, such as with the FIN Manual and FISMA. Some of these instances of non-compliance are highlighted below in the **Audit Issues Overview**. Although audit reports do not emphasize or elaborate on areas of compliance, Audit Services did identify areas in which the Court was in compliance with the FIN Manual and FISMA. For example except for those issues reported in this report, some of the areas where Audit Services found the Court in compliance included the following:

- An organizational plan that provides for an effective segregation of duties to properly safeguard assets, including money from its collection to deposit.
- Management controls to monitor personnel in the performance of their duties and responsibilities.
- The ability to attract and retain quality personnel that are knowledgeable and motivated to take accountability and responsibility for the performance of their duties.

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

### **Audit Issues Overview**

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

Although the audit identified other reportable issues, the following issues are highlighted for Court management's attention. Specifically, the Court needs to improve and refine certain procedures and practices to ensure compliance with statewide policies and procedures and/or best practices. In addition, the Court needs to improve its oversight of fiscal and administrative areas to ensure consistency in procurement, accounts payable, and revenue distribution. These issues are summarized below:

#### *The Court Needs to Better Understand Its Calculations and Distributions of Court Collections (Issue 6.1, on page 21)*

State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. The Court uses a case management system that has the fiscal capability to automatically calculate the required distributions of the monies the Court collects.

Our review of the Court's distribution of collections for the cases we selected to review found that the Court did not distribute certain collections as prescribed by applicable statutes and guidelines. For example, the Court did not transfer the correct two percent State Court Automation amounts on DUI cases, did not distribute the base fine amounts correctly for city

arrest cases, did not correctly calculate and distribute the 30 percent allocations on Red Light and Railroad traffic school cases, and did not assess the correct State DNA penalty. One of the reasons why these calculations and distribution errors occurred is because the Court does not have staff with sufficient knowledge and understanding of its revenue distribution calculations. Instead, the Court yields its responsibility for monitoring and ensuring the accuracy of its distribution calculations and tables to the County, Judicial Council staff, and its case management system consultants.

The Court agreed with the audit recommendations and indicates taking corrective action to address the noted issues, but indicates that as a court that uses the Judicial Council managed Sustain case management system, it fulfills its responsibility for ensuring accurate distributions by approving requirements, overseeing changes, and performing required testing to validate the distributions. The Court further asserts it does not rely on the County to assist in this area. Nevertheless, the Court agrees that it should take a more active role and learn more about the financial distributions which would add another layer of scrutiny to ensure accuracy during the testing process.

*The Court Needs to Improve Its Procurement Practices (Issue 9.1, on page 28)*

To ensure reasonable and competitive procurements, the *Judicial Branch Contracting Manual* provides requirements for competitive and non-competitive procurements, as well as for procurements using court purchase cards. Additionally, to enable appropriate fiscal oversight by management, the FIN Manual requires courts to create an encumbrance for every purchase order, contract, memorandum of understanding, or intra-branch agreement greater than \$500.

Our review found that the Court could not demonstrate that it consistently followed the appropriate Judicial Branch procurement requirements to help ensure competitive procurements, and did not establish encumbrances to reserve and manage its fund balance. Specifically, for some procurement transactions we reviewed, the Court could not provide procurement records, such as solicitation documents, advertisements for the solicitation, competing proposals, evaluations of the proposals, and its proposal evaluation results that demonstrate competitive procurements and explain why it selected the winning proposal. Further, instead of competitively rebidding some contracts after their initial three-year terms, the Court extended the terms of contracts twice, increased the compensation rate paid for one contract, and did not document in the procurement file how it determined that these changes were reasonable and competitive.

The Court also did not always create and establish purchase orders within the accounting system to encumber and reserve available funds. Specifically, for five of the seven procurements we reviewed with vendor payments totaling more than \$500, the Court did not create and establish a purchase order in the accounting system to encumber and reserve the fund balance.

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

*The Court Needs to Strengthen Its Controls Over Accounts Payable (Issue 11.1, on page 33)*

As stewards of public funds, courts have an obligation to demonstrate responsible and economical use of public funds. As such, the FIN Manual provides courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements. Specifically, the FIN Manual provides uniform guidelines for courts to use when processing vendor invoices and individual claims (also referred to as invoices) for payment. The guidelines include preparing invoices for processing, matching invoices to the associated purchase documents and proof of receipt, reviewing invoices for accuracy, and approving invoices for payment. Additionally, courts must apply other policies and procedures that are germane to accounts payable processing of invoices and claims, such as limits on reimbursements for professional dues and applicable Judicial Council policies, such as the *Payment Policies for Contract Court Interpreters*.

However, our review found that the Court did not consistently follow the FIN Manual policies and procedures associated with the payment processing of invoices and claims. Specifically, the Court did not consistently perform the required three-point match—matching the vendor invoice to the terms of the procurement agreement and to proof of receipt and acceptance of the goods or services—before processing the vendor invoices for payment. For example, the Court did not have purchase orders, contracts, or sufficient procurement terms for some of the vendor payments we reviewed; therefore, it could not perform the required three-point match and could not demonstrate how it ensured that it paid the correct agreed upon price.

The Court also paid claimants without requiring the information and approvals necessary to validate and pay the claims. Specifically, the Court paid a claim without requiring the claimant to include on the claim form the case number for which the claimant asserts performing services. For another claim we reviewed, the Court could not demonstrate how it determined that the amount it paid for personal vehicle use mileage was appropriate since the Court did not require the claimant to identify and include the claimant's business address on the claim form. Further, the Court paid a claimant for travel time without obtaining the CEO or designee pre-approval and documentation of the unusual circumstances justifying the extraordinary costs.

The Court agreed with the audit recommendations and indicates taking corrective action to address the noted issues, but did not agree that it did not follow the FIN Manual and Judicial Branch policies concerning contract court interpreters.



## STATISTICS

The Superior Court of California, County of Madera (Court), operates from three court locations, two within the city of Madera and one outside the city of Madera. The Court has 10 judges and a part-time subordinate judicial officer and employs approximately 97 court staff to fulfill its administrative and operational activities. It incurred total trial court expenditures of more than \$9.7 million for the fiscal year that ended June 30, 2014.

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

For fiscal year 2013–2014, the Court received some services from the County of Madera (County). For instance, the Court received County-provided services such as payroll, health benefits and insurance, and mailroom services. At the time of our review, all County-provided services were covered under a Court-County Memorandum of Understanding (MOU). The Court also received court security services from the County Sheriff; however, at the time of our review the Court-Sheriff MOU was a draft MOU.

The charts that follow contain general Court statistical information.

<b>County Population</b> (Estimated as of January 1, 2014)	153,897
Source: California Department of Finance	
<b>Number of Court Locations</b>	3
<b>Number of Courtrooms</b>	10
Source: Superior Court of California, County of Madera	
<b>Number of Case Filings in FY 2012–2013:</b>	
<b>Criminal Filings:</b>	
▪ Felonies	1,838
▪ Non-Traffic Misdemeanor	1,147
▪ Non-Traffic Infractions	405
▪ Traffic Misdemeanors	4,254
▪ Traffic Infractions	11,874
<b>Civil Filings:</b>	
▪ Civil Unlimited	516
▪ Motor Vehicle PI/PD/WD	80
▪ Other PI/PD/WD	45
▪ Other Civil Complaints & Petitions	385

<ul style="list-style-type: none"> <li>▪ Small Claims Appeals</li> <li>▪ Limited Civil</li> <li>▪ Small Claims</li> </ul> <p><b>Family and Juvenile Filings:</b></p> <ul style="list-style-type: none"> <li>▪ Family Law (Marital)</li> <li>▪ Family Law Petitions</li> <li>▪ Juvenile Delinquency – Original</li> <li>▪ Juvenile Delinquency – Subsequent</li> <li>▪ Juvenile Dependency – Original</li> <li>▪ Juvenile Dependency – Subsequent</li> </ul> <p><b>Other Filings:</b></p> <ul style="list-style-type: none"> <li>▪ Probate</li> <li>▪ Mental Health</li> </ul>	<p>6 2,091 319</p> <p>544 2,245 184 125 271 9</p> <p>172 39</p>
Source: Judicial Council of California's 2014 Court Statistics Report	
<b>Judicial Officers as of June 30, 2013:</b>	
Authorized Judgeships	10
Authorized Subordinate Judicial Officers	0.3
Source: Judicial Council of California's 2014 Court Statistics Report	
<b>Court Staff as of March 31, 2014:</b>	
Total Authorized FTE Positions	107
Total Filled FTE Positions	97
Total Fiscal Staff	3
Source: FY 2013–2014 Quarterly Financial Statements – Fourth Quarter FY 2013-2014 Schedule 7A	
<b>Select FY 2013-2014 Financial Information:</b>	
Total Financing Sources	\$8,811,837
Total Expenditures	\$9,721,598
Total Personal Services Costs	\$7,250,352
Total Temporary Help Costs	\$0
Source: FY 2013–2014 Quarterly Financial Statements – Fourth Quarter	
<b>FY 2013–2014 Average Daily Collections</b>	<b>\$20,033</b>
Source: Superior Court of California, County of Madera	

## FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the Judicial Council developed and established the statewide fiscal infrastructure project, Phoenix Financial System, which is supported by the Judicial Council Trial Court Administrative Services. The Superior Court of California, County of Madera (Court), implemented and processes fiscal data through this 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 2012–2013 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: Governmental, Proprietary, and Fiduciary. The Court uses the following classifications and types:

- **Governmental**
  - **General** – Used as the primary operating fund to account for all financial resources except those required to be accounted for in a separate fund.
  - **Special Revenue** – Used to account for certain revenue sources "earmarked" for specific purposes (including grants received). Funds included here are:
    - **Special Revenue**
      1. Small Claims Advisory Fund – 120003
      2. Dispute Resolution Fund – 120004
      3. Grand Jury Fund – 120005
      4. Enhanced Collections Fund – 120007
      5. Children's Waiting Room Fund – 180005
    - **Grants**
      1. Assembly Bill (AB)1058 Family Law Facilitator Program – 1910581
      2. AB1058 Child Support Commissioner Program – 1910591
      3. Substance Abuse Focus Program – 1910601
- **Fiduciary**

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."

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

- Trust Fund – 320001
- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is 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 funds included here are:
- Civil Filing Fees Fund – 450000
  - Treasury Fund – 910000

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

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

**Superior Court of California, County of Madera  
Trial Court Operations Fund  
Balance Sheet  
As of June 30,  
(Unaudited)**

	2014				2013	
	Governmental Funds			Fiduciary Funds	Total Funds	Total Funds
	General	Special Revenue			(Info. Purposes Only)	(Info. Purposes Only)
		Non-Grant	Grant			
<b>ASSETS</b>						
Operations	\$ (636,931)	\$ 547,785	\$ 29,588	\$ 649,758	\$ 590,201	\$ 634,218
Payroll						
Revolving						
Distribution						
Civil Filing Fees				\$ 0	\$ 0	\$ 0
Trust				\$ (4,548)	\$ (4,548)	\$ (25,741)
Cash on Hand	\$ 1,550				\$ 1,550	\$ 1,550
Cash with County	\$ 115,153		\$ (29,588)		\$ 85,564	\$ 108,381
Cash Outside of the AOC						
<b>Total Cash</b>	<b>\$ (520,228)</b>	<b>\$ 547,785</b>	<b>\$ 0</b>	<b>\$ 645,210</b>	<b>\$ 672,767</b>	<b>\$ 718,408</b>
Short Term Investment	\$ 1,476,817			\$ 126,578	\$ 1,603,395	\$ 1,765,687
<b>Total Investments</b>	<b>\$ 1,476,817</b>			<b>\$ 126,578</b>	<b>\$ 1,603,395</b>	<b>\$ 1,765,687</b>
Accrued Revenue	\$ 1,824	\$ 237		\$ 0	\$ 2,061	\$ 1,162
Accounts Receivable - General						
Due From Employee						
Due From Other Funds	\$ 44,125				\$ 44,125	\$ 180,689
Due From Other Governments	\$ 0	\$ 0			\$ 0	\$ 16,251
Due From Other Courts				\$ 0	\$ 0	\$ 0
Due From State	\$ 165,308	\$ 4,375	\$ 51,628		\$ 221,311	\$ 488,679
General Due To/From	\$ 300				\$ 300	\$ 303
<b>Total Receivables</b>	<b>\$ 211,556</b>	<b>\$ 4,612</b>	<b>\$ 51,628</b>	<b>\$ 0</b>	<b>\$ 267,796</b>	<b>\$ 687,085</b>
Prepaid Expenses - General	\$ 0				\$ 0	\$ 0
Salary and Travel Advances						
<b>Total Prepaid Expenses</b>	<b>\$ 0</b>		<b>\$ 0</b>		<b>\$ 0</b>	<b>\$ 0</b>
Other Assets						
<b>Total Other Assets</b>						
<b>Total Assets</b>	<b>\$ 1,168,145</b>	<b>\$ 552,397</b>	<b>\$ 51,628</b>	<b>\$ 771,788</b>	<b>\$ 2,543,958</b>	<b>\$ 3,171,180</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accrued Liabilities	\$ 528,892		\$ 1,940		\$ 530,832	\$ 45,147
Accounts Payable - General	\$ 65,973		\$ 5,563	\$ 975	\$ 72,511	\$ 67,356
Due to Other Funds	\$ 0		\$ 44,125	\$ 300	\$ 44,425	\$ 180,993
Due to State	\$ 71				\$ 71	\$ 0
TC145 Liability				\$ 138,761	\$ 138,761	\$ 165,418
Due to Other Governments	\$ 2,834				\$ 2,834	\$ 0
Sales and Use Tax	\$ 0		\$ 0		\$ 0	\$ 0
Interest				\$ 2	\$ 2	\$ 6
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 597,770</b>		<b>\$ 51,628</b>	<b>\$ 140,038</b>	<b>\$ 789,436</b>	<b>\$ 458,919</b>
Civil				\$ 271,703	\$ 271,703	\$ 356,469
Criminal				\$ 164,353	\$ 164,353	\$ 155,312
Unreconciled - Civil and Criminal				\$ 50	\$ 50	\$ 50
Trust Interest Payable				\$ 58,778	\$ 58,778	\$ 58,675
Miscellaneous Trust						
<b>Total Trust Deposits</b>				<b>\$ 494,884</b>	<b>\$ 494,884</b>	<b>\$ 570,505</b>
Accrued Payroll	\$ 345				\$ 345	
Benefits Payable						
Deferred Compensation Payable						
Deductions Payable						
Payroll Clearing						
<b>Total Payroll Liabilities</b>	<b>\$ 345</b>				<b>\$ 345</b>	
Revenue Collected in Advance						
Liabilities For Deposits	\$ 8,382			\$ 82,301	\$ 90,683	\$ 62,284
Jury Fees - Non-Interest				\$ 54,566	\$ 54,566	\$ 55,666
Fees - Partial Payment & Overpayment						
Uncleared Collections				\$ 0	\$ 0	\$ 0
Other Miscellaneous Liabilities						
<b>Total Other Liabilities</b>	<b>\$ 8,382</b>			<b>\$ 136,867</b>	<b>\$ 145,248</b>	<b>\$ 117,950</b>
<b>Total Liabilities</b>	<b>\$ 606,497</b>		<b>\$ 51,628</b>	<b>\$ 771,788</b>	<b>\$ 1,429,913</b>	<b>\$ 1,147,374</b>
<b>Total Fund Balance</b>	<b>\$ 561,648</b>	<b>\$ 552,397</b>	<b>\$ 0</b>		<b>\$ 1,114,045</b>	<b>\$ 2,023,806</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,168,145</b>	<b>\$ 552,397</b>	<b>\$ 51,628</b>	<b>\$ 771,788</b>	<b>\$ 2,543,958</b>	<b>\$ 3,171,180</b>

Source: Phoenix Financial System

**Superior Court of California, County of Madera**  
**Trial Court Operations Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year**  
**(Unaudited)**

	2013-2014				2012-2013		
	Governmental Funds			Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue					
		Non-Grant	Grant				
<b>REVENUES</b>							
<b>State Financing Sources</b>							
Trial Court Trust Fund	\$ 6,700,820	\$ 52,500		\$ 6,753,320	\$ 6,557,545	\$ 5,519,483	\$ 5,388,922
Improvement and Modernization Fund	\$ 35,945			\$ 35,945	\$ 50,787	\$ 33,026	\$ 50,787
Judges' Compensation (45.25)							
Court Interpreter (45.45)	\$ 494,725			\$ 494,725	\$ 410,000	\$ 496,358	\$ 450,000
Civil Coordination Reimbursement (45.55)							
MOU Reimbursements (45.10 and General)	\$ 372,731			\$ 372,731	\$ 371,540	\$ 313,300	\$ 414,280
Other Miscellaneous	\$ 384,825			\$ 384,825	\$ 384,825	\$ 530,224	\$ 305,093
	\$ 7,989,046	\$ 52,500		\$ 8,041,546	\$ 7,774,697	\$ 6,892,391	\$ 6,609,082
<b>Grants</b>							
AB 1058 Commissioner/Facilitator			\$ 384,593	\$ 384,593	\$ 384,593	\$ 384,593	\$ 384,593
Other AOC Grants	\$ 10,999		\$ 0	\$ 10,999	\$ 22,236	\$ 22,236	\$ 22,967
Non-AOC Grants							
	\$ 10,999		\$ 384,593	\$ 395,592	\$ 406,829	\$ 406,829	\$ 407,560
<b>Other Financing Sources</b>							
Interest Income	\$ 7,472	\$ 589		\$ 8,061	\$ 5,900	\$ 10,926	\$ 20,500
Local Fees	\$ 223,548			\$ 223,548	\$ 218,000	\$ 234,093	\$ 230,000
Non-Fee Revenues							
Enhanced Collections							
Escheatment	\$ 35,421			\$ 35,421			\$ 10,000
Prior Year Revenue	\$ (276,263)	\$ 349,164		\$ 72,901		\$ 42,005	
County Program - Restricted	\$ 3,700	\$ 9,704		\$ 13,404	\$ 10,986	\$ 13,862	\$ 12,100
Reimbursement Other	\$ 18,619			\$ 18,619	\$ 23,000	\$ 6,421	\$ 25,000
Sale of Fixed Assets							
Other Miscellaneous	\$ 2,745			\$ 2,745	\$ 1,600	\$ 8,804	\$ 2,000
	\$ 15,242	\$ 359,457		\$ 374,700	\$ 259,486	\$ 316,111	\$ 299,600
<b>Total Revenues</b>	<b>\$ 8,015,287</b>	<b>\$ 411,957</b>	<b>\$ 384,593</b>	<b>\$ 8,811,837</b>	<b>\$ 8,441,012</b>	<b>\$ 7,615,331</b>	<b>\$ 7,316,242</b>
<b>EXPENDITURES</b>							
<b>Personal Services</b>							
Salaries - Permanent	\$ 4,708,885		\$ 257,408	\$ 4,966,292	\$ 4,896,674	\$ 5,046,734	\$ 5,390,734
Temp Help							
Overtime	\$ 921		\$ 426	\$ 1,347	\$ 1,200	\$ 1,007	
Staff Benefits	\$ 2,179,243		\$ 103,470	\$ 2,282,713	\$ 2,437,798	\$ 2,305,011	\$ 2,602,209
	\$ 6,889,049		\$ 361,304	\$ 7,250,352	\$ 7,335,672	\$ 7,352,752	\$ 7,992,943
<b>Operating Expenses and Equipment</b>							
General Expense	\$ 656,417		\$ 8,078	\$ 664,496	\$ 869,110	\$ 204,219	\$ 241,830
Printing	\$ 40,111		\$ 1,126	\$ 41,237	\$ 51,000	\$ 25,067	\$ 80,000
Telecommunications	\$ 112,848		\$ 706	\$ 113,554	\$ 234,383	\$ 25,409	\$ 36,094
Postage	\$ 90,782			\$ 90,782	\$ 25,050	\$ 47,467	\$ 24,050
Insurance	\$ 7,937			\$ 7,937	\$ 7,065	\$ 6,696	\$ 7,113
In-State Travel	\$ 5,149		\$ 3,420	\$ 8,569	\$ 22,675	\$ 6,656	\$ 25,750
Out-of-State Travel							
Training	\$ 900		\$ 970	\$ 1,870	\$ 4,050	\$ 3,695	\$ 4,500
Security Services	\$ 250,391		\$ 21,191	\$ 271,582	\$ 289,500	\$ 276,392	\$ 300,000
Facility Operations	\$ 192,566			\$ 192,566	\$ 186,702	\$ 175,903	\$ 186,976
Utilities							
Contracted Services	\$ 672,224		\$ 263	\$ 672,487	\$ 670,750	\$ 657,385	\$ 826,081
Consulting and Professional Services	\$ 29,214			\$ 29,214	\$ 39,700	\$ 38,712	\$ 44,000
Information Technology	\$ 173,456			\$ 173,456	\$ 129,448	\$ 151,933	\$ 124,210
Major Equipment	\$ 81,686			\$ 81,686			
Other Items of Expense	\$ 8,263			\$ 8,263	\$ 9,000	\$ 8,596	\$ 9,000
	\$ 2,321,944		\$ 35,754	\$ 2,357,697	\$ 2,538,433	\$ 1,628,128	\$ 1,909,604
<b>Special Items of Expense</b>							
Grand Jury							
Jury Costs	\$ 113,548			\$ 113,548	\$ 136,000	\$ 114,196	\$ 101,000
<b>Capital Costs</b>							
Internal Cost Recovery	\$ (60,444)		\$ 60,444	\$ 0		\$ 0	
Prior Year Expense Adjustment						\$ (185,243)	
	\$ 53,104		\$ 60,444	\$ 113,548	\$ 136,000	\$ (71,047)	\$ 101,000
<b>Total Expenditures</b>	<b>\$ 9,264,096</b>		<b>\$ 457,502</b>	<b>\$ 9,721,598</b>	<b>\$ 10,010,105</b>	<b>\$ 8,909,833</b>	<b>\$ 10,003,547</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>\$ (1,248,809)</b>	<b>\$ 411,957</b>	<b>\$ (72,909)</b>	<b>\$ (909,761)</b>	<b>\$ (1,569,093)</b>	<b>\$ (1,294,502)</b>	<b>\$ (2,687,305)</b>
<b>Operating Transfers In (Out)</b>	<b>\$ (72,909)</b>		<b>\$ 72,909</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Fund Balance (Deficit)</b>							
Beginning Balance (Deficit)	\$ 1,883,366	\$ 140,440	\$ 0	\$ 2,023,806	\$ 2,023,806	\$ 3,318,307	\$ 3,318,307
Ending Balance (Deficit)	\$ 561,648	\$ 552,397	\$ 0	\$ 1,114,045	\$ 454,713	\$ 2,023,806	\$ 631,002

Source: Phoenix Financial System

Superior Court of California, County of Madera  
 Trial Court Operations Fund  
 Statement of Program Expenditures  
 For the Fiscal Year  
 (Unaudited)

	2013-2014						2012-2013		
	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	\$ 2,749,810	\$ 339,715				\$ 3,089,526	\$ 2,941,738	\$ 3,067,163	\$ 3,172,627
Traffic & Other Infractions	\$ 390,645	\$ 51,753				\$ 442,398	\$ 327,193	\$ 454,489	\$ 363,296
Other Criminal Cases	\$ 694,297	\$ 57,617				\$ 751,914	\$ 891,401	\$ 744,815	\$ 903,983
Civil	\$ 394,758	\$ 30,227				\$ 424,985	\$ 347,841	\$ 396,886	\$ 390,316
Family & Children Services	\$ 1,284,332	\$ 94,369		\$ 0		\$ 1,378,700	\$ 1,222,707	\$ 1,355,345	\$ 1,298,126
Probate, Guardianship & Mental Health Services	\$ 9,420	\$ 2,083				\$ 11,503	\$ 127,176	\$ 60,313	\$ 154,268
Juvenile Dependency Services	\$ 148,296	\$ 52,284				\$ 200,580	\$ 115,765	\$ 177,280	\$ 195,373
Juvenile Delinquency Services	\$ 20,875	\$ 12,452				\$ 33,326	\$ 104,373	\$ 21,539	\$ 81,266
Other Court Operations	\$ 114,294	\$ 6,439				\$ 120,734	\$ 155,721	\$ 118,865	\$ 212,205
Court Interpreters	\$ 394,317	\$ 161,667				\$ 555,984	\$ 352,933	\$ 565,386	\$ 570,681
Jury Services	\$ 207,207	\$ 55,009	\$ 113,548			\$ 375,764	\$ 387,685	\$ 366,225	\$ 382,161
Security		\$ 271,582				\$ 271,582		\$ 132,926	\$ 25,000
<b>Trial Court Operations Program</b>	<b>\$ 6,408,251</b>	<b>\$ 1,135,197</b>	<b>\$ 113,548</b>	<b>\$ 0</b>		<b>\$ 7,656,996</b>	<b>\$ 6,974,533</b>	<b>\$ 7,461,234</b>	<b>\$ 7,749,302</b>
Enhanced Collections									
Other Non-Court Operations									
<b>Non-Court Operations Program</b>									
Executive Office	\$ 248,783	\$ 187,155				\$ 435,937	\$ 799,939	\$ 446,908	\$ 884,341
Fiscal Services	\$ 263,432	\$ 42,113				\$ 305,545	\$ 418,094	\$ 283,438	\$ 356,615
Human Resources	\$ 201,541	\$ 18,846				\$ 220,387	\$ 234,684	\$ 215,463	\$ 201,366
Business & Facilities Services	\$ 66,847	\$ 490,463				\$ 557,309	\$ 1,100,023	\$ 237,816	\$ 533,169
Information Technology	\$ 61,499	\$ 483,924				\$ 545,422	\$ 482,832	\$ 264,974	\$ 278,754
<b>Court Administration Program</b>	<b>\$ 842,101</b>	<b>\$ 1,222,501</b>				<b>\$ 2,064,602</b>	<b>\$ 3,035,572</b>	<b>\$ 1,448,600</b>	<b>\$ 2,254,245</b>
Prior Year Adjustments Not Posted to a Program									
<b>Total</b>	<b>\$ 7,250,352</b>	<b>\$ 2,357,697</b>	<b>\$ 113,548</b>	<b>\$ 0</b>		<b>\$ 9,721,598</b>	<b>\$ 10,010,105</b>	<b>\$ 8,909,833</b>	<b>\$ 10,003,547</b>

Source: Phoenix Financial System



## PURPOSE AND SCOPE

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

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

The scope of the audit included reviews of the Court's major functional areas, including: cash collections, contracts and procurement, accounts payable, payroll, financial accounting and reporting, information technology, domestic violence, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2013–2014.

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

## TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on November 22, 2013.

The entrance meeting was held with the Court on December 3, 2013.

Audit fieldwork commenced on January 6, 2014.

Fieldwork was completed in June 2014.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary review of the audit results was held on October 20, 2014, with the following:

- Hon. D. Lynn Jones, Presiding Judge
- Bonnie Thomas, Court Executive Officer

Audit Services received the Court's final management responses to the audit issues and recommendations on December 11, 2014. Audit Services incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the completed audit report for its review and comment on December 17, 2014. On January 5, 2015, Audit Services received the Court's final comments and suggestions concerning its review of the audit report and did not indicate that another review of the report was necessary before AS presented the report to the Judicial Council.

This audit assignment was completed by the following audit staff under the supervision of Robert Cabral, Internal Audit Supervisor:

Dawn Tomita, Senior Auditor (auditor-in-charge)

Gregory Kelley, Auditor II

Steven D. Lewis, Auditor I

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

#### Background

Trial courts are subject to rules and policies established by the Judicial Council to promote efficiency and uniformity within a system of trial court management. Within the boundaries established by the Judicial Council, each trial court has the authority and responsibility 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 must also operate within the specific levels of authority that may be established by the trial court for their positions.

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

The table below presents the Superior Court of California, County of Madera (Court), general ledger account balances that are considered associated with court administration. A description of the areas reviewed and how we reviewed them is included below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Expenditures</b>				
* 906300 - SALARIES - JUDICIAL OFFICER	73,556.65	71,435.18	2,121.47	2.97%
* 920500 - DUES AND MEMBERSHIPS	1,165.00	1,580.00	(415.00)	-26.27%
* 933100 - TRAINING	1,870.00	3,694.55	1,824.55	-49.38%

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 review of records. Primary areas reviewed included an evaluation of the following:

- 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.
- Approval requirements regarding training.

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

**There were minor issues associated with this area that are included in Appendix A to this report.**

## 2. Fiscal Management and Budgets

### Background

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

The table below presents the Court's general ledger account balances that are considered associated with this section. A description of the areas reviewed and how we reviewed them in this audit is included below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Assets</b>				
120050 SHORT TERM INVESTMENTS-LAIF	1,310,377.12	1,324,755.21	(14,378.09)	-1.09%
120051 S/T INVEST-CAP SHARE	293,017.80	440,931.82	(147,914.02)	-33.55%
<b>Liabilities – Payroll</b>				
375001 ACCRUED PAYROLL	345.18	-	345.18	100.00%
<b>Expenditures – Payroll</b>				
* 900300 - SALARIES - PERMANENT	4,892,735.64	4,975,298.78	(82,563.14)	-1.66%
* 906300 - SALARIES - JUDICIAL OFFI	73,556.65	71,435.18	2,121.47	2.97%
* 908300 - OVERTIME	1,347.30	1,007.09	340.21	33.78%
** SALARIES TOTAL	4,967,639.59	5,047,741.05	(80,101.46)	-1.59%
910301 SOCIAL SECURITY INS	291,679.84	295,354.24	(3,674.40)	-1.24%
910302 MEDICARE TAX	69,088.69	70,251.40	(1,162.71)	-1.66%
* 910300 - TAX	360,768.53	365,605.64	(4,837.11)	-1.32%
910401 DENTAL INSURANCE	64,611.27	64,696.73	(85.46)	-0.13%
910501 MEDICAL INSURANCE	694,958.54	738,484.09	(43,525.55)	-5.89%
910504 COBRA MEDICAL	86.80	-	86.80	100.00%
* 910400 - HEALTH INSURANCE	759,656.61	803,180.82	(43,524.21)	-5.42%
910601 RETIREMENT (NON-JUDICIAL OFFICERS	953,831.92	899,748.22	54,083.70	6.01%
912301 RETIREMENT-JUDICIAL	30,382.61	27,745.39	2,637.22	9.51%
912401 DEFERRED COMP/401K EMPLOYER MA	7,900.00	10,600.00	(2,700.00)	-25.47%
* 910600 - RETIREMENT	992,114.53	938,093.61	54,020.92	5.76%
* 912500 - WORKERS' COMPENSATION	85,309.00	71,723.00	13,586.00	18.94%
913301 UNEMPLOYMENT INSURANCE	8,507.00	11,884.00	(3,377.00)	-28.42%
913501 LIFE INSURANCE	7,534.64	7,449.26	85.38	1.15%
913601 VISION CARE INSURANCE	11,025.00	10,888.45	136.55	1.25%
913699 OTHER INSURANCE	2,437.59	2,124.93	312.66	14.71%
* 912700 - OTHER INSURANCE	29,504.23	32,346.64	(2,842.41)	-8.79%
** 913800 - OTHER BENEFITS	55,359.99	94,061.10	(38,701.11)	-41.14%
** STAFF BENEFITS TOTAL	2,282,712.89	2,305,010.81	(22,297.92)	-0.97%
*** PERSONAL SERVICES TOTAL	7,250,352.48	7,352,751.86	(102,399.38)	-1.39%

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

We also evaluated the Court's payroll controls through interviews with Court employees, and a review of payroll reports and reconciliation documents. For selected employees, we validated

payroll expenditures to supporting documents, including payroll registers, timesheets, and personnel files to determine whether work and leave time were appropriately approved and pay was correctly calculated. In addition, we reviewed the Court's Personnel Manual and employee bargaining agreements to determine whether any differential pay, leave accruals, and various benefits were made in accordance with court policy and agreements.

**There were no issues associated with this area to report to management.**

### 3. Fund Accounting

#### Background

Trial courts must account for their receipt and use of public funds using the fund accounting and reporting standards published by the Government Accounting Standards Board. To assist courts in meeting this objective, the FIN Manual provides guidelines for courts to follow. Specifically, the FIN Manual requires trial courts to establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the courts' financial operations. The FIN Manual also 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. The Judicial Council Phoenix Financial System includes governmental, fiduciary, and proprietary funds to serve this purpose. Furthermore, the Judicial Council has approved a fund balance policy to ensure that courts identify and reserve resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

The table below presents the Court's general ledger account balances that are considered associated with this section. A description of the areas reviewed and how we reviewed them in this audit is included below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Fund Balances</b>				
535001 RESERVE FOR ENCUMBRANCES	479,983.02	-	479,983.02	100.00%
552001 FUND BALANCE - RESTRICTED	140,440.05	217,877.61	(77,437.56)	-35.54%
552002 FUND BALANCE - COMMITTED	1,883,365.58	619,999.85	1,263,365.73	203.77%
553001 FUND BALANCE - ASSIGNED	-	2,480,429.91	(2,480,429.91)	-100.00%
615001 ENCUMBRANCES	(479,983.02)	-	(479,983.02)	-100.00%
<b>*** Fund Balances</b>	<b>2,023,805.63</b>	<b>3,318,307.37</b>	<b>(1,294,501.74)</b>	<b>-39.01%</b>
<b>Revenues</b>				
** 837000-IMPROVEMENT FUND - REIMBUR	35,944.55	33,026.45	2,918.10	8.84%
841010 SMALL CLAIMS ADVISORY	1,646.00	2,101.00	(455.00)	-21.66%
841011 DISPUTE RESOLUTION	8,057.99	8,685.99	(628.00)	-7.23%
841015 OTHER COUNTY SERVICES	3,700.00	3,075.00	625.00	20.33%
** 840000-COUNTY PROGRAM - RESTRICTE	13,403.99	13,861.99	(458.00)	-3.30%
<b>Expenditures</b>				
939412 ATTORNEY JUVENILE CONFLICT OF	1,022,294.92	1,095,795.86	(73,500.94)	-6.71%
939420 SMALL CLAIMS ADVISORY SERVICE	155,000.00	184,999.92	(29,999.92)	-16.22%

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

**There were no issues associated with this area to report to management.**

#### 4. Accounting Principles and Practices

##### Background

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

Since migrating onto the Phoenix Financial System, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Judicial Council Trial Court Administrative Services (TCAS). Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger. Since the financial reporting capabilities are centralized with TCAS, our review of court financial statements is kept at a high level.

Courts may also receive various federal and state grants either directly or passed through to it from the Judicial Council. Restrictions on the use of these grant funds and other requirements may be found in the grant agreements. The grants courts receive are typically reimbursement-type grants that require them to document and report costs to receive payment. Courts must separately account for the financing sources and expenditures associated with each grant. As a part of the annual Single Audit the State Auditor conducts for the State of California, the Judicial Council requests courts to list and report the federal grant awards they received.

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Assets</b>				
130001 A/R-ACCRUED REVENUE	2,060.79	1,161.89	898.90	77.37%
140011 OPERATIONS-DUE FROM TRUST	299.52	303.26	(3.74)	-1.23%
140014 GENERAL-DUE FROM SPECIAL REVENUE	44,125.06	180,689.33	(136,564.27)	-75.58%
150001 A/R - DUE FROM OTHER GOVERNMENT	-	16,250.69	(16,250.69)	-100.00%
152000 A/R-DUE FROM STATE	221,310.66	488,679.45	(267,368.79)	-54.71%
** Receivables	267,796.03	687,084.62	(419,288.59)	-61.02%
<b>Revenues</b>				
** 812100-TCTF - PGM 10 OPERATIONS	6,753,320.00	5,519,483.00	1,233,837.00	22.35%
** 816000-OTHER STATE RECEIPTS	384,825.00	530,224.00	(145,399.00)	-27.42%
** 821000-LOCAL FEES REVENUE	223,548.05	234,093.24	(10,545.19)	-4.50%
** 823000-OTHER - REVENUE	38,166.71	8,780.23	29,386.48	334.69%
** 825000-INTEREST INCOME	8,061.08	10,925.51	(2,864.43)	-26.22%
** 831000-GENERAL FUND - MOU/REIMBUR	163,590.23	134,574.90	29,015.33	21.56%
** 832000-PROGRAM 45.10 - MOU/REIMBU	209,141.00	178,725.00	30,416.00	17.02%
** 834000-PROGRAM 45.45 - REIMBURSEM	494,725.00	496,357.95	(1,632.95)	-0.33%
** 838000-AOC GRANTS - REIMBURSEMENT	395,591.95	406,829.34	(11,237.39)	-2.76%
** 860000-REIMBURSEMENTS - OTHER	18,619.00	6,421.09	12,197.91	189.97%

**Expenditures**

**	890000-PRIOR YEAR REVENUE	72,900.70	42,004.78	30,895.92	73.55%
*	999900 -PRIOR YEAR EXPENSE ADJUST	-	(185,242.60)	185,242.60	100.00%

We compared general ledger year-end account balances between the prior two complete fiscal years and reviewed accounts with material and significant year-to-year variances. We also assessed the Court's procedures for processing and accounting for trust deposits, disbursements, and refunds to determine whether its procedures ensure adequate control over trust funds. Further, we reviewed selected FY 2012–2013 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant accounting guidance.

**The following issue is associated with this section and considered significant enough to bring to management's attention. Additional minor issues are included in Appendix A to this report.**

#### **4.1 The Court Needs to Improve Its Accounting and Reporting of Financial Transactions**

##### **Background**

Internal and external users of court financial information depend on reliable court financial data and reports to obtain the information they need to evaluate court finances. Accordingly, FIN Manual, Policy No., FIN 5.01, establishes uniform guidelines and accounting principles for courts to follow when gathering, summarizing, and reporting accounting information associated with the fiscal operations of each court. This policy requires courts to comply with the basic principles of accounting and financial reporting that apply to government units. It also requires that courts execute and account for financial transactions in conformity with generally accepted accounting principles and legal requirements.

##### **Issues**

To determine whether the Court properly classified, recorded, and reported its financial transactions, we reviewed its fiscal year 2012-13 financial statements, general ledger (GL) account balances, and its accounting treatment of a limited number of financial transactions that we selected to review during the audit. Our review determined that the Court does not always properly account for and report its financial transactions. Specifically, we noted the following:

1. Our review of the Court's FY 2012-13 financial statements (CAFR) revealed that it does not follow prescribed financial reporting requirements. For example, in its June 30, 2013, CAFR, we noted the Court made general reporting errors in Schedule 2- Minimum Lease Commitments, Report 19 – Fixed Assets, and Long-Term Obligations- Compensated Absences Payable. Specifically, we noted the following:
  - a. The Court did not report any lease expenditures in Schedule 2- Minimum Lease Commitments; however, the Court made approximately \$66,000 in annual lease payments on a non-cancelable operating lease for photocopiers.
  - b. The Court's FY 2012-13 Report 19 reported fixed assets totaling \$1.2 million, but overstated fixed assets by \$694,661 because the amount reported included the values of all assets, including those assets valued at less than \$5,000.



- c. According to the Court, the FY 2012-13 Changes in General Long-Term Obligation Account Group Report, Compensated Absences Payable estimate, was overstated by \$78,000. However, the Court did not provide the supporting source documents, such as a listing of employee leave balances and their estimated year-end value, necessary to vouch these amounts.
2. Our review of the Court's FY 2012-13 adjusting and accrual entries revealed expenditure recognition errors and an internal control weakness. Specifically, we noted the following:
  - a. One of five expenditure accruals reviewed was for services not yet rendered as of June 30, 2013.
  - b. At the close of fiscal year 2012-13, the Court did not accrue county expenditures of approximately \$8,855 for fourth quarter unemployment insurance, and April and June Postage.
  - c. The Court could not provide evidence of written approval by the CFO for two of ten adjusting entries reviewed, totaling more than \$55,000.
3. The Court's accounting treatment for its financial transactions was not always appropriate or complete. Our review of selected transactions revealed the following:
  - a. The Court does not establish purchase orders in its automated accounting system for all contracts and agreements; therefore, it does not encumber commitments and reserve fund balances in its financial system.
  - b. The Court recorded legally restricted revenues of \$1,320 for Custody/Visitation-Mediation and \$880 for Custody/ Visitation- Family Law Facilitator in the General Fund instead of the Special Revenue Fund- Other.
  - c. All transactions recorded as Miscellaneous Revenue in FY 2012-13, totaling approximately \$8,530, were reimbursements and rebates and should have been recorded as Miscellaneous Reimbursements.
  - d. In the AB 1058 Fund, the Cash with County general ledger account had a negative \$33,278 cash balance at June 30, 2013.

### **Recommendations**

To ensure it properly classifies, records, and reports its financial transactions, the Court should consider the following:

1. Establish internal review procedures to ensure that its CAFR reports are completed in accordance with the CAFR Instructions and all reported amounts are supported by appropriate source documents.
2. Require the retention of CFO written authorization of all adjusting entries; require the CFO to review accruals to ensure they are complete and accurate; and require expenditure accruals only for goods received or services rendered by June 30.
3. Require that the accounting treatment of financial transactions is in accordance with the Trial Court Financial and Policies and Procedures Manual and Generally Accepted Accounting Principles. Specifically, the Court should ensure that all contracts and agreements are entered as encumbrances in its accounting system to reserve fund balance, and transactions are

consistently recorded to the appropriate general ledger accounts and the proper funds within the accounting system.

**Superior Court Response By: Clint Crawford, Court Fiscal Officer Date: September 2014**

Recommendation #1 - The Court agrees. The current CAFR reports were completed according to the CAFR Instructions and supporting documentation is included with the reports.

Date of Corrective Action: August 8, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #2 - The Court agrees. During the period of time in question, some adjusting entries were approved with a phone call. This is no longer the case as now all adjusting entries require an email approval from the CFO or the CEO in the CFO's absence. These emails are retained as written authorization. The CFO reviews all encumbrances and accruals to ensure they are complete and accurate. The entry in question was inadvertently overlooked and the CFO will be more diligent in the future to ensure accuracy and completeness. The Court accrued all known expenditures for goods and services rendered by June 30<sup>th</sup> at year end FY 2013-14.

Date of Corrective Action: June 30, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #3 - The Court agrees. The Court is now entering contracts and agreements as encumbrances and reserving fund balance for them. The Court has always strived to record transactions to the appropriate general ledger accounts and in fact makes inquiries to our GL Lead whenever we are unsure of which general ledger account to use. We will continue to do so in the future. Also, our Payroll lead will complete adjusting entries to correct the negative balance in our AB 1058 Cash with County general ledger account that occurs due to a timing issue related to the replenishment to the County of payroll funds.

Date of Corrective Action: June 30, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

## 5. Cash Collections

### Background

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Cash</b>				
100000 POOLED CASH	796,384.55	857,569.19	(61,184.64)	-7.13%
100001 TRUST CASH IN OPS	-	26,312.16	(26,312.16)	-100.00%
100025 DISB CHECK-OPERATIONS	(206,183.75)	(200,520.03)	(5,663.72)	-2.82%
100026 DISB CHECK-TRUST	-	(26,312.16)	26,312.16	100.00%
100027 DISB OUTGOING EFT	-	(22,830.80)	22,830.80	100.00%
100165 TRUST DISBURSEMENT CHECK	(4,548.00)	(25,741.00)	21,193.00	82.33%
119001 CASH ON HAND - CHANGE FUND	1,550.00	1,550.00	-	0.00%
120001 CASH WITH COUNTY	85,564.06	108,380.77	(22,816.71)	-21.05%
120050 SHORT TERM INVESTMENTS-LAIF	1,310,377.12	1,324,755.21	(14,378.09)	-1.09%
120051 S/T INVEST-CAP SHARE	293,017.80	440,931.82	(147,914.02)	-33.55%

### Shortages

We visited selected court locations with cash handling responsibilities and assessed various cash handling processes and practices through observations and interviews with Court operations managers and staff. Specific processes and practices reviewed include the following:

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

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

Further, we reviewed the Court's comprehensive collections program for compliance with applicable statutory requirements to ensure that delinquent accounts are identified, monitored, and referred to its collections agency in a timely manner, and that collections received are promptly recorded and reconciled to the associated case.

**The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are included in Appendix A to this report.**

## **5.1 The Court Needs to Strengthen Some of Its Cash Handling Procedures**

### **Background**

To protect the integrity of the court and its employees and to promote public confidence, the FIN Manual, Policy No. FIN 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This policy requires courts to institute procedures and internal controls that assure the safe, secure collection, and accurate accounting of all payments. For example, FIN 10.02, 6.3.1, states, in part, that courts may establish a change fund in each location that collects payments to provide cashiers with currency and coin necessary to make change in the day-to-day cash collection operations of the court. Further, the Court Executive Officer (CEO) or his or her designee must appoint a custodian for each change fund that exceeds \$500 at each court location. The change fund custodian must have no other cash handling responsibilities. At the end of the business day, the change fund custodian, in the presence of a manager or supervisor, must verify that the change fund reconciles to that day's beginning balance.

In addition, FIN 10.02, 6.3.2, states that at the beginning of each day, cashiers receive a nominal amount of money to enable them to return change on cash transactions. The policy indicates that courts should require cashiers to secure these funds in individually locked drawers or bags. Cashiers must verify the receipt of their beginning cash funds with their supervisor, and evidence this verification in a log signed by the cashier and supervisor for each such receipt. Any beginning cash discrepancies must be resolved before the cashier starts his or her daily cash collection duties.

Further, FIN 10.02, 6.3.10, states that at the end of the workday, all cashiers must balance their own cash drawer or register. Cashiers may not leave the premises nor transact new business until the daily balancing and closeout processes are complete. Balancing and closeout include completing and signing the daily report, attaching a calculator tape for checks, returning the daily report with money collected to the supervisor, and verifying the daily report with the supervisor. In addition, FIN 12.01, 6.1, establishes a standard five-year (current year plus four) records retention period for a wide range of court financial documents, and courts must comply with this standard in the absence of a specific retention period required by statute or the Judicial Council.

Also, FIN 10.02, 6.3.12, requires trial court supervisors, managers, or fiscal officers who do not have direct responsibility for processing payments to conduct periodic surprise cash counts on all trial court staff that handle payments in the normal course of their duties. The purpose of the surprise cash counts is to assure that payment processing errors and irregularities do not go undetected. The frequency of the surprise cash counts will depend on a number of factors including, the size of the court, the amount of currency processed, the number of checks and money orders processed, the overages and shortages at a particular court location, and the

experience of the court staff involved. These surprise cash counts should be conducted at least quarterly and as frequently as monthly.

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

- Checks and money orders received through the mail should be processed and entered into the court's cashiering system on the day they are received. Any exceptions are to be brought to the attention of a supervisor and processed as soon as practicable.
- A two-person team should be used to maintain accountability for payments received through the mail. Team members opening mail must not also enter the payments in the court's cashiering system. To avoid record keeping of payment exceptions outside of the court's cashiering system, all payments that cannot be immediately applied should be entered in the court's cashiering system as "suspense items", accounted for as a liability and deposited to a trust bank account until the payment can be properly applied.
- Checks and money orders received through the mail should be listed on a Payments Receipts Log sheet. The sheet should include a case number, person making the payment, check amount and number, date received, and person handling the check for each payment received. An adding machine tape of payments should be attached to the sheet showing that the total amount of payments received matches the total amount entered on the sheet.
- After the checks and money orders have been entered into the accounting system, a report received from the accounting system will be reconciled against the Payment Receipt Log sheet to ensure that all payments were entered. The payment Receipt Log sheet will be included in the daily closeout documentation.
- On a daily basis, trial court staff responsible for processing payments received through the mail must review all payments that are held over from a previous day's work to determine if any of the payments can be processed. A supervisor or manager must identify and log any payment that has been held for more than five calendar days without being processed. The log must specify the reason why the payment cannot be processed and must also specifically identify any cash payment being held in suspense for more than five calendar days. Further, a supervisor or manager must provide a report on at least a monthly basis to the Fiscal Officer listing by age any payment that has not been processed for more than 15 days. Similarly, a report must be provided to the Court Executive Officer or designee that lists by age any payment that has not been processed for 30 days.

In addition, when depositing daily collections, the FIN Manual, Policy No. FIN 13.01, 6.3, indicates courts will adhere to the following guideline in determining when to deposit receipts. Specifically, all court locations that have safes, vaults, or other comparable storage that is adequate to safeguard cash may accumulate collections until they amount to \$1,000 in coin and

paper currency, or \$10,000 in any combination of coin, paper currency, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first. Additionally, the policy requires an employee (preferably a supervisor or higher level of management), other than the person who prepares the deposit, to sign and date the deposit slip verifying the cash receipts have been deposited in total.

Further, FIN Manual, Policy No. FIN 1.03, 3.3.3(6), states the following regarding appropriate segregation of duties:

An organization plan should be established that provides for an appropriate segregation of duties that safeguards trial court assets. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction.

Also, work must be assigned to court employees so that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. If segregation of duties cannot be achieved due to staffing limitations, the court 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.

As an example, if one individual handles all phases of the cash process (i.e., collecting cash, preparing bank deposits and updating the case files), then another employee should be made responsible for depositing the cash in the bank. Additional review and reconciliation of the case files by supervisors or higher levels of management might also be performed on a routine basis.

Finally, the FIN Manual, Policy No. FIN 1.01, 6.4 (4), requires courts to document and obtain Judicial Council approval of their alternative procedures if court procedures differ from the procedures in the FIN Manual. The paragraph further states that alternative procedures not approved by the Judicial Council will not be considered valid for audit purposes.

## **Issues**

Our review of the Court's cash handling practices and associated records found that the Court needs to strengthen its procedures in the following areas:

1. Change Fund – Because the Court has not established change funds, court staff resort to alternative methods for making change. During our review, we found one cash collection location uses the Employee's Coffee Fund and another uses the previous day's deposits for making change. Specifically, when one of the clerks that accepts payments at the window (cashier) noted her beginning cash bag was short 50 cents, she notified the senior clerk of the shortage. Because the senior clerk had earlier made change using the Employee's Coffee Fund, the senior clerk recounted the cash in the Employee's Coffee Fund and found it was over 50 cents. The senior clerk indicated that she did not discover the error earlier because she did not recount either the Employee's Coffee Fund or the cashier's cash bag after she made the change. At the other cash collection location, the senior clerk informed the auditor that if change is needed, it is made from the previous day's deposit. However, the Court does

not have procedures to log the change transaction and recount and re-verify the deposit after the change transaction is completed to ensure the deposit remains whole.

2. **Beginning of Day Processing** – At three of the six cash collection locations reviewed, the cashiers did not count their beginning cash in the presence of the senior clerk or supervisor. Specifically, the senior clerk or supervisor issued the cashiers their cash bags without having the cashiers verify that the beginning cash in their bags was correct. In addition, five of the cash collection locations did not use a cash verification log to record the verification by the cashier and a senior clerk or supervisor of the amount of cash in the bag when the cash bags are distributed at opening and returned at closing.
3. **End of Day Processing** – At one cash collection location, although the location does not process many payments, cashiers do not balance and closeout at the end of the day. Specifically, at the end of work day the cashiers do not complete and sign a daily report, attach a calculator tape for the checks they received, return the daily report with the collections to the supervisor, and verify the daily report with the supervisor. At another cash collection location, the supervisor does not sign the cashier's daily closeout report after verifying collections to demonstrate supervisory oversight and approval of the day's financial transactions. Further, we found one cash collection location was not retaining the reports used to document the cashier's daily closeout process for the required 5 years, but instead was discarding these documents after 2 months.
4. **Surprise Cash Counts** – The Court does not conduct the required surprise cash counts. Specifically, four of the six cash collection locations that receive payments on a daily basis, do not conduct surprise cash counts for court staff that handle payments in the normal course of their duties. As a result, the Court cannot assure that payment processing errors and irregularities do not go undetected.
5. **Mail Payments** – The Court does not consistently use a two-person team to open the mail. Specifically, two of the five cash collection locations that receive mail payments do not use two-person teams to open the mail that may potentially contain payments. In addition, one of the five locations does not record on a mail payment log the mail payments they received to aid in tracking potentially missing mail payments.

Further, although four cash collection locations use a log to track payments received in the mail, they do not reconcile the log entries to the CMS to ensure that all mail payments were promptly entered in the CMS. For two of these four locations, they are unable to do so because court staff do not document the case or docket number; name of the person making the payment; check amount; check number; date received in the mail; and the name of the person handling the check. Instead, court staff attach only a calculator tape of the mail payments and do not record on the log any other identifying details.

As a result, at one of these four cash collection locations, a cashier inadvertently processed a mailed check that a party had placed a stop payment on after the Court provided the party with misinformation. Specifically, the Court misinformed a party that it did not receive their mailed check when in fact the Court received the check in the mail but did not know because

it did not capture sufficient information in a mail payment log to aid its research. The misinformed party placed a stop payment on the original mailed check and resubmitted a replacement check. In the meantime, another cashier processed the original check with the stop payment. As a result, the bank returned the check unpaid to the Court and the Court inappropriately assessed the party the returned check administrative and bank fees even though the Court's ineffective record keeping and misinformation was the reason the party placed a stop payment on the check that was returned unpaid by the bank. Had the Court maintained a mail payment log with sufficient identifying information, it could have had the information it needed to research and more accurately inform the party that it received but not yet processed the original mailed check.

6. Bank Deposits – At one cash collection location, even though its daily cash collections may exceed \$1,000, deposits are made on a weekly basis and at the end of the month, instead of when cash collections exceed \$1,000 as required by the FIN Manual.
7. Segregation of Duties – At five cash collection locations, the senior clerk or supervisor who performs the daily closeout and balancing also performs the incompatible function of preparing the deposit. In addition, at one of these five locations, the same clerk also verifies, approves, and transports the deposit to the bank. Further, although the Court asserts that this location cannot adequately segregate its cash handling duties due to its limited number of staff, Court management did not apply alternate control methods to mitigate the risks.

### **Recommendations**

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

1. Establish a change fund at each cash collection location or within the Fiscal Division. For each change fund that exceeds \$500, delegate one employee who does not perform any other cash handling duties as the change fund custodian, and ensure the custodians count and reconcile their change fund at the end of each day in the presence of a supervisor or manager.
2. Require cashiers to count and verify their beginning cash in the presence of a senior or supervisor before starting daily cash collection activities. Also, require the cashiers and the senior or supervisor to sign a cash verification log to acknowledge that they counted and verified as complete the beginning cash issued to and received by the respective cashier.
3. Require each cash collection location to perform and complete the daily closeout process before employees leave for the day, including completing and signing the daily report, attaching a calculator tape for checks, returning the daily report with the money collected to the supervisor, and verifying the daily report with the supervisor. Also, require the supervisors to file and retain the end-of-day closing documentation for the required five years.
4. Establish a process requiring appropriate managers, supervisors, or fiscal staff without payment processing responsibilities to conduct and document surprise cash counts at each cash collection location on at least a quarterly basis.



5. Ensure that each cash collection location uses two-person teams to open and process mail, and record mail payments on a mail payment log. Also, ensure cash, checks, and money orders received through the mail are listed on a Payments Receipt Log and include a record of the case number, person making the payment, check amount and number, date received, and person handling the check for each payment received. In addition, each location should reconcile the Payment Receipt Log to the CMS to ensure that all payments were promptly entered in the CMS.
6. Require each cash collection location to monitor and make a bank deposit when collections accumulate to \$1,000 in coin or paper currency, or \$10,000 in any combination of coin, paper currency, checks, money orders, and warrants, whichever comes first. Also, require an employee (preferably a supervisor or higher level of management), other than the person who prepares the deposit, to sign and date the deposit slip verifying that the cash receipts were deposited in total.
7. Ensure that the work at each cash collection location is sufficiently segregated and assigned to court employees so that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. When segregation of duties cannot be achieved due to staffing limitations, Court management should document the alternate control methods it applies to mitigate the risks.
8. Prepare alternative procedure requests and submit them to the Judicial Council for approval if the Court cannot implement the FIN Manual procedures and process payments as recommended. The requests should identify the FIN Manual procedures the Court cannot implement, the reasons why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

**Superior Court Response By: Clint Crawford, Court Fiscal Officer / Bonnie Thomas,  
Court Executive Officer Date: October 23, 2014**

Recommendation #1 - The Court agrees. The Court established a change fund at the end of July 2014 in the amount of \$500. This change fund is held and controlled by the Finance Division in the Court at the Court Administration location. Procedures that follow FIN 10.02 have been put into place and will be followed for maintaining the change fund.

Date of Corrective Action: November 1, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #2 - The Court agrees. The Beginning of Day Procedures have been amended to include the use of a Till Bag Verification Log which requires the employee to count the beginning cash in the presence of the supervisor/senior. The employee and supervisor/senior must then initial the log verifying the correct amount of cash was received by the employee.

Date of Corrective Action: September 25, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #3 - The Court agrees. While the Court has an End of Day Close Out Procedure in place, it was discovered that it was not always being followed. The End of Day Close Out Procedures have been amended to include the use of a Till Bag Verification Log and the amended procedures and the log was implemented on 9-25-14. Staff has been reminded logs are to be maintained for five years.

Date of Corrective Action: September 25, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #4 - The Court agrees. The Court will conduct surprise cash counts of all divisions. This will occur at least quarterly and at irregular times. The Cash Tills Cash Count form will be completed and retained for each till counted.

Date of Corrective Action: September 30, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #5 - The Court both agrees and disagrees. While the Court agrees the two-person approach to opening and processing the mail is best, and at one time we were able to do so, due to staffing limitations we cannot maintain the two-person approach. In August of 2011, Mr. Crawford spoke with John Judnick about this practice and he confirmed the TCFPP states that "To the extent possible, a two-person team *should* open the mail." (Italics added) When the FIN manual is updated to require two-person teams to open mail, we will submit an alternative procedure request.

The Court has directed all division to use the Mail Payment Receipts Log which includes all of the information required. This log will be turned in to the division Supervisor who shall verify, at end of day, all payments are entered.

Date of Corrective Action: September 25, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #6 - The Court both agrees and disagrees. The Court agrees that deposits should be made on a daily basis, in our remote location deposits are now made when the total deposit of coin, currency, checks, money orders and warrants are \$10,000 or greater. All other locations are utilizing the daily deposit procedures. The Senior Legal Clerk or Supervisor verifies the deposits prior to them being deposited.

In some of our divisions and in our remote location, we do not have the staffing available to segregate the duties of preparing the bank deposit and signing/dating the deposit slip verifying the cash receipts were deposited in total. In all divisions, other than our remote location, finance recounts and verifies deposits made by each division.

Date of Corrective Action: November 5, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #7 - The Court both agrees and disagrees. The Court agrees the segregation of duties must be in place to minimize errors or irregularities and has those segregation of duties in place wherever possible. Our process for daily deposits and trust deposits has our Supervisor, whenever possible, completing the daily deposits and the Senior Legal Clerk performing this task when the Supervisor is not available to do so. This process is in place at all Court locations. In

our remote location this is not always possible due to staffing limitations. We do not have a full time Supervisor at this location so the Senior Legal Clerk or designee must perform all balancing and deposit duties. Due to staffing limitations, often times the supervisors open a till to process collection and trust cases. There are times when the supervisor or Senior Legal Clerk are out of the office and some divisions do not have a Senior Legal Clerk, for these reasons it is often impossible to segregate duties. The court will prepare and submit an alternative procedure request.

Date of Corrective Action: January 15, 2015

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #8 - The Court Agrees.

Date of Corrective Action: January 15, 2015

Responsible Person(s): Clint Crawford, Court Fiscal Officer

## **5.2 Court Procedures for Tracking and Monitoring Dishonored Payments in Civil Actions Need Improvement**

### **Background**

The Code of Civil Procedure (CCP) requires Courts to take certain actions when accepting check payments for civil filings and other services that are later returned unpaid or in an amount less than the required fee. According to CCP Section 411.20, when a payment for a civil action filing is made by check and the check is later returned without payment (dishonored), the Court must mail a notice notifying the paying party of the following:

- The check has been returned to the court unpaid;
- The court has imposed an administrative fee for processing the returned check and providing the notice; and
- The filing fee and the administrative fee must be paid within 20 days of the date the notice was mailed.

In addition, if the court does not receive payment of the civil filing and administrative fee within 20 days of the date it mails the notice discussed above, it must void the filing. Further, if any trial or hearing is scheduled to be heard prior to the expiration of the 20-day period, the civil filing and administrative fees must be paid prior to the trial or hearing. Should the party fail to pay the civil filing and administrative fees prior to the expiration of the 20-day period, scheduled trial, or hearing, whichever occurs first, the court must void the filing and proceed as if it had not been filed.

### **Issues**

Our review of seven civil cases with dishonored check payments revealed that the Court allowed four to proceed without first collecting the civil filing and/or administration fee. Further, the Court did not attempt to collect the unpaid fees, such as by referring the dishonored amounts to collections. Specifically, for one case, the Court mailed the 20-day dishonored check notice, but the Court proceeded with the case and ordered a judgment before payment of the unpaid fees. Moreover, on the date the 20-day notice indicated the payment of the civil filing and

administrative fees were due, the party that wrote the dishonored check came to court to request copies of the judgment and the Court clerk provided the party with copies of the judgment, but did not attempt to collect the unpaid civil filing and administrative fees. According to the Court, the clerk did not attempt to collect the unpaid fees because the case file or CMS do not have any notes or flags to alert the clerk of the dishonored payment.

For two other cases, the Court ordered a judgment on one case and dismissed the other case before it mailed the 20-day notice. For these two cases, the Court did not promptly mail the 20-day notices, they were mailed 20 and 30 days after the bank notified the Court of the dishonored checks. For the last case, the Court never mailed the 20-day notice. Further, for all four cases, the Court could not demonstrate that it initiated collection proceedings on the unpaid fees at the time of our review.

### **Recommendations**

To ensure that the Court processes only civil action filings that are paid in full, it should consider the following:

1. If the civil division determines that a case with a dishonored check is scheduled to be heard within 20-days after the date the 20-day dishonored check notice is mailed, it should consider rescheduling the hearing to a future date after the 20-day period to ensure that the responsible parties pay the required filing and administrative fees within the 20-day period and prior to any scheduled hearing. If the division does not reschedule the hearing, it should flag the case file and CMS to ensure the responsible parties pay the required filing and administrative fees prior to proceeding with the hearing.
2. If the responsible parties do not pay the filing and administrative fees prior to the expiration of the 20-day period, scheduled trial, or hearing, whichever occurs first, the civil division should void the filing and proceed as if it had not been filed.
3. Establish procedures to track and monitor cases with dishonored check payments to ensure the 20-day dishonored check notice is promptly mailed. In addition, develop and implement procedures to flag the files and the CMS to alert clerks and cashiers when a party has not fully paid their required civil and administrative filing fees.
4. The Court should initiate collection proceedings to collect the required filing and administrative fees due to the Court for any case where it allowed the case to proceed and the responsible parties did not pay the required filing and administrative fees.

**Superior Court Response By: Clint Crawford, Court Fiscal Officer / Bonnie Thomas, Court Executive Officer Date: November 5, 2014**

Recommendation #1 - The Court agrees. The Court's CMS does flag the case when there is a dishonored check and the Clerks can see that information immediately upon accessing the case. The Court has implemented a practice of flagging the file which is easy to see to make it clear the file has an unpaid NSF. The decision to hear or not hear a case for any reason is up to the Judge in that case.

Date of Corrective Action: November 7, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #2 - The Court agrees. We have informed our divisions that handle civil matters to void filings if payment on an NSF check is not paid within 20 days. Finance will run a browse in our CMS every Monday to determine which NSF fees are eligible to be referred to collections.

Date of Corrective Action: November 10, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #3 - The Court agrees. The Court has an NSF Check Handling Procedure in place already. It details the steps to be taken when an NSF check is received and after the demand for payment letter has been sent out. One of the steps is to enter the special status of "NSF Pending" in the CMS, this then appears on the 1<sup>st</sup> screen of the case in the CMS thus notifying the clerk there is a pending NSF check on the case. We have started adding a flag in the file which is easy to see to make it clear the file has an unpaid NSF. In addition, we now run a browse every week to track cases which have not paid the NSF within 20 days and those cases will be referred to collections.

Date of Corrective Action: November 7, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #4 - The Court agrees. The Court has run a browse in our CMS to determine what civil cases has proceeded through court and is eligible to be turned over to collections. These cases will be referred to collections.

Date of Corrective Action: November 10, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

## 6. Information Systems

### Background

Courts make wide use of information technology (IT) to support their court operations. For example, courts use IT services to operate and maintain automated case management systems, cashiering systems, and local area networks. Because these information systems are integral to daily court operations, courts must maintain and protect these systems from interruptions and must have plans for system recovery from an unexpected system failure. Additionally, because courts maintain sensitive and confidential information in these systems, courts must also take steps to control and prevent unauthorized access to these systems and the information contained in them.

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Expenditures</b>				
943201 IT MAINTENANCE	57,409.47	40,665.63	16,743.84	41.17%
* 943200 - IT MAINTENANCE	57,409.47	40,665.63	16,743.84	41.17%
943501 IT REPAIRS & SUPPLIES	270.12	1,257.27	(987.15)	-78.52%
943502 IT SOFTWARE & LICENSING FEES	115,776.22	110,010.00	5,766.22	5.24%
* 943500 - IT REPAIRS/SUPPLIES/LICE	116,046.34	111,267.27	4,779.07	4.30%
** INFORMATION TECHNOLOGY (IT) TOTAL	173,455.81	151,932.90	21,522.91	14.17%

We reviewed various information system (IS) controls through interviews with Court management, observation of IS facilities and equipment, and review of records. Some of the primary areas reviewed include the following:

- System backup and data storage procedures.
- Recovery and continuity plans and 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 environmental conditions of the computer rooms.
- Access controls to the Department of Motor Vehicles (DMV) database records.
- Automated distribution calculations of collected fines, penalties, fees, and assessments for selected criminal and traffic violations.

**The following issue is associated with this section and considered significant enough to bring to management's attention. Additional minor issues are included in Appendix A to this report.**

## 6.1 The Court Needs to Better Understand Its Calculations and Distributions of Court Collections

### Background

State statutes and local ordinances govern the distribution of the fines, penalties, fees, 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 and the *Uniform Bail and Penalty Schedule* issued by the Judicial Council to calculate and distribute these court collections to the appropriate State and local funds. Courts use either an automated system, manual process, or a combination of both to perform the often complex calculations and distributions required by law.

### Issues

Our review of the Court’s process for calculating and distributing the fines, penalties, fees, and other assessments it collects determined that the Court uses Sustain Justice Edition (Sustain) as its case management system (CMS) for all case types. Sustain has the fiscal capability to automatically calculate the required distributions of the monies the Court collects.

To determine whether the Court correctly calculated and distributed its collections, we reviewed the calculated distributions of certain selected cases with violations that the Court disposed from July 2013 through December 2013. In total, we reviewed 11 cases of the following case types:

- **Traffic Infraction (8 total)** – Railroad (2), Red Light (2), Speeding (2), and Proof of Correction (1), and Health and Safety (1).
- **Misdemeanor/Felony (3 total)** – DUI (1), Reckless Driving (1), and Domestic Violence (1).

In addition, we reviewed the penalties, fees, and assessments for 20 Domestic Violence (DV) cases where the Court assessed a Penal Code fine.

Our review of the calculated distributions of the Court collections noted the following internal control weakness, and calculation and distribution errors:

1. The Court does not have staff with sufficient knowledge and understanding of its revenue distribution calculations. As a result, it yields its responsibility of monitoring and ensuring the accuracy of its distribution calculations and tables to the county, the Judicial Council staff, and its CMS consultants.
2. For the DUI case reviewed, the two percent State Court Automation amount was not transferred from the PC 1463.25 Alcohol Education Penalty Assessment.
3. For three city arrest cases reviewed for the City of Madera, the Court did not distribute the base fine amounts according to the schedule in PC 1463.002. Specifically, for these city arrest cases by the City of Madera, the Court distributed 17 percent to the county whereas it should have distributed 16 percent to the county and 84 percent to the City of Madera.

4. For the Railroad Traffic School case reviewed, the distribution to the County Railroad Education Fund did not include 30 percent from the GC 76104.6 DNA penalty, GC 76104.7 Additional DNA penalty, and the GC 76000.5 Additional EMS penalty. According to the Court, the modifications needed to correct the distributions have been determined, but not yet configured in the CMS.
5. For the Red Light Traffic School case reviewed, the Court did not calculate and distribute the 30 percent red light allocation from the TVS fee. According to the Court, the modifications needed to correct the distributions have been determined, but not yet configured in the CMS.

### **Recommendations**

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

1. Seek and provide revenue distribution training to Court staff and implement a process to monitor and ensure the accuracy of its distribution calculations and tables by a Court supervisor or manager knowledgeable in revenue calculation and distribution.
2. Analyze its Sustain CMS distribution tables to ensure that the GC 68090.8 2 percent State Court Automation amount is transferred from the PC 1463.25 Alcohol Education penalty in DUI cases.
3. Configure its Sustain CMS to distribute 16 percent to the county and 84 percent to the City of Madera in accordance with the schedule in PC 1463.002 for city arrest cases by the City of Madera.
4. Implement the modifications needed in its Sustain CMS to distribute to the County Railroad Education Fund 30 percent from the GC 76104.6 DNA penalty, GC 76104.7 Additional DNA penalty, and the GC 76000.5 Additional EMS penalty.
5. Implement the modifications needed in its Sustain CMS to distribute the 30 percent red light allocation from the TVS fee.

**Superior Court Response By: Clint Crawford, Court Fiscal Officer / Bonnie Thomas, Court Executive Officer Date: October 23, 2014**

Recommendation #1 - The Court agrees and disagrees. All Sustain Courts which are "housed" at the CCTC, are offered assistance by Judicial Council to make changes to financial distributions. To ensure accuracy, our court has always taken advantage of this assistance and allowed the legislatively mandated distributions to be implemented by a qualified consultant hired by Judicial Council, as it seemed the best choice to use an expert in this area as opposed to trying to make changes ourselves without having any IT staff. As a Sustain Court, we are currently fulfilling our responsibility to ensure accuracy to the distributions by approving the requirements, overseeing the changes and performing required testing to validate the distributions. To date, we have not



relied on Madera County to provide assistance to us in the area of making or overseeing these distribution changes.

The Court agrees it should take a more active role and learn more about the financial distributions. This would add another layer of scrutiny to ensure accuracy during the testing process when legislative changes have been made. The Financial Division will take advantage of training opportunities in this area. Once we have obtained training for financial distributions, quarterly our finance division will randomly chose cases and review fine distributions.

Date of Corrective Action: December 31, 2015

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #2 - The Court agrees. The correction has been made to the CMS.

Date of Corrective Action: November 11, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #3 - The court agrees. We have contacted the CMS consultant to start the process for correcting this issue.

Date of Corrective Action: November 1, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #4 - The court agrees. We have contacted the CMS consultant to start the process for correcting this issue.

Date of Corrective Action: December 31, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #5 - The Court agrees. The CMS Consultant is finalizing the changes to implement this recommendation and will put them into production at the end of December 2014.

Date of Corrective Action: December 31, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

## 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 court control. The FIN Manual, Policy No. FIN 13.01, establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located and receive interest income on funds deposited with the Judicial Council Treasury. Courts typically deposit in Judicial Council-established accounts allocations for court operations, civil filing fees, and civil trust deposits. Courts may also deposit monies with the county, including collections for criminal and traffic fines and fees, and bail trust deposits.

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Assets</b>				
100000 POOLED CASH	796,384.55	857,569.19	(61,184.64)	-7.13%
100001 TRUST CASH IN OPS	-	26,312.16	(26,312.16)	-100.00%
100025 DISB CHECK-OPERATIONS	(206,183.75)	(200,520.03)	(5,663.72)	-2.82%
100026 DISB CHECK-TRUST	-	(26,312.16)	26,312.16	100.00%
100027 DISB OUTGOING EFT	-	(22,830.80)	22,830.80	100.00%
100165 TRUST DISBURSEMENT CHECK	(4,548.00)	(25,741.00)	21,193.00	82.33%
119001 CASH ON HAND - CHANGE FUND	1,550.00	1,550.00	-	0.00%
120001 CASH WITH COUNTY	85,564.06	108,380.77	(22,816.71)	-21.05%
120050 SHORT TERM INVESTMENTS-LAIF	1,310,377.12	1,324,755.21	(14,378.09)	-1.09%
120051 S/T INVEST-CAP SHARE	293,017.80	440,931.82	(147,914.02)	-33.55%
*** Cash and Cash Equivalents	2,276,161.78	2,484,095.16	(207,933.38)	-8.37%
<b>Accounts Payable</b>				
301001 A/P - GENERAL	5,235.72	-	5,235.72	100.00%
301004 A/P - ELECTRONIC PAYABLES	67,275.36	67,356.37	(81.01)	-0.12%
314011 TRUST-DUE TO OPERATIONS	299.52	303.26	(3.74)	-1.23%
314014 SPECIAL REVENUE-DUE TO GENERAL	44,125.06	180,689.33	(136,564.27)	-75.58%
321501 A/P DUE TO STATE	71.00	-	71.00	100.00%
321600 A/P - TC145 LIABILITY	138,760.87	165,417.79	(26,656.92)	-16.11%
322001 A/P - DUE TO OTHER GOVERNMENTS	2,833.99	-	2,833.99	100.00%
323010 TREASURY INTEREST PAYABLE	2.28	5.93	(3.65)	-61.55%
330001 A/P - ACCRUED LIABILITIES	530,831.91	45,146.55	485,685.36	1075.80%
*** Accounts Payable	789,435.71	458,919.23	330,516.48	72.02%
<b>Current Liabilities</b>				
351003 LIABFORDEP-STALE OPS	8,381.77	8,035.31	346.46	4.31%
353002 CIVIL TRUST-CONDEM	52,981.55	154,872.54	(101,890.99)	-65.79%
353003 CIVIL TRUST - OTHER	218,721.41	201,596.41	17,125.00	8.49%
353004 JURY FEES- NON-INTEREST BEARING	54,565.70	55,665.70	(1,100.00)	-1.98%
353005 TRAFFIC	112,752.66	76,781.50	35,971.16	46.85%
353006 CRIMINAL - GENERAL	51,600.00	78,530.00	(26,930.00)	-34.29%
353039 UNREC TRUST-CVL,CRM	50.00	50.00	-	0.00%
353080 LIABFORDEP-STALETRST	82,300.80	54,248.64	28,052.16	51.71%
353999 TRUST INTEREST PAYABLE	58,778.12	58,674.82	103.30	0.18%
375001 ACCRUED PAYROLL	345.18	-	345.18	100.00%
*** Current Liabilities	640,477.19	688,454.92	(47,977.73)	-6.97%
<b>Revenues</b>				
** 825000-INTEREST INCOME	8,061.08	10,925.51	2,864.43	26.22%

**Expenditures**

920301 MERCHANT FEES	17,831.25	13,493.76	4,337.49	32.14%
920302 BANK FEES	3,156.78	4,346.22	(1,189.44)	-27.37%
920303 LATE FEES	-	24.26	(24.26)	-100.00%
920304 REGISTRATION FEES-PERMITS	-	1,376.00	(1,376.00)	-100.00%
* 920300 - FEES/PERMITS	20,988.03	19,240.24	1,747.79	9.08%

Many courts rely on the Judicial Council Treasury Unit for many banking services, such as performing monthly bank reconciliations to the general ledger, overseeing the investment of trial court funds, and providing periodic reports to trial courts and other stakeholders. Therefore, we reviewed only the following procedures associated with funds not deposited in bank accounts established by the Judicial Council, including funds on deposit with the County:

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

**There were minor issues associated with this area that are included in Appendix A to this report.**

## 8. Court Security

### Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff services and perimeter security services. The sheriff specifies the level of security services it agrees to provide, and these services are typically included in an MOU.

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Expenditures</b>				
934504 PERIMETER SECURITY-CONTRACT	271,581.75	276,391.50	(4,809.75)	-1.74%
* 934500 - SECURITY	271,581.75	276,391.50	(4,809.75)	-1.74%
941101 SHERIFF-REIMB-AB2030	5,565.00	6,650.00	(1,085.00)	-16.32%
* 941100 - SHERIFF	5,565.00	6,650.00	(1,085.00)	-16.32%

We reviewed the Court's security controls through interviews with Court management and county sheriff service providers, observation of security conditions, and review of records. We also reviewed the Court's MOU with the County Sheriff for court security services, including the stationing of bailiffs in courtrooms and the control of in-custodies transported to the courthouse.

**There were minor issues associated with this area that are included in Appendix A to this report.**

## 9. Procurement

### Background

The Judicial Branch Contracting Manual (JBCM) 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 their procurement 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 to document approval of the procurement by an authorized individual. The requestor identifies the correct account codes, verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the court manager or supervisor authorized to approve the procurement. This court manager or supervisor is responsible for verifying that the correct account codes are specified and assuring that funds are available before approving the request for procurement. 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 procurement research to generate an appropriate level of competition and obtain the best value. Court employees may also need to prepare and enter into purchase orders, service agreements, or contracts to document the terms and conditions of the procurement transaction.

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Expenditures</b>				
* 920500 - DUES AND MEMBERSHIPS	1,165.00	1,580.00	(415.00)	-26.27%
* 920600 - OFFICE EXPENSE	106,483.38	29,668.46	76,814.92	258.91%
* 921500 - ADVERTISING	1,998.65	3,500.51	(1,501.86)	-42.90%
* 921700 - MEETINGS, CONFERENCES, E	572.06	864.02	(291.96)	-33.79%
* 922300 - LIBRARY PURCHASES AND SU	76,728.09	65,519.05	11,209.04	17.11%
* 922600 - MINOR EQUIPMENT - UNDER	366,660.81	4,722.04	361,938.77	7664.88%
* 922700 - EQUIPMENT RENTAL/LEASE	72,052.28	71,862.36	189.92	0.26%
* 922900 - EQUIPMENT REPAIRS	504.01	1,037.88	(533.87)	-51.44%
* 923900 - GENERAL EXPENSE - SERVIC	17,343.25	6,223.96	11,119.29	178.65%
* 924500 - PRINTING	41,236.76	25,066.79	16,169.97	64.51%
* 925100 - TELECOMMUNICATIONS	113,554.46	25,409.35	88,145.11	346.90%
* 926200 - STAMPS, STAMPED ENVELOPE	90,781.58	47,467.39	43,314.19	91.25%
* 928800 - INSURANCE	7,936.75	6,696.00	1,240.75	18.53%
* 933100 - TRAINING	1,870.00	3,694.55	(1,824.55)	-49.38%
* 934500 - SECURITY	271,581.75	276,391.50	(4,809.75)	-1.74%
* 935200 - RENT/LEASE	4,506.03	6,732.06	(2,226.03)	-33.07%
* 935300 - JANITORIAL	182,559.90	169,170.98	13,388.92	7.91%
* 935400 - MAINTENANCE AND SUPPLIES	5,500.00	-	5,500.00	100.00%
* 938300 - GENERAL CONSULTANT AND P	401,590.75	402,053.13	(462.38)	-0.12%
* 938500 - COURT INTERPRETER SERVIC	137,546.25	109,279.17	28,267.08	25.87%
* 938600 - COURT REPORTER SERVICES	8,766.60	21,964.66	(13,198.06)	-60.09%
* 938700 - COURT TRANSCRIPTS	18,287.81	7,930.97	10,356.84	130.59%
* 938800 - COURT APPOINTED COUNSEL	49,429.25	55,074.00	(5,644.75)	-10.25%
* 938900 - INVESTIGATIVE SERVICE	320.00	320.00	-	0.00%
* 939000 - COURT ORDERED PROFESSION	56,350.00	60,700.00	(4,350.00)	-7.17%
* 939200 - COLLECTION SERVICES	196.65	62.73	133.92	213.49%
* 943200 - IT MAINTENANCE	57,409.47	40,665.63	16,743.84	41.17%
* 943500 - IT REPAIRS/SUPPLIES/LICE	116,046.34	111,267.27	4,779.07	4.30%
* 952300 - VEHICLE OPERATIONS	8,263.15	8,571.91	(308.76)	-3.60%
* 945200 - MAJOR EQUIPMENT	81,685.70	-	81,685.70	100.00%

We reviewed the Court's procurement procedures and practices to determine whether its approval, purchasing, receipt, and payment roles are adequately segregated. We also reviewed selected purchases to determine whether the Court obtained approvals from authorized individuals, followed open and competitive procurement practices, and complied with other applicable JBCM procurement requirements.

**The following issue is associated with this area and considered significant enough to bring to management's attention. Additional minor issues are included in Appendix A to this report.**

## **9.1 The Court Needs to Improve Its Procurement Practices**

### **Background**

On March 24, 2011, Senate Bill 78 was enacted, creating Part 2.5 of the Public Contract Code (PCC) designated the California Judicial Branch Contract Law (JBCL). With certain exceptions, the JBCL requires that superior courts, as well as other judicial branch entities (JBEs), comply with provisions of the PCC that are applicable to state agencies and departments related to the procurement of goods and services. PCC Section 19206 of the JBCL requires the Judicial Council to adopt and publish a Judicial Branch Contracting Manual (JBCM) incorporating procurement and contracting policies and procedures that JBEs must follow. In interpreting the requirements of the JBCM and applying those requirements in the context of their own local operations and specific procurements, JBEs should seek to achieve the objectives of PCC Section 100, including ensuring full compliance with competitive bidding statutes; providing all qualified bidders with a fair opportunity to enter the bidding process; and eliminating favoritism, fraud, and corruption in the awarding of public contracts. To meet the unique needs of the court and ultimately achieve the goals set forth in PCC Sections 100–102, each presiding judge has the authority to vary the Court's application of any non-mandatory business or accounting practice set forth in the JBCM. Any variances should be documented in the court's Local Contracting Manual. The JBCM supersedes the FIN Manual, Section 6.01.

The JBCM, Chapters 4 and 5, provides procurement requirements for competitive and non-competitive procurements, respectively. Additionally, the JBCM, Chapter 9, Section 9.2, discusses requirements for procurements using court purchase cards.

Additionally, FIN Manual Policy 5.01, section 6.6, requires the Court to create an encumbrance for every purchase order, contract, memorandum of understanding, or intra-branch agreement greater than \$500.

### **Issues**

To determine whether the Court follows the procurement policies and procedures in the JBCM, we interviewed Court management and staff regarding its procurement practices. We also selected to review 20 expenditure transactions, between July 2013 and January 2014, which represented 12 vendor procurements. Our review indicates that the Court did not always follow the required Judicial Branch procurement policies and procedures. Specifically, we noted the following:

1. The Court could not demonstrate that it consistently followed the appropriate Judicial Branch procurement requirements that help ensure competitive procurements. For example, for one of the 12 procurements we reviewed which was for janitorial services that totaled more than \$180,000 per year, although the initial contract award was prior to the effective date of the JBCM, the Court could not demonstrate that it advertised the solicitation and competitively bid the contract as required by the applicable FIN Manual procurement policy that was in effect at that time of the procurement. Specifically, the Court could not provide procurement records that demonstrate it prepared a solicitation document, advertised the solicitation, received competing proposals, evaluated the proposals, and its proposal evaluation results that explain why it selected the winning proposal.

For a second procurement we reviewed that totaled more than \$275,000 per year for entrance screening security services, and that was also awarded prior to the JBCM, the Court could not provide the proposal evaluation results that explain and reconcile why it selected this particular contractor even though the hourly rate proposed by the selected contractor was not the lowest hourly rate proposed by the competing vendors.

Further, for both of these contracts, instead of competitively rebidding the contracts after their initial three-year terms, the Court extended the terms of each contract twice and increased the hourly compensation rate for one contract. Specifically, the Court extended the term of each contract from the original three years to five years. In addition, for the security services contract, the Court also increased the hourly rate, but did not document in the procurement file how it determined that the rate increase was reasonable and competitive. The Court further extended the term of each contract to eight years and 10 years, respectively, in the third amendment instead of competitively rebidding the contracts.

2. The Court also did not always create and establish purchase orders within the accounting system to encumber and reserve available funds. Specifically, for five of the seven procurements we reviewed with vendor payments totaling more than \$500, the Court did not create and establish a purchase order in the accounting system to encumber and reserve the fund balance.

### **Recommendations**

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

1. Require its procurement staff to retain all procurement related documents to support its procurement activities for current contracts, including but not limited to its solicitation requesting bids or proposals, advertisements soliciting bids or proposals, vendor bids or proposals received and accepted, evaluations and scoring of bids or proposals, and the reasoning used for selecting the winning bid or proposal. If the Court does not competitively procure goods or services, it should appropriately document its sole-source justification for its noncompetitive procurements.

2. Adopt local procedures and practices to establish purchase orders within the accounting system for all purchases greater than \$500, including procurements resulting in contracts, MOUs and IBAs, to ensure it reserves sufficient fund balance to pay for its contractual commitments.

**Superior Court Response By: Clint Crawford, Court Fiscal Officer Date: November 3, 2014**

Recommendation #1 - The Court Agrees. The Court has adopted the Judicial Branch Contracting Manual and will follow the requirements of the Manual.

Date of Corrective Action: January 1, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #2 - The court agrees. The Court adopted this process near the end of fiscal year 2013-14 and will establish purchase orders to ensure we reserve sufficient fund balance to pay for our contractual commitments in the future.

Date of Corrective Action: April 1, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer



## 10. Contracts

### Background

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Expenditures</b>				
* 938300 - GENERAL CONSULTANT AND P	401,590.75	402,053.13	(462.38)	-0.12%
* 938500 - COURT INTERPRETER SERVIC	137,546.25	109,279.17	28,267.08	25.87%
* 938600 - COURT REPORTER SERVICES	8,766.60	21,964.66	(13,198.06)	-60.09%
* 938700 - COURT TRANSCRIPTS	18,287.81	7,930.97	10,356.84	130.59%
* 938800 - COURT APPOINTED COUNSEL	49,429.25	55,074.00	(5,644.75)	-10.25%
* 938900 - INVESTIGATIVE SERVICE	320.00	320.00	-	0.00%
* 939000 - COURT ORDERED PROFESSION	56,350.00	60,700.00	(4,350.00)	-7.17%
* 939200 - COLLECTION SERVICES	196.65	62.73	133.92	213.49%
<b>Expenditures – County Provided Services</b>				
* 942100 - COUNTY-PROVIDED SERVICES	23,649.00	32,062.00	(8,413.00)	-26.24%

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

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

**There were minor issues associated with this area that are included in Appendix A to this report.**

## 11. Accounts Payable

### Background

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

In addition, trial court judges and employees may be required to travel as a part of their official duties, and may occasionally conduct official court business during a meal period. Courts may reimburse their judges and employees for their reasonable and necessary travel expenses, within certain maximum limits, incurred while traveling on court business. Courts may also reimburse their judges and employees, or pay vendors, for the actual cost of providing business-related meals when certain rules and limits are met.

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Liabilities</b>				
*** Accounts Payable	789,435.71	458,919.23	330,516.48	72.02%
*** Current Liabilities	640,477.19	688,454.92	(47,977.73)	-6.97%
<b>Reimbursements - Other</b>				
** 860000-REIMBURSEMENTS - OTHER	18,619.00	6,421.09	12,197.91	189.97%
<b>Expenditures</b>				
* 920300 - FEES/PERMITS	20,988.03	19,240.24	1,747.79	9.08%
* 920600 - OFFICE EXPENSE	106,483.38	29,668.46	76,814.92	258.91%
* 921500 - ADVERTISING	1,998.65	3,500.51	(1,501.86)	-42.90%
* 921700 - MEETINGS, CONFERENCES, E	572.06	864.02	(291.96)	-33.79%
* 922300 - LIBRARY PURCHASES AND SU	76,728.09	65,519.05	11,209.04	17.11%
* 922700 - EQUIPMENT RENTAL/LEASE	72,052.28	71,862.36	189.92	0.26%
* 922900 - EQUIPMENT REPAIRS	504.01	1,037.88	(533.87)	-51.44%
* 924500 - PRINTING	41,236.76	25,066.79	16,169.97	64.51%
* 925100 - TELECOMMUNICATIONS	113,554.46	25,409.35	88,145.11	346.90%
* 926200 - STAMPS, STAMPED ENVELOPE	90,781.58	47,467.39	43,314.19	91.25%
* 928800 - INSURANCE	7,936.75	6,696.00	1,240.75	18.53%
* 929200 - TRAVEL- IN STATE	8,568.64	6,655.61	1,913.03	28.74%
* 933100 - TRAINING	1,870.00	3,694.55	(1,824.55)	-49.38%
* 935200 - RENT/LEASE	4,506.03	6,732.06	(2,226.03)	-33.07%
* 935300 - JANITORIAL	182,559.90	169,170.98	13,388.92	7.91%
* 935400 - MAINTENANCE AND SUPPLIES	5,500.00	-	5,500.00	100.00%
* 938300 - GENERAL CONSULTANT AND P	401,590.75	402,053.13	(462.38)	-0.12%
* 938500 - COURT INTERPRETER SERVIC	137,546.25	109,279.17	28,267.08	25.87%
* 938600 - COURT REPORTER SERVICES	8,766.60	21,964.66	(13,198.06)	-60.09%
* 938700 - COURT TRANSCRIPTS	18,287.81	7,930.97	10,356.84	130.59%
* 938800 - COURT APPOINTED COUNSEL	49,429.25	55,074.00	(5,644.75)	-10.25%
* 938900 - INVESTIGATIVE SERVICE	320.00	320.00	-	0.00%
* 939000 - COURT ORDERED PROFESSION	56,350.00	60,700.00	(4,350.00)	-7.17%
* 939200 - COLLECTION SERVICES	196.65	62.73	133.92	213.49%
* 952300 - VEHICLE OPERATIONS	8,263.15	8,571.91	(308.76)	-3.60%
* 965100 - JUROR COSTS	113,548.10	114,195.74	(647.64)	-0.57%

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

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

**The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are included in Appendix A to this report.**

### **11.1 The Court Needs to Strengthen Its Controls Over Accounts Payable**

#### **Background**

As stewards of public funds, courts have an obligation to demonstrate responsible and economical use of public funds. As such, the FIN Manual provides trial courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements.

Specifically, FIN 8.01 and FIN 8.02 provide uniform guidelines for courts to use when processing vendor invoices and individual claims (also referred to as invoices) for payment. These guidelines include procedures for establishing and maintaining a payment authorization matrix listing court employees who are permitted to approve invoices for payment along with dollar limits and scope of authority of each authorized court employee. The guidelines also include preparing invoices for processing, matching invoices to purchase documents and proof of receipt, reviewing invoices for accuracy, approving invoices for payment, and reconciling approved invoices to the payment transactions recorded in the accounting records. Finally, the guidelines state that advance payments to vendors are only made in unusual circumstances and are not permitted for time and materials service contracts or for the purchase of goods.

Additionally, Accounts Payable staff must apply other policies and procedures that are germane to accounts payable processing of invoices and claims, such as limits on reimbursements for professional dues as stated in FIN Manual Policy 8.03 and applicable Judicial Council policies such as the Payment Policies for Contract Court Interpreters.

#### **Issues**

To determine whether the Court adheres to the applicable Judicial Branch invoice processing policies and procedures, we interviewed appropriate Court staff regarding its invoice processing practices. We also reviewed 29 invoices and claims paid between July 2013 and January 2014. Our review identified the following weaknesses and areas of noncompliance:

1. The Court did not consistently perform the required three-point match—matching the vendor invoice to the terms of the procurement agreement and to proof of receipt and acceptance of the goods or services—before processing the vendor invoices for payment. Specifically, our review noted the following:
  - a. The Court did not have purchase orders, contracts, or sufficient procurement terms for six of the vendor payments reviewed; therefore, it could not perform the required three-point match and could not demonstrate how it ensured that it paid the correct agreed upon price.
  - b. The Court paid three vendor invoices without proof that it received and accepted the goods or services, such as with a goods receipt report or an authorized court employee signature acknowledging receipt and acceptance of the services. In addition, for one of these three vendor invoices, because the automotive repair invoice did not identify, either with a printed name or a signature on the invoice, the individual who authorized the repair work, we could not validate that the individual who authorized and accepted the repairs was not also the same individual who approved the payment.
  - c. For one county invoice we reviewed, the Court paid the invoice without performing an appropriate three-point match. Specifically, the Court and county share the cost of services provided by a vendor. Although the county bills the Court for the Court's share of the vendor services, the Court did not request and obtain from the county a copy of the underlying vendor invoice to verify its share of the costs until after we inquired about its verification process. Further, the Court accounts payable staff processed the county invoice for payment without a signature from a Court individual authorized to acknowledge receipt of acceptable services and to approve the county invoice for payment.
  
2. The Court also paid claimants who provided services to the Court without requiring the information and approvals necessary to validate and pay the claims. Specifically, we noted the following exceptions on the claims we reviewed:
  - a. For one of the claims, the Court paid the claim without requiring the claimant to include on the claim form the case number for which the claimant asserts performing services. Specifically, the clerk of the Court signed the claim form acknowledging the claimant's assertions, but did not require the claimant to identify and write the specific case number on the claim form. As a result, the Court paid the claimant for personal vehicle use mileage associated with the case services the claimant asserts performing, but does not have a record to associate the paid claim to a corresponding case number.
  - b. For another claim, the Court could not demonstrate how it determined that the amount it paid was appropriate. Specifically, the Court paid the claimant for personal vehicle use mileage without requiring the claimant to identify and include the business address on the claim form. Without a business address, the Court cannot evaluate and determine whether it paid the claimant a reasonable and appropriate amount for mileage reimbursement. Further, the Court paid the claimant for travel time without obtaining CEO or designee pre-approval and documentation of the unusual circumstances justifying the extraordinary costs.

**Recommendations**

To ensure the Court can demonstrate its responsible and economical use of public funds when processing invoices for payment, it should consider the following:

1. Provide training and instruction to fiscal and accounts payable staff to ensure they understand the importance of performing the required three-point match prior to processing invoices for payment. To facilitate this three-point match process, the Court should ensure it establishes procurement documents, such as purchase orders and written agreements, and should establish a process for acknowledging and documenting the proof of receipt and acceptance of goods and services. The Court should make a copy of these procurement and proof of receipt documents available to accounts payable staff to facilitate their three-point match process.
2. Provide training and instruction to fiscal and accounts payable staff to ensure they follow the FIN Manual and Judicial Branch policies, such as the Judicial Council's Payment Policies for Contract Court Interpreters, before processing claimant claims for payment. Specifically, require claimants to provide their business addresses on claim forms so that someone can validate the reasonableness of claimed personal vehicle use mileage. Also, require claimants to identify on the claim form the case number for which they provided services. Further, if a claimant claims extraordinary travel expenses, require CEO or designee pre-approval of these extraordinary costs prior to payment processing.

**Superior Court Response By: Clint Crawford, Court Fiscal Officer / Bonnie Thomas, Court Executive Officer Date: October 23, 2014**

Recommendation #1, a & b - The Court agrees. Staff has been reminded they must submit verified packing slips with signature/date to finance. Finance staff has been reminded they must receive proof of goods/service received/performed before processing invoices.

Date of Corrective Action: October 30, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #1, c - The Court agrees. The Finance staff has been reminded they must have a copy of the underlying vendor invoice to verify the Court's share of costs before processing. Staff has also been reminded to obtain the appropriate signature authorizing invoice payment.

Date of Corrective Action: April 1, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #2 - The Court agrees and disagrees. Court Fiscal staff has been trained to follow the FIN Manual and Judicial Branch policies concerning Contract Court Interpreters. Contract Interpreter services and rates are negotiated by our Interpreter Coordinator who checks the claimed amounts and approves the claims with their signature (CEO designee) prior to submission to fiscal staff for entering for payment. Staff has been instructed to attach a printout of mapquest to verify mileage and finance has been instructed to verify addresses in SAP with the mapquest printout before processing.

Date of Corrective Action: October 1, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

## **11.2 The Court Needs to Improve Its Procedures for Reviewing and Approving Travel Expenses**

### **Background**

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

The rules and limits for arranging, engaging in, and claiming reimbursement for travel on official court business are specified in the FIN Manual. Specifically, Policy Number FIN 8.03, 3.0 states:

The trial court reimburse[s] its judges and employees for their reasonable and necessary travel expenses incurred while traveling on court business within the limits of the trial court's maximum reimbursement guidelines. Under Government Code section 69505, the Judicial Council's Travel Rate Guidelines must be used. 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 Number FIN 1.01, 6.4 (4).

Policy Number FIN 8.03, provides specific travel procedures for trial courts to follow. FIN 8.03, 6.3, states that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation, and other miscellaneous items. Further, FIN 8.03, 6.3.2, states that when the use of a personal vehicle is approved for trial court business and the travel commences from home, reimbursed personal vehicle mileage will be calculated from the traveler's designated headquarters or home, whichever results in the lesser distance, to the business destination.

In addition, Policy Number FIN 8.03, 6.4, provides that reimbursable travel expenses are limited to the authorized, actual, and necessary costs of conducting the official business of the trial court and the limits established in the published Judicial Council Travel Rate Guidelines. Judges and employees who incur reimbursable business travel costs, must submit a completed travel expense reimbursement claim (TEC) form that notes the business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level.

Policy Number FIN 8.03, also provides the Judicial Branch Travel Guidelines, which state that to be eligible for lodging, incidentals, and meal reimbursement, expenses must be incurred in excess of 25 miles from headquarters. As previously cited, Policy Number FIN 8.03, 3.0 states all exceptions to the Judicial Branch Travel Guidelines, must be submitted in writing and have prior approval in accordance with the alternative procedures guidelines established in Policy Number FIN 1.01, 6.4 (4).

## Issues

To determine whether the Court followed the travel expense guidelines required in the FIN Manual, we made inquiries of appropriate Court staff regarding its current travel expense reimbursement practices. We also reviewed selected travel expense transactions between July 2013 and mid-January 2014. Our review determined that the Court needs to improve its business travel expense reimbursement procedures. Specifically, we noted the following in our review of eight travel expense reimbursement claims and two travel expense purchase card charges:

1. The Court does not always require employees to include in their Travel Expense Claim (TEC) forms all the information that is necessary for reviewers and approvers to determine whether the claimed expenses are appropriate. Specifically, for seven TECs we reviewed, the Court did not require the employees to include the travel start and end times on their TEC forms. In addition, the Court did not require employees to include their home addresses, vehicle license numbers, and claimed mileage rates. Therefore, for five of these seven TECs, we could not determine the appropriateness of the personal mileage expense reimbursement because without the home address we could not determine if the number of miles claimed was the lesser mileage of home or headquarters to the business destination. Also for one of the seven TECs reviewed, the mileage rate reimbursed was less than the rate approved by the Judicial Council. Specifically, the employee did not specify on the TEC form the mileage rate claimed, but our recalculation of the amount claimed determined that the mileage rate claimed and reimbursed was 55 cents per mile rather than the 56.5 cents per mile rate that was in effect at the time of the travel.

Certain information, such as the headquarters address, home address, times of travel, and purpose of the travel, is necessary for reviewers to determine the accuracy, necessity, and reasonableness of the request for business travel reimbursement. This information allows reviewers to evaluate and make an informed assessment regarding the appropriateness of the claimed travel expense, such as determining whether the claimed personal vehicle mileage expense reflects the lesser mileage of from home or headquarters to the business destination and whether the claimed meal expenses are appropriate. When the Court does not require employees to submit this necessary information, the supervisors and accounts payable staff cannot adequately evaluate whether the claimed meal and mileage expenses are appropriate before approving and processing the TECs for payment.

2. Further, we found Travel Expense Claims (TECs) that were not always approved by the appropriate approval level. Specifically, for the five TECs we reviewed that were submitted by a judge, two were approved by the Court Executive Officer and three were approved by the Chief Fiscal Officer. Moreover, the approvers did not sign the TECs to demonstrate supervisory review and approval of the claimed travel expenses. Instead, the only indications of approvals were initials next to the accounting system reference document number. In these instances, the Presiding Judge or Assistant Presiding Judge is the appropriate approval levels for TECs submitted by judges.

**Recommendations**

To ensure its travel expenses comply with the Judicial Branch travel expense reimbursement policy and procedures, and are an appropriate and necessary use of public funds, the Court should consider the following:

1. Provide training and instruction to employees who prepare, approve, and process travel expense reimbursement claims on the Judicial Council approved uniform guidelines for processing travel expense reimbursements. This includes instructing employees to provide in their travel expense claims all the information that is necessary to assess the appropriateness of the claimed travel expenses. This also includes requiring approvers and accounts payable staff to ensure that all the information that is necessary to assess the appropriateness of the claimed travel expenses is included in the TEC before approval and payment processing.
2. Require appropriate level review and approval signatures on TEC forms from the employee's appropriate approval level, such as the employee's immediate supervisor or above, before processing travel expense reimbursement claims for payment. If the TEC is submitted by a judge, the PJ or APJ would be the appropriate review and approval levels that would sign the TEC approving the travel expenses of judges.

**Superior Court Response By: Clint Crawford, Court Fiscal Officer / Bonnie Thomas, Court Executive Officer Date: October 23, 2014**

Recommendation #1 - The Court agrees. We agree the proper information must be included in the Travel Expense Claim. We utilize the State of California Travel Expense Claim form provided to us by the Judicial Council. It includes detailed instructions on how to fill out the form and our employees are assisted in filling out the form whenever they need assistance. Staff who process travel claims have been reminded on how to process the claims as well as the required information to look for on the claims. Now, all incomplete claims are not being processed and they are being returned to the employee/judge to be completed. The final level of payment processing is the review and approval by the CEO or CFO and the release of the claim for payment.

Date of Corrective Action: September 30, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer

Recommendation #2 - The Court agrees. All travel expenses claims for judges will be approved and signed by the Presiding Judge or Assistant Presiding Judge prior to process for payment.

Date of Corrective Action: October 1, 2014

Responsible Person(s): Clint Crawford, Court Fiscal Officer



## 12. Fixed Assets Management

### Background

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

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

The table below presents the Court's general ledger account balances that are considered associated with this section.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Expenditures</b>				
922603 OFFICE FURNITURE - MINOR	63,435.94	522.99	62,912.95	12029.47%
922610 COMPUTER ACCESSORIES	3,243.24	54.00	3,189.24	5906.00%
922611 COMPUTER	218,499.33	3,601.82	214,897.51	5966.36%
922612 PRINTERS	81,482.30	543.23	80,939.07	14899.60%
* 922600 - MINOR EQUIPMENT - UNDER	366,660.81	4,722.04	361,938.77	7664.88%
945205 MAJOR EQUIPMENT-VEHICLE	81,685.70	-	81,685.70	100.00%
* 945200 - MAJOR EQUIPMENT	81,685.70	-	81,685.70	100.00%

**Due to other audit planning considerations and the size of the Court, we did not review this area.**

### 13. Audits

#### **Background**

Many legal requirements and restrictions surround the use of public resources that can lead to audits of trial court operations and finances. The court must, as part of its standard management practice, conduct its operations and account for its resources in a manner that will withstand the scrutiny of an audit. During an audit, courts must fully cooperate with the auditors and demonstrate accountability, efficient use of public resources, and compliance with all applicable requirements. Courts should strive to investigate and correct substantiated audit findings in a timely manner.

We reviewed prior audits conducted on the Court to obtain an understanding of the issues identified and to assess during the course of this audit whether the Court appropriately corrected or resolved these issues. Specifically, external consultants performed a review of the Court and issued their report dated June 2008. The review covered several functional areas, including court administration, fiscal management, cash handling, revenues and expenditures, information systems, exhibit room administration and security, and court building physical security. The review reported issues and recommendations in trust fund reconciliations, funds held at the County Treasury, controls over the case management system access and cash handling, oversight and consistency in procurement, contracts, and accounts payable, and roles and responsibilities between the Court and Judicial Council shared services. Issues from the June 2008 report that the Court did not appropriately correct or resolve and that resulted in repeat issues may be identified in various sections of this report as “repeat” issues.

Also, the State Controller’s Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Madera County for the period July 1, 2003, to June 30, 2009. During its audit of the Court’s Revenue Distribution, the SCO found that the Court attributed to some errors made in the County’s maintenance of effort calculation, did not make the required distribution to the state General Fund and State Transportation Fund for evidence-of-financial-responsibility fines, did not make proper distribution of forfeited bail, did not include in the TVS fee the component that would have otherwise been distributed as DNA penalties, and did not allocate 30 percent of the state court facility construction penalties on red light traffic violations. Issues not yet corrected or repeat issues are identified in the Information Systems section of this report.

**Issues that repeat from the prior audits are identified in Appendix A to this report as “repeat” issues. Revenue distribution issues from our review are reported in section 6 of this report.**

## 14. Records Retention

### Background

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2014	2013		
<b>Expenditures</b>				
935203 STORAGE	4,506.03	6,732.06	(2,226.03)	-33.07%

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

**There were no issues to report to management in this area.**

## 15. Domestic Violence

### Background

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

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

**The following issue is associated with this area and considered significant enough to bring to management's attention. Additional minor issues are included in Appendix A to this report.**

### 15.1 The Court Could More Accurately and Consistently Impose the Statutorily Required Domestic Violence Fines and Fees

#### Background

Domestic violence (DV) is one of the leading causes of injuries to women in the United States. A nationwide survey reported that nearly one-third of American women had reported being physically or sexually abused by their husbands or boyfriends at some time in their lives. Effects can also extend to the children of the victims, elderly persons, or any family members within the household.

In 2003, the Legislature held a public hearing to examine DV shelter services. DV shelters obtain funding not only from state and federal sources; they also receive funding from the fines ordered through judicial proceedings of DV cases. Legislative members expressed concerns about the wide disparities from county to county in the amount of resources available for shelter services, as well as concerns about the lack of consistency in the assessment of fines. As a result, the Joint Legislative Audit Committee requested that the Judicial Council Audit Services conduct an audit of court-ordered fines and fees in certain DV cases.

As a part of the audit report that Audit Services issued in March 2004, Audit Services agreed to review the fines and fees in DV cases on an on-going basis. For example, courts are required to impose or assess the following statutory fines and fees in DV cases:

- Penal Code (PC) 1202.4 (b) State Restitution Fine  
Effective January 2013, courts must impose a separate and additional State Restitution Fine of not less than \$280 for a felony conviction and not less than \$140

for a misdemeanor conviction in every case where a person is convicted of a crime. Courts must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason not to impose this restitution fine, but may be considered only in assessing the amount of the fine in excess of the minimum.

- PC 1202.44 (or PC 1202.45) Probation (or Parole) Revocation Restitution Fine  
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed. This additional fine is effective upon the revocation of probation or of a conditional sentence (or parole), and shall not be waived or reduced by the court, absent compelling and extraordinary reasons stated on record.
- PC 1203.097 Domestic Violence Fee  
Effective January 2004, if courts grant a person probation for committing a DV crime, courts must include in the terms of probation a minimum period of probation of 36 months and a \$400 DV Fee. However, a bill enacted on September 24, 2012, increased the fee to \$500, effective January 1, 2013. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1465.8 (a)(1) Court Operations Assessment  
Effective July 28, 2009, courts must impose a \$30 (\$40 effective October 19, 2010) Court Security Fee on each criminal offense conviction. Effective June 30, 2011, this code section was amended to reflect the change from a court security fee to a court operations assessment.

## Issues

Our review of the case files for 20 criminal cases where the defendant was convicted of a DV charge (DV cases) from July 2013 through January 2014 found that the Court did not always impose the correct fines and fees. Specifically, our review noted the following exceptions:

- For four of the 20 DV cases reviewed, we noted several cases with clerical errors that required the Court to amend the minute order subsequent to our review. Specifically, in one case the judge revised the length of probation in the “Report and Recommendation of the Probation Officer” from 3 years to 5 years. However, the minute order reflected only a 3 year length of probation instead of the 5 years the judge intended. For two other cases, the probation officer recommended and the judge ordered a \$500 DV Fee; however, the minute order reflected only a \$400 DV Fee. For another case, the judge ordered a total fine of \$870; however, the minute order reflected a total fine of only \$830.
- For four of the 20 DV cases reviewed, the Court did not assess the correct DV Fee amount per PC 1203.097(a)(1). Specifically, in all four cases, the Court assessed \$400

instead of the \$500 DV Fee in effect at the time of sentencing and did not state a reason on the record explaining why the Court reduced the fee.

- For two of the 20 DV cases reviewed, the Court did not assess the correct PC 1202.45 Parole Revocation Restitution Fine, which is assessed in the same amount imposed for the PC 1202.4(b) State Restitution Fine. Specifically, for both cases the Court assessed \$240 for the Parole Revocation Restitution Fine instead of assessing the same \$280 amount that it imposed for the State Restitution Fine.

### **Recommendations**

To ensure it consistently imposes the statutorily required minimum fines and fees on criminal DV cases, the Court should consider the following:

1. Require Court Operations management to conduct periodic reviews of a sample of DV cases to ensure the minute orders reflect the correct length of probation and court-ordered fines and fees.
2. Refer to an updated bench schedule of minimum DV fines and fees to assist judicial officers and the Probation Department in assessing the correct DV fine and fee amounts. In addition, it should consider inserting these updated minimum DV fine and fee amounts on the official order of probation forms to further ensure the Court consistently assesses the correct fine and fee amounts.

**Superior Court Response By: Clint Crawford, Court Fiscal Officer / Bonnie Thomas, Court Executive Officer Date: November 5, 2014**

Recommendation #1 - The Court agrees. Our minute order preparation has been changed. We now receive Probation reports electronically so that we can include exact language on all conditions, reducing the possibility of errors. Supervisors or Senior Legal Clerks will now periodically review minute orders for errors.

Date of Corrective Action: August 20, 2014

Responsible Person(s): Amy Downey, Division Supervisor

Recommendation #2 - The Court agrees. Probation was provided an updated amount for these fines/fees. When the Court receives the new laws information for upcoming changes in legislation, we email Probation those changes regarding fines and other items that would impact their department. These issues have been discussed at the monthly Probation/Court meetings.

Date of Corrective Action: August 20, 2014

Responsible Person(s): Amy Downey, Division Supervisor

## 16. Exhibits

### **Background**

Exhibits are oftentimes presented as evidence 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 are expected to exercise different levels of caution depending on the types of exhibits presented. For example, compared to paper 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.

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

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

**There were minor issues associated with this area that are included in Appendix A to this report.**

## 17. Bail

### Background

In general, bail is used to influence the presence of a defendant before the court and is most commonly submitted in the form of cash or a surety bond. Surety bonds are contracts guaranteeing that specific obligations will be fulfilled and may involve meeting a contractual commitment, paying a debt, or performing certain duties. Bail bonds are one type of surety bond. If someone is arrested on a criminal charge the court may direct the individual be held in custody until trial, unless the individual furnishes the required bail. The posting of a bail bond acquired by or on behalf of the incarcerated person is one means of meeting the required bail. When a bond is issued, the bonding company guarantees that the defendant will appear in court at a given time and place. "Bail Agents" licensed by the State of California specialize in underwriting and issuing bail bonds and act as the appointed representatives of licensed surety insurance companies.

California Rules of Court (CRC) 3.1130(a) indicate that a corporation must not be accepted or approved as a surety on a bond or undertaking unless the following conditions are met:

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

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

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

**There was a minor issue associated with this area that is included in Appendix A to this report.**



**APPENDIX A**

**Superior Court of California,  
County of Madera**

**Issue Control Log**

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

**Those issues for which corrective action is considered complete at the end of the audit indicate a “C” in the column labeled C. Issues that remain open at the end of the audit indicate an “I” for incomplete in the column labeled I and include an Estimated Completion Date.**

**Audit Services will periodically contact the Court to follow-up on the status of the corrective efforts indicated by the Court.**

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1 Court Administration</b>								
		<b>Log</b>	Two cases reviewed had matters that were under submission for more than 90 days. Specifically, one matter was under submission for 102 days before the commissioner rendered a decision, and another was under submission for 111 days with a decision still pending from the commissioner at the time of our review. These two matters remained under submission for more than 90 days because, at the time of our review, the Court was not tracking matters taken under submission by the commissioner.		C	The Court is now tracking ALL cases taken under submission including cases taken under submission by the commissioner.	Carla Ruiz, Judicial Secretary	February 1, 2014
		<b>Log</b>	Although the length of time under submission did not exceed 90 days, for two of the 11 submitted matters reviewed, the decision date recorded in Sustain and reported on the submitted matters list did not agree to the actual ruling date on the court order.		C	The Court has reminded staff of the proper procedure for updating Sustain with information relating to cases taken under submission.	Amy Downey, Division Supervisor	February 1, 2014
<b>2 Fiscal Management and Budgets</b>			<b>No issues to report.</b>					
<b>3 Fund Accounting</b>			<b>No issues to report.</b>					
<b>4 Accounting Principles and Practices</b>								
	<b>4.1</b>		<b>The Court Needs to Improve Its Accounting and Reporting of Financial Transactions</b>					
		<b>7</b>	The Court did not report a \$66,000 per year non-cancelable operating lease in schedule 2 of its fiscal year 2012-13 CAFR.		C	The Court agrees. The current CAFR reports were completed according to the CAFR Instructions and supporting documentation is included with the reports.	Clint Crawford, Court Fiscal Officer	August 2014
		<b>7</b>	The Court overstated its fiscal year 2012-13 fixed assets. Specifically, in its fiscal year 2012-13 CAFR Report 19, the Court reported fixed assets totaling \$1.2 million. However, this reported amount included all assets, including those assets valued at less than \$5,000. As a result, because the Court did not limit fixed assets to only those valued at \$5,000 or more, it overstated its reported fixed assets by \$694,661.		C	See above response.	Clint Crawford, Court Fiscal Officer	August 2014
		<b>7</b>	According to the Court, the compensated accounts payable amount was overstated by \$78,000 in its fiscal year 2012-13 CAFR, Changes in General Long-Term Obligation Account Group report. However, the Court did not provide the requested supporting source documents necessary to vouch these amounts.		C	See above response.	Clint Crawford, Court Fiscal Officer	August 2014
		<b>7</b>	One of five expenditure accruals reviewed was for services not yet rendered by June 30, 2013.		C	The Court agrees. During the period of time in question, some adjusting entries were approved with a phone call. This is no longer the case as now all adjusting entries require an email approval from the CFO or the CEO in the CFO's absence. These emails are retained as written authorization. The CFO reviews all encumbrances and accruals to ensure they are complete and accurate. The entry in question was inadvertently overlooked and the CFO will be more diligent in the future to ensure accuracy and completeness. The Court accrued all known expenditures for goods and services rendered by June 30 <sup>th</sup> at year end FY 2013-14.	Clint Crawford, Court Fiscal Officer	June 2014
		<b>7</b>	At June 30, 2013, the Court did not accrue county expenditures of approximately \$8,855 for fourth quarter unemployment insurance, and April and June postage.		C	See above response.	Clint Crawford, Court Fiscal Officer	June 2014
		<b>7</b>	The Court could not demonstrate written CFO approval for two of ten general ledger adjusting entries reviewed totaling more than \$55,000.		C	See above response.	Clint Crawford, Court Fiscal Officer	June 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		7	The Court does not establish purchase orders in its automated accounting system for all contracts and agreements; therefore, it does not encumber and reserve fund balance in its financial system for these financial commitments.		C	The Court agrees. The Court is now entering contracts and agreements as encumbrances and reserving fund balance for them. The Court has always strived to record transactions to the appropriate general ledger accounts and in fact makes inquiries to our GL Lead whenever we are unsure of which general ledger account to use. We will continue to do so in the future. Also, our Payroll lead will complete adjusting entries to correct the negative balance in our AB 1058 Cash with County general ledger account that occurs due to a timing issue related to the replenishment to the County of payroll funds.	Clint Crawford, Court Fiscal Officer	June 2014
		7	The Court recorded legally restricted revenues in the General Fund instead of a Special Revenue Fund. Specifically, the Court recorded restricted revenues of \$1,320 for TCTF-program 45.10-custody/visitation-mediation and \$880 for TCTF-program 45.10-custody/visitation-family law facilitator in the General Fund instead of in the 120021-Special Revenue Fund-Other.		C	See above response.	Clint Crawford, Court Fiscal Officer	June 2014
		7	All transactions booked to GL #823001 Miscellaneous Revenue in fiscal year 2012-13 are reimbursements and rebates, totaling approximately \$8,530, which should have been booked to GL #861011 Miscellaneous Reimbursements.		C	See above response.	Clint Crawford, Court Fiscal Officer	June 2014
		7	At June 30, 2013, the Court reported a negative \$33,278 Cash with County account balance in the AB 1058 fund.		C	See above response.	Clint Crawford, Court Fiscal Officer	June 2014
		<b>Log</b>	As of January 2014, the Court had not removed Phoenix financial system user roles for a former Court employee who had separated employment with the Court more than nine months earlier in March 2013.		C	The Court has contacted TCAS to remove system access for this user ID. In the future, the Court will review system user access as a part of the annual year-end close process.	Clint Crawford, Court Fiscal Officer	November 2014
<b>5</b>	<b>Cash Collections</b>							
	5.1		<b>The Court Needs to Strengthen Some of Its Cash Handling Procedures</b>					
		1	At one cash collection location, the Court used the Employee's Coffee Fund to make change for a clerk's starting cash bag.		C	The Court agrees. The Court established a change fund at the end of July 2014 in the amount of \$500. This change fund is held and controlled by the Finance Division in the Court at the Court Administration location. Procedures that follow FIN 10.02 have been put into place and will be followed for maintaining the change fund.	Clint Crawford, Court Fiscal Officer	November 2014
		1	At one cash collection location, the senior clerk indicated that if change is needed, change is made from the previous day's deposit. However, the Court does not have procedures to log the change transaction and recount the deposit after the change transaction is completed to ensure it remains whole.		C	See above response.	Clint Crawford, Court Fiscal Officer	November 2014
		1	At three cash collection locations, the clerk's beginning cash is not counted in the presence of the senior lead or supervisor.		C	The Court agrees. The Beginning of Day Procedures have been amended to include the use of a Till Bag Verification Log which requires the employee to count the beginning cash in the presence of the supervisor/senior. The employee and supervisor/senior must then initial the log verifying the correct amount of cash was received by the employee.	Clint Crawford, Court Fiscal Officer	September 2014
		1	At five cash collection locations, a cash verification log is not used to record the verification by the clerk and a senior lead or supervisor of the amount of cash in the bag when the cash bags are distributed at opening and returned at closing.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014
		1	At one cash collection location, although the location does not process many payments, clerks do not execute a paper-based closing process to document their closeouts. Specifically, closeout reports are not printed, verified, and signed by the clerk and the supervisor to document that the closeout process was performed, reviewed, and approved by the supervisor.		C	The Court agrees. While the Court has an End of Day Close Out Procedure in place, it was discovered that it was not always being followed. The End of Day Close Out Procedures have been amended to include the use of a Till Bag Verification Log and the amended procedures and the log was implemented on 9-25-14. Staff has been reminded logs are to be maintained for five years.	Clint Crawford, Court Fiscal Officer	September 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		1	At one cash collection location, the supervisor does not sign approval of the clerk's daily closeout report after verifying collections to demonstrate supervisory oversight and approval of the day's financial transactions.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014
		1	At one cash collection location, the reports used to perform and document the cashier's daily closeout process are discarded after 2 months instead of retaining the fiscal records for 5 years.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014
		1	The Court does not conduct the required surprise cash counts at four cash collection locations.		C	The Court agrees. The Court will conduct surprise cash counts of all divisions. This will occur at least quarterly and at irregular times. The Cash Tills Cash Count form will be completed and retained for each till counted.	Clint Crawford, Court Fiscal Officer	September 2014
		1	Two cash collection locations do not use a two-person team to open the mail and log mail payments.	I		The Court both agrees and disagrees. While the Court agrees the two-person approach to opening and processing the mail is best, and at one time we were able to do so, due to staffing limitations we cannot maintain the two-person approach. In August of 2011, Mr. Crawford spoke with John Judnick about this practice and he confirmed the TCFPP states that "To the extent possible, a two-person team <i>should</i> open the mail." (Italics added) When the FIN manual is updated to require two-person teams to open mail, we will submit an alternative procedure request.	Clint Crawford, Court Fiscal Officer	N/A
		1	One cash collection location does not maintain a mail payments log.		C	The Court has directed all division to use the Mail Payment Receipts Log which includes all of the information required. This log will be turned in to the division Supervisor who shall verify, at end of day, all payments are entered.	Clint Crawford, Court Fiscal Officer	September 2014
		1	At two cash collection locations, although they record on a log all the payments received in the mail, they do not reconcile the mail payment log to the CMS to ensure that all mail payments were promptly entered in the CMS.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014
		1	At two cash collection locations, because the mail payment log does not contain sufficient information, such as the check number, case number, and payer name, the Court cannot reconcile the logged mail payments to the collections entered in the CMS.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014
		1	At two cash collection locations, although they use a mail payment log, staff do not document the case or docket number; name of the person making the payment; check amount; check number; date received in the mail; and the name of the person handling the check. Instead, staff attach a calculator tape of the mail payments and do not record any identifying details such as the check number, case number, payer name, etc.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014
		1	The Court inadvertently processed a mailed check that had a stop payment placed on it because the Court misinformed the party that mailed the check. Specifically, the Court informed a party that it did not receive their mailed check when in fact the Court had received the check in the mail. The misinformed party placed a stop payment on the original mailed check and resubmitted a replacement check. The clerk processed the original mailed check on the same day the Court received the replacement check. As a result, the bank returned the original check unpaid to the Court. The Court inappropriately assessed the misinformed party the returned check administrative and bank fees even though the Court's ineffective record keeping was the reason the party placed a stop payment on the original check that was returned unpaid by the bank. Had the Court maintained a mail payment log with sufficient identifying information, it could have had the information it needed to research and more accurately inform the party that it received but not yet processed the original mailed check.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		1	At one cash collection location, although daily cash collections may exceed \$1,000, deposits are made on a weekly basis and at the end of the month, instead of daily as required by the FIN Manual.		C	The Court both agrees and disagrees. The Court agrees that deposits should be made on a daily basis, in our remote location deposits are now made when the total deposit of coin, currency, checks, money orders and warrants are \$10,000 or greater. All other locations are utilizing the daily deposit procedures. The Senior Legal Clerk or Supervisor verifies the deposits prior to them being deposited.  In some of our divisions and in our remote location, we do not have the staffing available to segregate the duties of preparing the bank deposit and signing/dating the deposit slip verifying the cash receipts were deposited in total. In all divisions, other than our remote location, finance recounts and verifies deposits made by each division.	Clint Crawford, Court Fiscal Officer	November 2014
		1	At five cash collection locations, the senior clerk or supervisor who performs the daily closeout and balancing also performs the incompatible function of preparing the deposit. <b>(Repeat)</b>	I		The Court both agrees and disagrees. The Court agrees the segregation of duties must be in place to minimize errors or irregularities and has those segregation of duties in place wherever possible. Our process for daily deposits and trust deposits has our Supervisor, whenever possible, completing the daily deposits and the Senior Legal Clerk performing this task when the Supervisor is not available to do so. This process is in place at all Court locations. In our remote location this is not always possible due to staffing limitations. We do not have a full time Supervisor at this location so the Senior Legal Clerk or designee must perform all balancing and deposit duties. Due to staffing limitations, often times the supervisors open a till to process collection and trust cases. There are times when the supervisor or Senior Legal Clerk are out of the office and some divisions do not have a Senior Legal Clerk, for these reasons it is often impossible to segregate duties. The court will prepare and submit an alternative procedure request.	Clint Crawford, Court Fiscal Officer	January 2015
		1	At one cash collection location, the same clerk prepares, verifies, approves, and transports the deposit to the bank. <b>(Repeat)</b>	I		See above response.	Clint Crawford, Court Fiscal Officer	January 2015
		1	One cash collection location does not adequately segregate cash handling duties and does not have local procedures to mitigate the associated risks. Specifically, although we noted cash handling segregation of duties issues due to the small number of staff at this location, cash handling procedures provided by the senior clerk at the location are the court-wide cash handling procedures. The FIN Manual Policy No. 1.03 requires court management to apply alternate control methods to mitigate risks if segregation of duties cannot be achieved due to staffing limitations. However, court management has not established in local procedures any alternative procedures to mitigate the risks from its lack of adequate segregation of duties when handling cash at this location.	I		See above response.	Clint Crawford, Court Fiscal Officer	January 2015
		5.2	<b>Court Procedures for Tracking and Monitoring Dishonored Payments in Civil Actions Need Improvement</b>					
		2	Of the seven cases reviewed with an NSF, four proceeded without collection of the civil filing and administration fee and without the Court attempting to collect the unpaid civil filing and administrative fee, such as by referring the NSF amounts to collections or the district attorney program.		C	The Court agrees. The Court's CMS does flag the case when there is a dishonored check and the Clerks can see that information immediately upon accessing the case. The Court has implemented a practice of flagging the file which is easy to see to make it clear the file has an unpaid NSF. The decision to hear or not hear a case for any reason is up to the Judge in that case.  The Court has run a browse in our CMS to determine what civil cases has proceeded through court and is eligible to be turned over to collections. These cases will be referred to collections.	Clint Crawford, Court Fiscal Officer	November 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		2	Family Law Services did not issue and mail a 20-day NSF notice to the defendant. The CFO advised that they will extend training to the Director of Family Court Services.		C	The Court agrees. We have informed our divisions that handle civil matters to void filings if payment on an NSF check is not paid within 20 days. Finance will run a browse in our CMS every Monday to determine which NSF fees are eligible to be referred to collections.	Clint Crawford, Court Fiscal Officer	November 2014
		2	The Court did not mail the 20-day notice in a timely manner. Specifically, for two cases the Court did not issue and mail the 20-day notice until 20 and 30 days, respectively, after it was notified of the NSF.		C	The Court agrees. The Court has an NSF Check Handling Procedure in place already. It details the steps to be taken when an NSF check is received and after the demand for payment letter has been sent out. One of the steps is to enter the special status of "NSF Pending" in the CMS, this then appears on the 1st screen of the case in the CMS thus notifying the clerk there is a pending NSF check on the case. We have started adding a flag in the file which is easy to see to make it clear the file has an unpaid NSF. In addition, we now run a browse every week to track cases which have not paid the NSF within 20 days and those cases will be referred to collections.	Clint Crawford, Court Fiscal Officer	November 2014
		Log	The Court does not produce a CMS report of suspends/rescinds to monitor the appropriateness of the suspend/rescind activity. (Repeat)		C	The Court now runs a weekly report on voids and non-cash. This report was created and implemented June 18, 2014.	Clint Crawford, Court Fiscal Officer	June 2014
		Log	Although the Court has a fiduciary responsibility to account for collections until the month end TC-145 and TC 31 remittances are made, it does not reconcile the daily deposits to a bank or treasury statement to ensure that the bank or treasury recorded the deposits correctly. (Repeat)	I		The Court will develop and implement a process for reconciling the daily deposits to the monthly bank and treasury statements to make sure all deposits are recorded correctly.	Clint Crawford, Court Fiscal Officer	April 2015
		Log	At two cash collection locations the Court does not keep a record of the following: 1) the date the safe combination was changed last and 2) the names of persons knowing the current combination.		C	At the time of the audit all safes at the Court were dial type combination safes. These would have required a lock-smith to change the combination which would have been expensive every time this needed to be done. Since the audit we have purchased all new safes which have digital combinations. A log has been created to track each time the combinations are changed and who has been given the combination. The combinations will now be changed annually. The supervisor, senior legal clerk and only necessary staff will be provided the combination.	Clint Crawford, Court Fiscal Officer	June 2014
		Log	At two cash collection locations the Court has not changed the safe combination when any of the following occurs: 1) it becomes known to an excessive number of court employees; 2) any trial court employee having knowledge of the safe combination leaves the employ of the trial court; 3) any trial court employee no longer requires the combination in the performance of his or her duties; or 4) on a periodic basis defined by the court.		C	At the time of the audit all safes at the Court were dial type combination safes. These would have required a lock-smith to change the combination which would have been expensive every time this needed to be done. Since the audit we have purchased all new safes which have digital combinations. A log has been created to track each time the combinations are changed and who has been given the combination. The combinations will now be changed annually. The supervisor, senior legal clerk and only necessary staff will be provided the combination.	Clint Crawford, Court Fiscal Officer	June 2014
		Log	One cash collection location did not post the required civil fee waiver sign.		C	All locations which except civil filings now have the required civil fee waiver sign posted.	Clint Crawford, Court Fiscal Officer	February 2014
		Log	At one cash collection location, the cashier did not require the presentation of a driver's license or passport as identification when accepting a check for payment as required by the FIN manual.		C	All supervisors have been reminded that staff MUST receive proper identification before accepting payment in the form of a check.	Clint Crawford, Court Fiscal Officer	October 2014
		Log	At one cash collection location, the auditor observed a clerk restrictively endorse checks and money orders during the closeout process rather than at the time the instruments were received and accepted for payment.		C	All supervisors have been reminded that staff MUST endorse checks/cashier checks/money orders at the time they are received for payment and NOT at the time of closing out.	Clint Crawford, Court Fiscal Officer	November 2014
		Log	Although an October 2013 manual receipt was entered on the same day it was received, the amount entered in the CMS was incorrect. Specifically, the manual receipt indicates that the amount collected was \$2.20, but the CMS receipt indicates that the amount entered was \$2.10 (10 cents short) with no explanation for the difference. Further, neither the manual receipt nor the manual receipt log had supervisor initials indicating supervisory review of the entry in the CMS.	I		The Court will establish a process for supervisors to review and confirm the accurate entry of collections from manual receipts into the CMS.	Clint Crawford, Court Fiscal Officer	April 2015

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	At two cash collection locations, the senior or supervisor do not maintain a log to account for the issuance and use of the manual receipt book. Subsequent to our review, the Administrative Services Manager at one location indicates a log is now in place.		C	All supervisors and seniors have been reminded they must complete and keep the Manual Receipt Log when issuing a manual receipt book.	Clint Crawford, Court Fiscal Officer	January 2014
		Log	Although Court policy requires referral of cases with unpaid amounts to its collections vendor 30 days after delinquency, for one case reviewed that went delinquent in October 2013, the Court did not refer the delinquent case to its collections vendor until two months later in December 2013.		C	The Court has reminded staff to follow policy and ensure delinquent cases are referred to collections 30 days after delinquency.	Clint Crawford, Court Fiscal Officer	November 2014
		Log	Three of ten FTB collection cases reviewed were paid in full cases for traffic citations. For two of these three cases, unlike the third party collections vendor paid-in-full cases we reviewed, the Court did not release the DMV hold in a timely manner. Specifically, the final payment for one case was processed into the CMS on December 18, 2013, but the DMV hold was not released until 20 days later on January 7, 2014. The final payment for the second case was processed into the CMS on December 30, 2013, but the DMV hold was not released until 22 days later on January 21, 2014. According to the Court, the responsibility for these duties were unassigned for a while, but the duties are now up-to-date.		C	The supervisor who handles these cases, has been reminded to process the DMV holds within a timely manner.	Jeff Nass, Division Supervisor	November 2014
		Log	The Court could not provide a signed copy of the Court order supporting its most recent discharge of accountability for uncollectable accounts under Government Code Section 25259.7, which occurred in August 2012.	I		The Court has looked for this signed Court Order and has been unable to locate it. The Presiding Judge remembers signing the order, but she did not keep a copy. We will direct Finance to be more careful to file these orders in the correct location as soon as they receive them.	Bonnie Thomas, Court Executive Officer	April 2015
		Log	The Court could not provide a cost analysis to demonstrate that its third party collections contract provides a better value than the Judicial Council master Agreement.	I		The Court will perform a cost analysis to determine whether the third party collections contract provides a better value than the AOC master agreement.	Clint Crawford, Court Fiscal Officer	May 2015
		Log	The Court does not recover from the delinquent monies it collects the costs of its enhanced collections efforts, including the cost of commissions it pays to collection agencies. As a result, funds that the Court could use for court operations are instead used to pay for a non-court operations function, the collection of delinquent monies that are primarily distributed to the State and local governments.	I		The Court will develop a process to account for cost of the delinquent collections program, and recover these costs from the delinquent amounts collected before remittance to the county.	Clint Crawford, Court Fiscal Officer	May 2015
<b>6 Information Systems</b>								
	6.1		<b>The Court Needs to Better Understand Its Calculations and Distributions of Court Collections</b>					
		8	The Court does not have staff with sufficient knowledge and understanding of its revenue distribution calculations. As a result, it yields its responsibility of monitoring and ensuring the accuracy of its distribution calculations and tables to the county, the Judicial Council staff, and its CMS consultants.	I		<p>The Court agrees and disagrees. All Sustain Courts which are "housed" at the CCTC, are offered assistance by Judicial Council to make changes to financial distributions. To ensure accuracy, our court has always taken advantage of this assistance and allowed the legislatively mandated distributions to be implemented by a qualified consultant hired by Judicial Council, as it seemed the best choice to use an expert in this area as opposed to trying to make changes ourselves without having any IT staff. As a Sustain Court, we are currently fulfilling our responsibility to ensure accuracy to the distributions by approving the requirements, overseeing the changes and performing required testing to validate the distributions. To date, we have not relied on Madera County to provide assistance to us in the area of making or overseeing these distribution changes.</p> <p>The Court agrees it should take a more active role and learn more about the financial distributions. This would add another layer of scrutiny to ensure accuracy during the testing process when legislative changes have been made. The Financial Division will take advantage of training opportunities in this area. Once we have obtained training for financial distributions, quarterly our finance division will randomly chose cases and review fine distributions.</p>	Clint Crawford, Court Fiscal Officer	December 2015

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		8	For the DUI case reviewed, the two percent State Court Automation amount was not transferred from the PC 1463.25 Alcohol Education Penalty Assessment.		C	The Court agrees. The correction has been made to the CMS.	Clint Crawford, Court Fiscal Officer	November 2014
		8	For three city arrest cases reviewed, the Court did not distribute the base fine amounts according to the schedule in PC 1463.002 for the City of Madera. Specifically, the Court distributed 17 percent to the county, whereas it should have distributed 16 percent to the county and 84 percent to the City of Madera.		C	The court agrees. We have contacted the CMS consultant to start the process for correcting this issue.	Clint Crawford, Court Fiscal Officer	November 2014
		8	For the Railroad Traffic School case reviewed, the distribution to the County Railroad Education Fund did not include 30 percent from the GC 76104.6 DNA penalty, GC 76104.7 Additional DNA penalty, and the GC 76000.5 Additional EMS penalty. According to the Court, the modifications needed to correct the distributions have been determined but not yet configured in the CMS.	I		The court agrees. We have contacted the CMS consultant to start the process for correcting this issue.	Clint Crawford, Court Fiscal Officer	December 2014
		8	For the Red Light Traffic School case reviewed, the Court did not calculate and distribute the 30 percent red light allocation from the TVS fee. According to the Court, the modifications needed to correct the distributions have been determined but not yet configured in the CMS.	I		The Court agrees. The CMS Consultant is finalizing the changes to implement this recommendation and will put them into production at the end of December 2014.	Clint Crawford, Court Fiscal Officer	December 2014
		Log	The Court has not established a written business continuity plan.	I		The Court Executive Officer has not had the time to dedicate to developing such an in depth plan. We have been operating without an Assistant Court Executive Officer or Executive Secretary for going on 6 years. We currently have a new courthouse being built which takes up much of the CEO's time. The prior CEO did not develop a business continuity plan so the current CEO would have to start from scratch which will be very time consuming.	Bonnie Thomas, Court Executive Officer	December 2015
		Log	The Court does not limit the number of concurrent logins to its networking operating system. As a result, users are allowed to sign onto multiple computers at the same time.		C	The Court has created policies on concurrent logins to our network. This policy has been sent to all court staff.	Kristina Wyatt, Court Manager	November 2014
		Log	The Court's system administrator for the Traffic and Civil CMS also has operations responsibilities. Specifically, the system administrator is also the manager of the Sierra Court location.	I		This is correct. Due to staffing limitations, many of our staff have multiple responsibilities. This will not change until the courts are funded to a level which allows us to fill vacancies.	Bonnie Thomas, Court Executive Officer	N/A
		Log	The Court does not have written IT policies and procedures that address issues regarding: 1) the creation, deletion, and modification of user ids; 2) password management; and privileged user accounts, for its Traffic and Civil CMS.		C	The Court created policies and procedures on IT account management.	Kristina Wyatt, Court Manager	November 2014
		Log	For the Reckless Driving case reviewed, the top-down distribution calculations the Court uses overstates the base fine distribution when the base fine is not wholly divisible by 10.	I		The Court has reviewed the options for correcting this within our case management system. We have been advised this is not something which can be fixed in our current case management system. At this time the Court does not have funds to move to another case management system, so this is an item we are unable to correct at this time.	Clint Crawford, Court Fiscal Officer	N/A
		Log	Although VC 40508.6(a) allows the Court to assess defendants with prior VC convictions an Administrative assessment of up to \$10 for recording and maintaining a record of prior VC convictions, it does not assess this Administrative assessment which is distributed to the Court.		C	The court has corrected this and is now assessing this fee.	Clint Crawford, Court Fiscal Officer	December 2014
		Log	For three traffic school cases reviewed, the Court charged a traffic school administrative fee but could not provide a cost analysis to support the basis for its \$22 fee.	I		The \$22 is a fee which is broken down as \$20 to CTSI per agreement for staffing fees and \$2 for use of the SCMS which allows the court to electronically receive traffic school completion certificates. The Court will sign an updated contract with CTSI supporting these charges.	Clint Crawford, Court Fiscal Officer	June 2015



FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log</b>	For all 20 domestic violence cases reviewed, the Court assessed the incorrect GC 76104.7 State DNA penalty. Specifically, the Court assessed the State DNA penalty at \$3 for every \$10 of the enhanced base fine. However, the State DNA penalty increased to \$4 for every \$10 effective June 27, 2012, which was prior to the violation dates for all 20 cases reviewed. Therefore, the Court should have assessed the State DNA penalty at \$4 for every \$10 of the enhanced base fine.		<b>C</b>	The Court agrees distribution changes should be made timely. Our court is proactive in tracking statute changes needed, and often notifies the Judicial Council of changes needed before they are aware of such changes.  For the cases in question, the defendants are placed on formal probation and the fees/fines were ordered by the judge per the probation recommendation. The court notified probation of the incorrect amount being recommended per GC §76104.7, and will instruct clerks to ensure the correct amounts are ordered.	Clint Crawford, Court Fiscal Officer	November 2014
<b>7</b>	<b>Banking and Treasury</b>							
		<b>Log</b>	The Court could not provide the requested documentation to demonstrate that it received prior approval from the Judicial Council to accept credit card payments.	<b>I</b>		The Court will search for the documentation, and if not on file, will obtain copies or resubmit copies to the JC for approval.	Clint Crawford, Court Fiscal Officer	April 2015
		<b>Log</b>	The Court could not provide a cost study to support its \$15 credit card processing fee that it charges clients who pay through the internet.	<b>I</b>		The Court will perform a cost study of the costs for processing credit card payments. If the results of the cost study indicate we should adjust our credit card processing fee, we will adjust our fee accordingly.	Clint Crawford, Court Fiscal Officer	May 2015
		<b>Log</b>	The Court does not reconcile its CMS trust monies to the trust account balances in the Phoenix general ledger accounts. <b>(Repeat)</b>	<b>I</b>		The Court will contact the Phoenix financial system support group to determine the best way to reconcile our CMS trust account monies to the Phoenix system. We will then develop and implement fiscal procedures for performing and reviewing this reconciliation on a monthly basis.	Clint Crawford, Court Fiscal Officer	May 2015
		<b>Log</b>	The Court could not demonstrate that it made reasonable attempts to contact the rightful owners of funds before initiating its escheatment process. Specifically, the Court escheated a \$35,421 trust account, but could not provide the requested documents, such as records of returned mail and undeliverable Court notices, to demonstrate that it made reasonable efforts and attempts to contact the owners of the trust monies by mail at their last known address before initiating its escheatment process.	<b>I</b>		The Court will start sending a "Return Receipt Requested" letter to the last known address in an attempt to contact the owner's of the trust monies before we escheat funds. If the letter is returned as undeliverable, we will document that information in the escheatment file.	Clint Crawford, Court Fiscal Officer	April 2015
<b>8</b>	<b>Court Security</b>							
		<b>Log</b>	Court management does not have a process to review cardkey access assignments on a periodic basis to ensure they remain appropriate.		<b>C</b>	The Court will now run a report twice a year and review all names on their access level to ensure only those who should have access are in the system. This review will be done by the Building Services Coordinator and the CEO. HR has been notified they are to email the Building Services Coordinator each time an employee leaves the Courts employment.	Jerry Salinas, Building Services Coordinator & Bonnie Thomas, Court Executive Officer	October 2014
		<b>Log</b>	Redacted for sensitivity purposes - see page xiii of this report.	<b>I</b>				
		<b>Log</b>	Redacted for sensitivity purposes - see page xiii of this report.	<b>I</b>				
		<b>Log</b>	Redacted for sensitivity purposes - see page xiii of this report.	<b>I</b>				

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>9</b>	<b>Procurement</b>							
	<b>9.1</b>		<b>The Court Needs to Improve Its Procurement Practices</b>					
		<b>5</b>	For one contract totaling more than \$5,000, the Court could not demonstrate that it advertised the solicitation to ensure a competitive procurement. Further, the Court did not retain a list or copies of the offers received, the evaluations performed, and the explanations why the particular offer was selected as the best value procurement.		<b>C</b>	The Court Agrees. The Court has adopted the Judicial Branch Contracting Manual and will follow the requirements of the Manual, including retaining procurement documents to support procurement decisions.	Clint Crawford, Court Fiscal Officer	January 2014
		<b>5</b>	For another contract, the Court did not retain copies of the explanations why a particular offer was selected as the best value procurement.		<b>C</b>	See above response.	Clint Crawford, Court Fiscal Officer	January 2014
		<b>5</b>	For two contracts totaling more than \$5,000 each, instead of rebidding the contracts, the Court extended the terms of the contracts twice from the original 2 years to 5 years, then further to 8 and 10 years, respectively, in the third amendment. For one of these two contracts, the Court also increased the hourly rate of compensation but did not provide documentation to support that the increase in compensation was reasonable.		<b>C</b>	See above response.	Clint Crawford, Court Fiscal Officer	January 2014
		<b>5</b>	The Court did not always create a P.O. to encumber funds for its contracts or for its purchases that exceeded \$500. Specifically, for 5 of 7 vendors reviewed with payments totaling more than \$500, the Court did not establish a P.O. to encumber funds. <b>(Repeat)</b>		<b>C</b>	The court agrees. The Court adopted this process near the end of fiscal year 2013-14 and will establish purchase orders to ensure we reserve sufficient fund balance to pay for our contractual commitments in the future.	Clint Crawford, Court Fiscal Officer	April 2014
		<b>Log</b>	For one purchase, the Court could not demonstrate that it prepared and approved a purchase requisition. <b>(Repeat)</b>		<b>C</b>	The Court will remind staff to submit approved purchase requisitions to accounting to support the procurement of goods and services.	Clint Crawford, Court Fiscal Officer	November 2014
<b>10</b>	<b>Contracts</b>							
		<b>Log</b>	For one of four contracts reviewed, the Court did not have the most current liability insurance and bonding documentation on file.		<b>I</b>	The Court will review contract files and obtain current insurance and bonding documents when applicable.	Clint Crawford, Court Fiscal Officer	May 2015
		<b>Log</b>	The MOU between the Court and the County does not contain language specifically stating that all County charges must be Rule 810 allowable.		<b>I</b>	The Court will add this language to the next Court and county MOU.	Clint Crawford, Court Fiscal Officer	December 2015
		<b>Log</b>	The fiscal year 2012-13 County invoice did not indicate that the Court performed a three point match, such as matching the invoice to the MOU terms and acknowledging that the Court received the billed services, prior to authorizing payment of the County invoice.		<b>I</b>	The Court will remind accounting staff to verify county invoices to the terms in the Court and county MOU and to obtain written verification from Court management regarding the receipt of county billed services before processing the county invoice for payment.	Clint Crawford, Court Fiscal Officer	April 2015
<b>11</b>	<b>Accounts Payable</b>							
	<b>11.1</b>		<b>The Court Needs to Strengthen Its Controls Over Accounts Payable</b>					
		<b>6</b>	For three of the 12 vendor payments reviewed, the Court Accounts Payable staff could not perform a three point match because either the Court did not have supporting procurement documentation or the payment terms in the supporting procurement documentation were insufficient. <b>(Repeat)</b>		<b>C</b>	The Court agrees. Staff has been reminded they must submit verified packing slips with signature/date to finance. Finance staff has been reminded they must receive proof of goods/service received/performed before processing invoices.	Clint Crawford, Court Fiscal Officer	October 2014
		<b>6</b>	For three of 17 vendor payments reviewed, the Court Accounts Payable staff could not perform a three point match because the Court did not have a P.O. or contract in place at the time of our review. As a result, we also could not independently verify that the payment was the amount the Court originally agreed to pay. <b>(Repeat)</b>		<b>C</b>	See above response.	Clint Crawford, Court Fiscal Officer	October 2014
		<b>6</b>	For three of the 12 vendor payments reviewed, the Court Accounts Payable staff paid the invoices without obtaining verification that the Court received the goods or services, such as with a goods received report or authorized court employee signature indicating receipt of acceptable services.		<b>C</b>	See above response.	Clint Crawford, Court Fiscal Officer	October 2014
		<b>6</b>	For one of the 12 vendor payments reviewed, we were unable to determine if the individual who approved the invoice was not the same individual who procured the services due to the Court not sufficiently documenting this information.		<b>C</b>	See above response.	Clint Crawford, Court Fiscal Officer	October 2014

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		6	For one of 17 vendor payments reviewed, although the County bills the Court for the Court's share of the bank courier costs, the Court did not request and obtain from the County, prior to our review, a copy of the bank courier invoice to verify the actual costs. Further, an authorized Court individual did not sign approving payment of the County invoice. As a result, the Court Accounts Payable staff paid the County invoices without performing an appropriate three point match and without obtaining approval signatures from individuals authorized to approve County invoice payments.		C	The Court agrees. The Finance staff has been reminded they must have a copy of the underlying vendor invoice to verify the Court's share of costs before processing. Staff has also been reminded to obtain the appropriate signature authorizing invoice payment.	Clint Crawford, Court Fiscal Officer	April 2014
		6	For one of the four claims reviewed, the Court paid the invoice even though the claimant did not indicate the case number for which the claimant performed services. <b>(Repeat)</b>		C	The Court agrees and disagrees. Court Fiscal staff has been trained to follow the FIN Manual and Judicial Branch policies concerning Contract Court Interpreters. Contract Interpreter services and rates are negotiated by our Interpreter Coordinator who checks the claimed amounts and approves the claims with their signature (CEO designee) prior to submission to fiscal staff for entering for payment. Staff has been instructed to attach a printout of mapquest to verify mileage and finance has been instructed to verify addresses in SAP with the mapquest printout before processing.	Clint Crawford, Court Fiscal Officer	October 2014
		6	For one of the four claims reviewed, the claim did not include the business address of the claimant. <b>(Repeat)</b>		C	See above response.	Clint Crawford, Court Fiscal Officer	October 2014
		6	For one of the four claims reviewed, the Court paid additional amounts for travel time without documentation of the unusual circumstances justifying the higher fee and without CEO, or designee, pre-approval of the higher fee.		C	See above response.	Clint Crawford, Court Fiscal Officer	October 2014
		11.2	<b>The Court Needs to Improve Its Procedures for Reviewing and Approving Travel Expenses</b>					
		4	For 7 of the 10 travel reimbursement claims and credit card charges reviewed, the traveler did not complete all sections of the TEC form. Specifically, information such as residential address, mileage rate, and start and end times were not included on the TEC. This information is necessary to determine whether or not travel expense reimbursements are appropriate and reasonable.		C	The Court agrees. We agree the proper information must be included in the Travel Expense Claim. We utilize the State of California Travel Expense Claim form provided to us by the Judicial Council. It includes detailed instructions on how to fill out the form and our employees are assisted in filling out the form whenever they need assistance. Staff who process travel claims have been reminded on how to process the claims as well as the required information to look for on the claims. Now, all incomplete claims are not being processed and they are being returned to the employee/judge to be completed. The final level of payment processing is the review and approval by the CEO or CFO and the release of the claim for payment.	Clint Crawford, Court Fiscal Officer	September 2014
		4	For 5 of the 10 travel reimbursement claims and credit card charges reviewed, we were unable to determine if the mileage claimed and paid was reasonable. Specifically, the Court did not require the mileage be supported with maps calculating the distances traveled. Also, the residence and work addresses were not always provided on the TEC to enable reviewers and approvers to verify mileage calculations and to determine if the mileage claimed was the lesser of home or headquarters to the business destination.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014
		4	For 1 of the 10 travel reimbursement claims and credit card charges reviewed, the mileage reimbursement was not the lesser of home or headquarters to the business destination.		C	See above response.	Clint Crawford, Court Fiscal Officer	September 2014
		4	For 5 of the 10 travel reimbursement claims and credit card charges reviewed, the appropriate level supervisor did not approve the TEC. Specifically, the travel expense claims submitted by judges were reviewed and approved by the CEO instead of by their appropriate level supervisors, the presiding judge or another authorized judge.		C	The Court agrees. All travel expenses claims for judges will be approved and signed by the Presiding Judge or Assistant Presiding Judge prior to process for payment.	Clint Crawford, Court Fiscal Officer	October 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	For all four business-related meal expenses reviewed, the CEO approved the meals but did not have the required written delegated authority from the PJ to approve business-related meal expenses at that time. <b>(Repeat)</b>		C	The Presiding Judge issued Miscellaneous Order 2 which delegates the duties of approving business meals to the Court Executive Officer.	Bonnie Thomas, Court Executive Officer	May 2014
		Log	For all four business-related meal expenses reviewed, the Business Related Meals Request form did not always include the required information regarding the location and a list of attendees. <b>(Repeat)</b>		C	The Court has reviewed the form with staff and explained what information must be provided on the form.	Bonnie Thomas, Court Executive Officer	October 2014
		Log	For all four business-related meal expenses reviewed, the reasons justifying the necessity of the meal expense is not clear. Specifically, the Business Related Meals Request form did not provide an explanation why trial court business must be conducted during the meal period and could not be accomplished at any other time.		C	The Court has reviewed the form with staff and explained what information must be provided on the form.	Bonnie Thomas, Court Executive Officer	October 2014
		Log	For two of the four business-related meal expenses reviewed, the Court reimbursed expenses for morning break snacks and refreshments that were not authorized on the pre-approved Business Related Meals Request form.		C	The Court has reviewed the form with staff and explained what information must be provided on the form. Staff were also reminded this form is needed when requesting refreshments and such expenditures must have prior approval.	Bonnie Thomas, Court Executive Officer	October 2014
12	Fixed Assets Management		Not Reviewed.					
13	Audits		No issues to report.					
14	Records Retention		No issues to report.					
15	Domestic Violence							
		15.1	<b>The Court Could More Accurately and Consistently Impose the Statutorily Required Domestic Violence Fines and Fees</b>					
		3	For four of the 20 domestic violence cases reviewed, clerical errors required that the Court amend the minute order. Specifically, in one case, the judge revised the length of probation in the "Report and Recommendation of the Probation Officer" from 3 years to 5 years. However, the minute order reflected a 3 year length of probation instead of the 5 years. For two cases, the probation officer recommended and the judge ordered a \$500 Domestic Violence fee. However, the minute order reflected a \$400 DV Fee. For another case, the judge ordered a total fine of \$870, whereas the minute order reflected a total fine of \$830.		C	The Court agrees. Our minute order preparation has been changed. We now receive Probation reports electronically so that we can include exact language on all conditions, reducing the possibility of errors. Supervisors or Senior Legal Clerks will now periodically review minute orders for errors.	Amy Downey, Division Supervisor	August 2014
		3	For four of 20 cases reviewed, the Court did not assess the correct amount of the Domestic Violence Fee per PC 1203.097(a)(1). Specifically, in all four cases, the Court assessed \$400 instead of the \$500 Domestic Violence fee in effect at the time of sentencing and did not state a reason on the record regarding why the fee was reduced.		C	The Court agrees. Probation was provided an updated amount for these fines/fees. When the Court receives the new laws information for upcoming changes in legislation, we email Probation those changes regarding fines and other items that would impact their department. These issues have been discussed at the monthly Probation/Court meetings.	Amy Downey, Division Supervisor	August 2014
		3	For two of 20 domestic violence cases reviewed, the Court did not assess the correct Parole Revocation Restitution Fine (PC 1202.45), which is assessed in the same amount imposed for the State Restitution Fine (PC 1202.4(b)). Specifically, for both cases the Court assessed \$240 for the Parole Revocation Restitution Fine instead of assessing the same \$280 amount that it imposed for the State Restitution Fine.		C	See above response.	Amy Downey, Division Supervisor	August 2014

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		<b>Log</b>	For one of 20 domestic violence cases reviewed, the clerk did not accurately reflect in the minute order information from the Report and Recommendation of the Probation Order. Specifically, the minute order did not include probation information that a 15 percent administration fee was added per PC 1203.1(l). Instead, the minute order only indicated Restitution per PC 1202.4(f), plus a 15 percent administrative fee. However, the administrative fee per PC 1202.4(f) cannot exceed 10 percent. Therefore, the clerk incorrectly stated the PC 1202.4(f) administrative fee and omitted the PC 1203.1(l) 15 percent administrative fee from the minute order.		C	The Court has reminded clerks to more diligently prepare minute orders. Beginning in August 2014, the Probation Department began submitting RPO's electronically to aid the clerks in capturing the exact language on minute orders. The RPO is used as a "rough" minute order so the clerk can add, remove, or modify as the court does during proceedings.	Amy Downey, Division Supervisor	August 2014
		<b>Log</b>	For one of 20 domestic violence cases reviewed, the Report of Probation and the minute order incorrectly reflected a GC 76000.10 \$4 EMAT penalty assessment. Although the Court did not include the \$4 EMAT penalty in the total fine calculation for a conviction of a PC 273.5 violation, the Report of Probation and minute order incorrectly included the EMAT penalty as this penalty only applies to convictions of Vehicle Code violations.		C	The Court has reminded clerks to more diligently prepare minute orders. Beginning in August 2014, the Probation Department began submitting RPO's electronically to aid the clerks in capturing the exact language on minute orders. The RPO is used as a "rough" minute order so the clerk can add, remove, or modify as the court does during proceedings.	Amy Downey, Division Supervisor	August 2014
		<b>Log</b>	Our review of the PC 273.5 fine and penalty distributions indicate that the Court may be assessing the HS 1797.98a EMS penalty twice. Specifically, the Court assesses local penalties consisting of \$5 to GC 76101 and \$2 to GC 76104 (which is the HS 1797.98a EMS). However, the fine distributions displayed in the minute order, indicate the Court is also assessing the \$2 EMS per HS 1797.98a as a separate assessment instead of the GC 76000.5 additional EMS. This may be another clerical error on the minute order, so we inquired with the Court to confirm whether or not the minute order is correct. As of the end of April 2014, the Court had not confirmed whether or not the HS 1797.98a EMS is being assessed twice instead of assessing the additional EMS penalty assessment per GC 76000.5.		C	Since the Court obtains this information from the county Probation Department, we have contacted the Probation Department for clarification and correction as appropriate.	Clint Crawford, Court Fiscal Officer	November 2014
<b>16</b>	<b>Exhibits</b>							
		<b>Log</b>	The Court does not conduct periodic inspections of the exhibit rooms.		C	The Court implemented a procedure which includes periodic inspection of the exhibits.	Amy Downey, Division Supervisor	January 2014
		<b>Log</b>	The Court does not conduct an inventory of the exhibit rooms at least annually.		C	The Court implemented a procedure which includes performing annual inventory of exhibits.	Amy Downey, Division Supervisor	January 2014
<b>17</b>	<b>Bail</b>							
		<b>Log</b>	PC 1269b(c) requires judges to prepare, adopt, and annually revise a uniform countywide schedule of bail for felonies, misdemeanors, and non-traffic infractions. However, the certification language in the Court's 2014 Bail Schedule limits the certification to felony offenses, and does not explicitly certify that it includes misdemeanors and non-traffic infractions.	I		On January 6, 2014, the Presiding Judge approved the Uniform Bail Schedule for Misdemeanors and Infractions and an email was sent to all supervisors and judges with the bail schedule attached. Unfortunately, this year the misdemeanor and infraction schedule was approved separate from the felony schedule due to the Presiding Judge needing to go over the felony schedule with the judges prior to her approving it. The felony bail schedule was approved and sent out on January 24, 2014. In the future, the Court will ensure that the final countywide bail schedule clearly distinguishes and identifies the felony, misdemeanor, and infraction bail schedules, and explicitly certifies the bail for all three levels of offenses.	Kristina Wyatt, Court Manager	January 2015