



Audit of the  
Superior Court Of California,  
County of Tuolumne

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REPORT OF  
INTERNAL AUDIT SERVICES

FEBRUARY 2012



ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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**Superior Court of California, County of Tuolumne**

**Table of Contents**

**MANAGEMENT SUMMARY ..... i**

**STATISTICS..... iv**

**FINANCIAL STATEMENTS..... vi**

**PURPOSE AND SCOPE..... xii**

**TIMING AND REVIEWS WITH MANAGEMENT ..... xiii**

**ISSUES AND MANAGEMENT RESPONSES**

1. Court Administration ..... 1

- Trial Court Organization
- Responsibilities and Authority
- Internal Controls

2. Fiscal Management and Budgets ..... 2

- Financial Management
- Payroll & Timekeeping

3. Fund Accounting..... 4

4. Accounting Principles and Practices..... 5

- Accounting Principles
- General Ledger
- Grant Accounting and Administration

5. Cash Collections ..... 8

- Cash Handling
- Enhanced Collections
- Revenue Collection and Distribution

6. Information Systems ..... 18

- Business Continuity Planning
- Logical and Physical Access Security

7. Banking and Treasury ..... 23

8. Court Security ..... 25

9. Procurement ..... 26

10. Contracts ..... 32

- Contracts
- Memorandums of Understanding
- Contract Administration

11. Accounts Payable..... 35

- Vendor Invoice and Claim Processing
- Judge and Employee Travel Expense Reimbursement

- Business Meal Expense Guidelines
- Petty Cash

12. Fixed Assets Management .....	45
13. Audits .....	49
14. Records Retention .....	50
15. Domestic Violence .....	51
16. Exhibits .....	52
17. Bail .....	52

**APPENDIX**

Issue Control Log.....	54
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## MANAGEMENT SUMMARY

### Introduction

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

IAS initiated the audit of the Superior Court of California, County of Tuolumne (Court) in November 2011. Depending on the size of the court, the audit process typically involves three or four audit cycles encompassing the following primary areas:

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

IAS audits cover all four of the above areas. The audit process involves the review of the Court's compliance with California statute, California Rules of Court (CRC), the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS conducted its first audit of the Court in FY 2006-2007 and issued the report in November 2007. IAS followed up on issues identified in this prior audit to determine whether the Court adequately resolved previous issues.

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

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

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

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

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

- An organizational plan that provides for an effective segregation of duties to safeguard court assets and reduce the risk of inappropriate actions
- Utilizing and enforcing physical and systems access controls to safeguard court assets and records
- Regular and timely reconciliation of trust account transactions and balances between fiscal records and case management system records.

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

### **Audit Issues Overview**

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

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

#### *Court Distribution of Collections (6.1, page 19)*

State statutes and local ordinances govern the distribution of the fines, penalties, fees, and other assessments that courts collect. The Court relies on its case management system to automatically distribute payments collected and entered into the system to the appropriate government entity funds. Our review of systems-calculated distribution amounts for select infraction and misdemeanor violations identified various calculation and distribution errors. For instance, the system did not apply the GC 68090.8 – 2% deposit for automation to certain assessments and, as a result, understated its associated distribution to the State. We also identified calculation and distribution errors in Red Light violations, certain traffic school cases, Health and Safety violations, Fish and Game violations, and certain criminal domestic violence cases.

The Court agreed with the audit recommendations and indicated taking correction action to address the noted issues.

Procurement Procedures (9.1, page 25 )

As stewards of public funds, courts are obligated to use sound procurement practices to demonstrate that they purchased goods and services in a fair and reasonable manner and used public funds economically. Although the Judicial Branch Contracting Manual superseded the FIN Manual procurement and contracts policies effective October 1, 2011, the FIN Manual provided uniform guidelines for courts to use in procuring necessary goods and services, and to document their procurement practices. These FIN Manual policies were applicable to the fiscal year 2010–2011 procurements under review. During our review of selected expenditures and their associated procurement and contract documentation, we determined that the Court did not comply with certain FIN Manual guidelines. Specifically, the Court did not establish purchase requisitions and purchase orders to procure goods and services, although some purchases reviewed were supported by approved quotes, memos, orders, or e-mail requests. Additionally, it did not follow the FIN Manual procurement methods for obtaining and documenting competing offers. Further, although it may have valid reasons justifying some purchases from a single vendor without soliciting competing offers, it did not properly document its rationale and authorized pre-approval for its sole-source procurements.

The Court agreed with the audit recommendations and indicated taking correction action to address the noted issues.

## STATISTICS

The California Superior Court, County of Tuolumne (Court), has four judges and one commissioner who handled 11,948 case filings in fiscal year 2009–2010 at two courthouses in downtown Sonora. Further, the Court employed approximately 42 full-time equivalent staff to fulfill its administrative and operational activities, and incurred total trial court expenditures of approximately \$5.2 million for the fiscal year that ended June 30, 2011.

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 continued delivery of county services necessary to operate each court.

During fiscal year 2010–2011, the Court received various services from the County of Tuolumne (County). For instance, the Court received court security services under a Memorandum of Understanding (MOU) with the County Sheriff, and received collections services under a separate MOU with the County Office of Revenue and Recovery. The Court also received various administrative services including, but not limited to custodial services, payroll processing, dependency counsel, and telecommunications that were not covered by a current MOU with the County.

The charts that follow contain general Court statistical information.

<b>County Population</b> (Estimated as of January 1, 2011)	55,256
Source: California Department of Finance	
<b>Number of Court Locations</b>	2
<b>Number of Courtrooms</b>	5
Source: Superior Court of California, County of Tuolumne	
<b>Number of Case Filings in fiscal year 2009–2010:</b>	
<b>Criminal Filings:</b>	
▪ Felonies	505
▪ Non-Traffic Misdemeanor	879
▪ Non-Traffic Infractions	291
▪ Traffic Misdemeanors	1,014
▪ Traffic Infractions	6,370
<b>Civil Filings:</b>	
▪ Civil Unlimited	326
▪ Limited Civil	684
▪ Small Claims	396



<p><b>Family Law and Juvenile Filings:</b></p> <ul style="list-style-type: none"> <li>▪ Family Law 951</li> <li>▪ Juvenile Delinquency 69</li> <li>▪ Juvenile Dependency 248</li> </ul> <p><b>Probate, Mental Health, Appeals, and Habeas Corpus Filings:</b></p> <ul style="list-style-type: none"> <li>▪ Probate 119</li> <li>▪ Mental Health 40</li> <li>▪ Appeals 13</li> <li>▪ Habeas Corpus 43</li> </ul> <p>Source: Judicial Council of California's 2011 Court Statistics Report</p>	
<p><b>Judicial Officers as of June 30, 2010:</b></p> <p>Authorized Judgeships 4.0</p> <p>Authorized Subordinate Judicial Officers (SJO) 0.8</p> <p>Source: Judicial Council of California's 2011 Court Statistics Report</p>	
<p><b>Court Staff (including SJO):</b></p> <p>Total Authorized FTE Positions 47.75</p> <p>Total Filled FTE Positions 42.25</p> <p>Source: FY 2011–2012 Schedule 7A</p>	
<p><b>Average Monthly Collections</b></p> <p>Source: Superior Court of California, County of Tuolumne</p>	<p>\$123,632</p>

## FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the AOC developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Court implemented this fiscal system and processes fiscal data through the AOC Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three schedules are:

1. Balance Sheet (statement of position);

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

The fiscal year 2010–2011 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for “information purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

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

- **Governmental**
  - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
  - **Special Revenue** – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received). Funds included here are:
    - **Special Revenue**
      1. Small Claims Advisory – 120003
      2. Dispute Resolution – 120004
      3. Grand Jury – 120005
      4. Enhanced Collections – 120007
      5. Other County Services – 120009
    - **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**
  - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”<sup>1</sup> Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The funds used here is:
    - Trust – 320001

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

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

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

**Tuolumne Superior Court  
Trial Court Operations Fund  
Balance Sheet  
(Unaudited)**

	For the month ended June 30,					
	2011				2010	
	Governmental Funds			Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
General	Special Revenue					
		Non-Grant	Grant			
<b>ASSETS</b>						
Operations	\$ 70,201	\$ 1,492	\$ 0	\$ 2,250	\$ 73,943	\$ 80,492
Payroll						
Jury Revolving						
Other	\$ 0				\$ 0	\$ 0
Distribution						\$ 0
Civil Filing Fees	\$ 0			\$ 0	\$ 0	\$ 109,396
Trust						
Cash on Hand	\$ 925				\$ 925	\$ 925
Cash with County	\$ 1,000,821	\$ 0	\$ 0	\$ 30,304	\$ 1,031,125	\$ 1,369,176
<b>Total Cash</b>	<b>\$ 1,071,947</b>	<b>\$ 1,492</b>	<b>\$ 0</b>	<b>\$ 32,554</b>	<b>\$ 1,105,993</b>	<b>\$ 1,559,989</b>
Short Term Investment	\$ 548,612			\$ 108,601	\$ 657,212	
Investment in Financial Institution						
<b>Total Investments</b>	<b>\$ 548,612</b>			<b>\$ 108,601</b>	<b>\$ 657,212</b>	
Accrued Revenue	\$ 6				\$ 6	\$ 0
Accounts Receivable - General	\$ 0		\$ 0		\$ 0	\$ 0
Due From Other Funds	\$ 57,896				\$ 57,896	\$ 328,349
Due From Other Governments	\$ 20,908	\$ 12,034	\$ 0		\$ 32,941	\$ 9,115
Due From Other Courts	\$ 0			\$ 0	\$ 0	
Due From State	\$ 64,949		\$ 72,520		\$ 137,469	\$ 377,586
General Due To/From						
<b>Total Receivables</b>	<b>\$ 143,759</b>	<b>\$ 12,034</b>	<b>\$ 72,520</b>	<b>\$ 0</b>	<b>\$ 228,313</b>	<b>\$ 715,050</b>
Prepaid Expenses - General	\$ 0				\$ 0	
Salary and Travel Advances	\$ 0				\$ 0	
Counties						
<b>Total Prepaid Expenses</b>	<b>\$ 0</b>				<b>\$ 0</b>	
Other Assets						
<b>Total Other Assets</b>						
<b>Total Assets</b>	<b>\$ 1,764,317</b>	<b>\$ 13,526</b>	<b>\$ 72,520</b>	<b>\$ 141,155</b>	<b>\$ 1,991,518</b>	<b>\$ 2,275,039</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accrued Liabilities	\$ 12,845	\$ 2,121	\$ 2,990		\$ 17,957	\$ 34,917
Accounts Payable - General	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	\$ 0	\$ 10,429	\$ 47,468	\$ 0	\$ 57,896	\$ 328,349
Due to Other Courts	\$ 0				\$ 0	
Due to State	\$ 0		\$ 0		\$ 0	\$ 0
TC145 Liability				\$ 110,845	\$ 110,845	\$ 109,396
Due to Other Governments	\$ 166,802		\$ 11,614		\$ 178,416	\$ 115,295
AB145 Due to Other Government Agency						
Interest				\$ 6	\$ 6	\$ 0
Miscellaneous Accts. Pay. and Accrued Liab.	\$ 0				\$ 0	
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 179,647</b>	<b>\$ 12,550</b>	<b>\$ 62,072</b>	<b>\$ 110,851</b>	<b>\$ 365,120</b>	<b>\$ 587,957</b>
Civil						
Criminal						
Trust Held Outside of the AOC				\$ 30,304	\$ 30,304	\$ 157,170
Trust Interest Payable						
Miscellaneous Trust						
<b>Total Trust Deposits</b>				<b>\$ 30,304</b>	<b>\$ 30,304</b>	<b>\$ 157,170</b>
Accrued Payroll	\$ 104,559		\$ 10,448		\$ 115,008	\$ 107,574
Benefits Payable						
Deferred Compensation Payable						
<b>Total Payroll Liabilities</b>	<b>\$ 104,559</b>		<b>\$ 10,448</b>		<b>\$ 115,008</b>	<b>\$ 107,574</b>
Revenue Collected in Advance	\$ 0				\$ 0	
Liabilities For Deposits	\$ 359				\$ 359	
Jury Fees - Non-Interest						
Uncleared Collections	\$ 0			\$ 0	\$ 0	\$ 0
Other Miscellaneous Liabilities	\$ 0				\$ 0	
<b>Total Other Liabilities</b>	<b>\$ 359</b>			<b>\$ 0</b>	<b>\$ 359</b>	<b>\$ 0</b>
<b>Total Liabilities</b>	<b>\$ 284,565</b>	<b>\$ 12,550</b>	<b>\$ 72,520</b>	<b>\$ 141,155</b>	<b>\$ 510,790</b>	<b>\$ 852,701</b>
Fund Balance - Restricted	\$ 579,933	\$ 975	\$ 0		\$ 580,908	\$ 1,286,500
Fund Balance - Unrestricted						
Designated	\$ 841,429				\$ 841,429	\$ 402,957
Undesignated	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
Excess (Deficit) of Rev. Over Expenses/Op.	\$ 58,390	\$ 0	\$ 0		\$ 58,390	\$ (267,120)
<b>Total Fund Balance</b>	<b>\$ 1,479,752</b>	<b>\$ 975</b>	<b>\$ 0</b>		<b>\$ 1,480,728</b>	<b>\$ 1,422,338</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,764,317</b>	<b>\$ 13,526</b>	<b>\$ 72,520</b>	<b>\$ 141,155</b>	<b>\$ 1,991,518</b>	<b>\$ 2,275,039</b>

Source: Phoenix Financial System.

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

	Fiscal Year						
	2010-2011				2009-2010		
	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	\$ 4,428,710			\$ 4,428,710	\$ 4,439,977	\$ 4,117,930	\$ 4,147,490
Trial Court Improvement Fund	\$ 27,387			\$ 27,387	\$ 7,833		
Judicial Administration Efficiency & Mod Fund	\$ 29,000			\$ 29,000	\$ 51,000	\$ 51,307	\$ 101,000
Judges' Compensation (45.25)	\$ 27,534			\$ 27,534	\$ 30,000	\$ 30,000	\$ 30,000
Court Interpreter (45.45)	\$ 30,490			\$ 30,490	\$ 35,010	\$ 34,802	\$ 35,000
MOU Reimbursements (45.10 and General)	\$ 115,722			\$ 115,722	\$ 86,829	\$ 148,573	\$ 133,757
Other Miscellaneous							
	\$ 4,658,843			\$ 4,658,843	\$ 4,650,649	\$ 4,382,612	\$ 4,447,247
<b>Grants</b>							
AB 1058 Commissioner/Facilitator			\$ 305,278	\$ 305,278	\$ 290,368	\$ 290,368	\$ 292,526
Other AOC Grants			\$ 14,400	\$ 14,400	\$ 20,000	\$ 18,920	\$ 20,000
Non-AOC Grants	\$ 32,250			\$ 32,250	\$ 15,000	\$ 21,291	
	\$ 32,250		\$ 319,678	\$ 351,928	\$ 325,368	\$ 330,579	\$ 312,526
<b>Other Financing Sources</b>							
Interest Income	\$ 9,213	\$ 0		\$ 9,214	\$ 18,500	\$ 16,737	\$ 22,500
Donations	\$ 23,814			\$ 23,814		\$ 14,192	
Local Fees	\$ 42,562			\$ 42,562	\$ 71,300	\$ 82,756	\$ 55,250
Non-Fee Revenues	\$ 6,220			\$ 6,220	\$ 6,100	\$ 6,170	\$ 6,900
Enhanced Collections		\$ 52,544		\$ 52,544	\$ 50,245	\$ 55,617	\$ 49,830
Escheatment	\$ 230			\$ 230			
Prior Year Revenue	\$ (1,000)		\$ 51	\$ (949)		\$ 0	
County Program - Restricted		\$ 44,828		\$ 44,828	\$ 52,107	\$ 42,609	\$ 42,895
Reimbursement Other	\$ 15,589			\$ 15,589	\$ 11,500	\$ 19,428	\$ 31,871
Other Miscellaneous	\$ 7,450			\$ 7,450		\$ 1,356	
	\$ 104,078	\$ 97,372	\$ 51	\$ 201,501	\$ 209,752	\$ 238,864	\$ 209,246
<b>Total Revenues</b>	<b>\$ 4,795,171</b>	<b>\$ 97,372</b>	<b>\$ 319,729</b>	<b>\$ 5,212,272</b>	<b>\$ 5,185,769</b>	<b>\$ 4,952,054</b>	<b>\$ 4,969,019</b>
<b>EXPENDITURES</b>							
<b>Personal Services</b>							
Salaries - Permanent	\$ 2,040,288	\$ 42,626	\$ 200,487	\$ 2,283,401	\$ 2,407,152	\$ 2,274,329	\$ 2,358,610
Temp Help						\$ 209	
Overtime	\$ 278		\$ 23	\$ 301		\$ 970	
Staff Benefits	\$ 1,032,435	\$ 23,440	\$ 92,116	\$ 1,147,992	\$ 1,216,259	\$ 1,164,465	\$ 1,177,948
	\$ 3,073,002	\$ 66,065	\$ 292,626	\$ 3,431,693	\$ 3,623,411	\$ 3,439,973	\$ 3,536,558
<b>Operating Expenses and Equipment</b>							
General Expense	\$ 155,877	\$ 4,016	\$ 21,248	\$ 181,141	\$ 140,626	\$ 224,921	\$ 218,574
Printing	\$ 18,457	\$ 669		\$ 19,125	\$ 22,550	\$ 15,119	\$ 32,250
Telecommunications	\$ 45,695		\$ 1,329	\$ 47,024	\$ 57,100	\$ 56,653	\$ 53,350
Postage	\$ 25,036	\$ 3,072		\$ 28,109	\$ 20,650	\$ 33,924	\$ 20,650
Insurance	\$ 4,319			\$ 4,319	\$ 5,555	\$ 5,116	\$ 5,555
In-State Travel	\$ 2,744		\$ 1,453	\$ 4,197	\$ 6,250	\$ 3,410	\$ 7,850
Out-of-State Travel							
Training	\$ 17,745		\$ 865	\$ 18,610	\$ 24,650	\$ 2,319	\$ 26,150
Security Services	\$ 743,508		\$ 30,420	\$ 773,928	\$ 1,016,843	\$ 725,202	\$ 962,006
Facility Operations	\$ 87,818	\$ 1,188	\$ 175	\$ 89,181	\$ 120,640	\$ 115,741	\$ 120,640
Utilities	\$ 5,760			\$ 5,760	\$ 3,000	\$ 5,250	\$ 3,000
Contracted Services	\$ 288,370	\$ 6,200	\$ 15,580	\$ 310,150	\$ 315,161	\$ 336,410	\$ 368,137
Consulting and Professional Services	\$ 30,855			\$ 30,855	\$ 32,900	\$ 30,810	\$ 30,100
Information Technology	\$ 138,685	\$ 1,008	\$ 3,332	\$ 143,026	\$ 113,938	\$ 200,654	\$ 246,074
Major Equipment	\$ 38,940			\$ 38,940			
Other Items of Expense	\$ 4,642			\$ 4,642	\$ 5,500	\$ 8,944	\$ 5,500
	\$ 1,608,452	\$ 16,153	\$ 74,402	\$ 1,699,007	\$ 1,885,363	\$ 1,764,473	\$ 2,099,836
<b>Special Items of Expense</b>							
Grand Jury							
Jury Costs	\$ 14,040			\$ 14,040	\$ 18,500	\$ 14,728	\$ 18,500
Other							
<b>Internal Cost Recovery</b>	\$ (79,001)	\$ 20,481	\$ 58,521	\$ 0	\$ 0	\$ 0	\$ 0
<b>Prior Year Expense Adjustment</b>	\$ 9,142			\$ 9,142			
	\$ (55,819)	\$ 20,481	\$ 58,521	\$ 23,182	\$ 18,500	\$ 14,728	\$ 18,500
<b>Total Expenditures</b>	<b>\$ 4,625,634</b>	<b>\$ 102,699</b>	<b>\$ 425,548</b>	<b>\$ 5,153,882</b>	<b>\$ 5,527,274</b>	<b>\$ 5,219,174</b>	<b>\$ 5,654,894</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	\$ 169,537	\$ (5,327)	\$ (105,820)	\$ 58,390	\$ (341,505)	\$ (267,120)	\$ (685,875)
<b>Operating Transfers In (Out)</b>	\$ (111,147)	\$ 5,327	\$ 105,820	\$ 0	\$ 0	\$ 0	\$ 0
<b>Fund Balance (Deficit)</b>							
Beginning Balance (Deficit)	\$ 1,421,363	\$ 975	\$ 0	\$ 1,422,338	\$ 1,422,338	\$ 1,689,457	\$ 1,689,457
Ending Balance (Deficit)	\$ 1,479,752	\$ 975	\$ 0	\$ 1,480,728	\$ 1,080,833	\$ 1,422,338	\$ 1,003,582

Source: Phoenix Financial System.

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

	Fiscal Year								
	2010-2011							2009-2010	
	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	\$ 1,175,645	\$ 133,454		\$ (4,630)		\$ 1,304,468	\$ 1,333,160	\$ 1,321,821	\$ 1,373,956
Traffic & Other Infractions	\$ 148,342	\$ 64,121		\$ (4,630)		\$ 207,833	\$ 254,425	\$ 224,905	\$ 228,979
Other Criminal Cases	\$ 249,020	\$ 22,988		\$ (4,630)		\$ 267,378	\$ 269,789	\$ 260,128	\$ 276,546
Civil	\$ 188,862	\$ 111,725				\$ 300,587	\$ 272,202	\$ 237,539	\$ 293,122
Family & Children Services	\$ 259,073	\$ 84,032		\$ 0		\$ 343,104	\$ 369,772	\$ 370,118	\$ 361,981
Probate, Guardianship & Mental Health Services	\$ 31,061	\$ 24,809				\$ 55,870	\$ 50,681	\$ 78,922	\$ 79,603
Juvenile Dependency Services	\$ 63,792	\$ 57,171				\$ 120,962	\$ 155,871	\$ 152,338	\$ 146,087
Juvenile Delinquency Services	\$ 63,792	\$ 3,128				\$ 66,920	\$ 69,865	\$ 67,530	\$ 68,935
Other Court Operations	\$ 191,197	\$ 7,117				\$ 198,314	\$ 228,184	\$ 211,277	\$ 225,526
Court Interpreters	\$ 14,925	\$ 20,871				\$ 35,796	\$ 36,815	\$ 31,155	\$ 37,413
Jury Services	\$ 63,136	\$ 54,570	\$ 14,040			\$ 131,746	\$ 128,693	\$ 139,367	\$ 139,322
Security		\$ 826,343				\$ 826,343	\$ 1,016,843	\$ 751,424	\$ 942,006
<b>Trial Court Operations Program</b>	<b>\$ 2,448,843</b>	<b>\$ 1,410,329</b>	<b>\$ 14,040</b>	<b>\$ (13,891)</b>		<b>\$ 3,859,321</b>	<b>\$ 4,186,300</b>	<b>\$ 3,846,523</b>	<b>\$ 4,173,476</b>
Enhanced Collections	\$ 29,724	\$ 4,467		\$ 20,481		\$ 54,672	\$ 50,246	\$ 58,032	\$ 49,813
Other Non-Court Operations	\$ 36,341	\$ 11,686				\$ 48,027	\$ 55,547	\$ 44,057	\$ 45,271
<b>Non-Court Operations Program</b>	<b>\$ 66,065</b>	<b>\$ 16,153</b>		<b>\$ 20,481</b>		<b>\$ 102,699</b>	<b>\$ 105,793</b>	<b>\$ 102,089</b>	<b>\$ 95,084</b>
Executive Office	\$ 208,001	\$ 9,646		\$ (1,959)		\$ 215,688	\$ 231,324	\$ 216,062	\$ 223,868
Fiscal Services	\$ 282,649	\$ 55,439		\$ (4,630)		\$ 333,458	\$ 356,412	\$ 343,735	\$ 354,035
Human Resources	\$ 166,787	\$ 12,318				\$ 179,105	\$ 200,915	\$ 166,423	\$ 191,534
Business & Facilities Services	\$ 70,119	\$ 96,450			\$ 9,142	\$ 175,711	\$ 208,840	\$ 184,698	\$ 209,878
Information Technology	\$ 189,228	\$ 98,672				\$ 287,900	\$ 237,690	\$ 359,644	\$ 407,019
<b>Court Administration Program</b>	<b>\$ 916,784</b>	<b>\$ 272,525</b>		<b>\$ (6,589)</b>	<b>\$ 9,142</b>	<b>\$ 1,191,862</b>	<b>\$ 1,235,181</b>	<b>\$ 1,270,562</b>	<b>\$ 1,386,334</b>
Expenditures Not Distributed or Posted to a Program									
Prior Year Adjustments Not Posted to a Program									
<b>Total</b>	<b>\$ 3,431,693</b>	<b>\$ 1,699,007</b>	<b>\$ 14,040</b>	<b>\$ 0</b>	<b>\$ 9,142</b>	<b>\$ 5,153,882</b>	<b>\$ 5,527,274</b>	<b>\$ 5,219,174</b>	<b>\$ 5,654,894</b>

Source: Phonex Financial System.

## PURPOSE AND SCOPE

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

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

The scope of audit work included reviews of the Court's major functional areas, including but not limited to: cash collections, contracting and procurement, accounts payable, financial accounting and reporting, payroll processing, fixed assets management, information technology, and exhibits handling. 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 2010–2011.

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



## **TIMING AND REVIEWS WITH MANAGEMENT**

The entrance letter was issued to the Court on October 28, 2011.  
The entrance meeting was held with the Court on November 2, 2011.  
Audit fieldwork commenced on November 28, 2011.  
Fieldwork was completed in February 2012.

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 July 6, 2012, with the following:

- Jeanne Caughell, Court Executive Officer
- Shelley Walker, Court Fiscal Officer

IAS received the Court's final management responses to the IAS recommendations on August 2, 2012. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the audit report for its review and comment on August 3, 2012. On August 9, 2012 the Court provided its final comments and suggestions concerning its review of the audit report and did not consider another review of the report necessary before IAS issued the final audit report.

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

#### Background

The Judicial Council established rules and policies to promote efficiency and uniformity in trial court management. It adopted Rules of Court under Government Code Section (GC) 77001 and the FIN Manual under CRC 10.804 to provide requirements and guidelines concerning court governance. Within the boundaries established by the Judicial Council, each trial court has the authority and responsibility for managing its own operations. All trial court employees shall fulfill at least the minimum requirements of their positions; conduct themselves with honesty, integrity, and professionalism; and operate within the specific levels of authority.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with court administrative decisions. A description of these accounts and audit procedures we performed to review court administration follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	%Change
	2011	2010		
<b>Expenditures</b>				
920502 DUES & MEMBERSHIPS-LEGAL	410	820	(410)	-50%
920503 DUES & MEMBERSHIPS-OTHER	180	160	20	13%
<b>* 920500 - DUES AND MEMBERSHIPS</b>	<b>590</b>	<b>30</b>	<b>560</b>	<b>1867%</b>
933101 TRAINING	18,535	2,210	16,325	739%
933103 REGISTRATION FEES - TRAIN	75	109	(34)	-31%
<b>* 933100 - TRAINING</b>	<b>18,610</b>	<b>2,319</b>	<b>16,291</b>	<b>703%</b>

We assessed the Court's compliance with CRC and FIN Manual requirements for trial court management through a series of self-assessment questionnaires. We also performed testing to evaluate compliance with the following:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch*, including professional association dues and membership payments for individuals making over \$100,000 a year.
- Rules for taking cases under submission.
- FIN Manual procedures for training approval.

We also reviewed Court personnel's cash handling and fiscal responsibilities for appropriate management oversight and segregation of duties.

**This audit identified no significant issues to report to management in this section.**

## 2. Fiscal Management and Budgets

### Background

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

The table below presents year-end general ledger account balances from the Court that are considered associated with fiscal management and budgeting practices. A description of these accounts and audit procedures we performed to review fiscal management and budgeting practices follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Expenditures</b>				
900301 SALARIES - PERMANENT	1,706,413	1,872,739	(166,326)	-9%
900320 LUMP SUM PAYOUTS	83,082	41,503	41,579	100%
900321 HOLIDAY PAY	108,470	103,902	4,568	4%
900323 ADMINISTRATIVE LEAVE	106,728	7,882	98,846	1254%
900330 VACATION PAY	146,241	194,493	(48,252)	-25%
900350 FURLOUGH & SALARY REDUCTI		(82,994)	82,994	100%
<b>* 900300 - SALARIES - PERMANENT</b>	<b>2,150,934</b>	<b>2,137,524</b>	<b>13,410</b>	<b>1%</b>
903301 TEMPORARY EMPLOYEES - ON		209	(209)	-100%
<b>* 903300 - TEMP HELP</b>		<b>209</b>	<b>(209)</b>	<b>-100%</b>
906303 SALARIES - COMMISSIONERS	106,072	109,845	(3,773)	-3%
906311 SALARIES - SUPERIOR COURT	26,394	30,115	(3,721)	-12%
906350 FURLOUGH SAVINGS - COMMIS		(3,156)	3,156	100%
<b>* 906300 - SALARIES - JUDICIAL OFFI</b>	<b>132,467</b>	<b>136,804</b>	<b>(4,338)</b>	<b>-3%</b>
908301 OVERTIME	301	970	(669)	-69%
<b>* 908300 - OVERTIME</b>	<b>301</b>	<b>970</b>	<b>(669)</b>	<b>-69%</b>
<b>** SALARIES TOTAL</b>	<b>2,283,702</b>	<b>2,275,508</b>	<b>8,194</b>	<b>0%</b>
910301 SOCIAL SECURITY INS & MED	141,522	139,711	1,811	1%
910302 MEDICARE TAX	34,967	39,912	(4,946)	-12%
<b>* 910300 - TAX</b>	<b>176,489</b>	<b>179,624</b>	<b>(3,135)</b>	<b>-2%</b>
910501 MEDICAL INSURANCE	433,642	444,622	(10,980)	-2%
910503 RETIREE BENEFIT	34,616	44,751	(10,136)	-23%
<b>* 910400 - HEALTH INSURANCE</b>	<b>468,257</b>	<b>489,373</b>	<b>(21,115)</b>	<b>-4%</b>
910601 RETIREMENT (NON-JUDICIAL	406,632	398,819	7,813	2%
912301 RETIREMENT (SUBORDINATE A	21,006	20,438	568	3%
<b>* 910600 - RETIREMENT</b>	<b>427,638</b>	<b>419,257</b>	<b>8,382</b>	<b>2%</b>
912402 DEFERRED COMPENSATION - 4	15,918	20,246	(4,327)	-21%
<b>* 912400 - DEFFERED COMPENSATION</b>	<b>15,918</b>	<b>20,246</b>	<b>(4,327)</b>	<b>-21%</b>
912501 STATUTORY WORKERS COMPENS	38,210	36,839	1,371	4%
<b>* 912500 - WORKERS' COMPENSATION</b>	<b>38,210</b>	<b>36,839</b>	<b>1,371</b>	<b>4%</b>

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
912701 DISABILITY INSURANCE - SD	15,162	15,207	(45)	0%
913501 LIFE INSURANCE	6,317	3,621	2,696	74%
<b>* 912700 - OTHER INSURANCE</b>	<b>21,478</b>	<b>18,827</b>	<b>2,651</b>	<b>14%</b>
913899 OTHER BENEFITS		300	(300)	-100%
<b>* 913800 - OTHER BENEFITS</b>		<b>300</b>	<b>(300)</b>	<b>-100%</b>
<b>** STAFF BENEFITS TOTAL</b>	<b>1,147,992</b>	<b>1,164,465</b>	<b>(16,474)</b>	<b>-1%</b>
<b>*** PERSONAL SERVICES TOTAL</b>	<b>3,431,693</b>	<b>3,439,973</b>	<b>(8,280)</b>	<b>0%</b>

We assessed the adequacy of the Court's budget monitoring procedures, including procedures for comparing budgeted and actual revenue and expenditures, and making changes to its projections.

To evaluate the Court's management of personnel costs, we compared budgeted and actual personal services expenditures, performed a trend analysis of these expenditures, followed up on any significant expenditure changes we identified, and reviewed procedures for approving timesheets and controlling overtime costs.

We also evaluated the Court's payroll processing controls, such as reviewing staff responsibilities for sufficient segregation of duties, and reconciliation activities to ensure it accurately accounted for and reported its payroll costs. We reviewed sample payroll payments, deductions, and withholdings for a recent pay period to determine whether they were correctly calculated and supported by appropriate personnel records.

**Appendix A of this report contains minor issues associated with this area.**

### 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 GASB. To assist courts in meeting this objective, the FIN Manual provides guidelines for courts to follow. FIN 3.01, 3.0, requires trial courts to establish and maintain separate funds to segregate financial resources, and allow for detailed accounting and accurate reporting of financial operations. FIN 3.01, 6.1.1 defines a “fund” as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. The Phoenix Financial System has a set of governmental, fiduciary, and proprietary funds to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and provide uniform standards for fund balance reporting.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with fund accounting. A description of these accounts and audit procedures we performed to review the Court’s fund accounting practices follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	%Change
	2011	2010		
<b>Fund Balance</b>				
535001 RESERVE FOR ENCUMBRANCES		(574,802)	(574,802)	-100%
552001 FUND BALANCE - RESTRICTED	(580,908)	(1,286,500)	(705,592)	-55%
553001 FUND BALANCE - ASSIGNED	(841,429)	(402,957)	438,472	109%
615001 ENCUMBRANCES		574,802	(574,802)	-100%
<b>*** Fund Balances</b>	<b>(1,422,338)</b>	<b>(1,689,457)</b>	<b>(267,120)</b>	<b>-16%</b>
<b>***** NET SOURCES &amp; USES</b>	<b>(58,390)</b>	<b>267,120</b>	<b>(325,510)</b>	<b>-122%</b>

We reviewed the Court’s year-end trial balance by fund report and other financial reports to determine whether it separately accounted for restricted funding sources and expenditures. We also reviewed its year-end fund balance reserves to determine whether it complied with Judicial Council approved policy.

**Appendix A of this report contains minor issues associated with this area.**

#### 4. Accounting Principles and Practices

##### Background

Trial courts must accurately account for their use of public funds, and demonstrate 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. These guidelines also require courts to prepare various external financial reports to the AOC, and internal financial reports for monitoring purposes.

Since migrating onto the Phoenix Financial System, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services Division (TCAS). Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines and automated generation of financial report.

The Court receives various federal and state grants the AOC and the County allocates to it. The Court must follow use restrictions and other requirements provided in grant agreements. For instance, most grants are reimbursement type grants that require it to initially pay for personnel and operating costs and then submit detailed invoices to obtain grant funding to reimburse its operations fund. To demonstrate that expenditures qualify for grant funding, it must maintain detailed records to support these expenditures. Additionally, it must separately track and account for grant funding and expenditures to demonstrate that it used grant funds to pay for allowable costs. As a part of the annual single audit of the State performed by the Bureau of State Audits, the AOC requests courts to list and report the federal grant awards it received.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with general ledger accounting and grant administration. A description of these accounts and audit procedures we performed to review the Court's accounting practices follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Assets</b>				
130001 A/R-ACCRUED REVENUE	6		6	-
140001 BLOCK A/R - DUE FROM OTHE		328,349	(328,349)	-100%
140014 GENERAL-DUE FROM SPECIAL	57,896		57,896	-
150001 A/R - DUE FROM OTHER GOVE	32,941	9,115	23,826	261%
152000 A/R-DUE FROM STATE	137,469	377,586	(240,116)	-64%
<b>** Receivables</b>	<b>228,313</b>	<b>715,050</b>	<b>(486,737)</b>	<b>-68%</b>
<b>Liabilities</b>				
311401 BLOCK A/P - DUE TO OTHER		(328,349)	(328,349)	-100%
314014 SPECIAL REVENUE-DUE TO GE	(57,896)		57,896	-

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Revenues</b>				
812110 TCTF-PROGRAM 45.10-OPERAT	(4,283,622)	(3,977,165)	306,457	8%
812140 TCTF-PROGRAM 45.10-SMALL	(869)	(969)	(100)	-10%
812144 TCTF-PROGRAM 45.10-CLERKS	(3,238)	(3,443)	(205)	-6%
812146 TCTF-PROGRAM 45.10-COPY P	(6,511)	(5,879)	632	11%
812148 TCTF-PROGRAM 45.10-MANUAL	(2,835)	(3,150)	(315)	-10%
812149 TCTF-PROGRAM 45.10-REIMBU	(8,022)	(7,441)	581	8%
812150 TCTF-PROGRAM 45.10-ESTATE	(15)		15	-
812151 TCTF-10-CUSTODY/VISITATIO	(1,034)	(1,469)	(435)	-30%
812152 TCTF-PROGRAM 45.10-RETURN	(400)	(474)	(74)	-16%
812155 TCTF-PROGRAM 45.10-ASSESS	(2,128)	(8,880)	(6,752)	-76%
812158 TCTF-10-CUSTODY/VISITATIO	(690)	(979)	(289)	-30%
812159 TCTF-10-CIVIL ASSESSMENT	(117,965)	(106,596)	11,369	11%
812160 TCTF-10-MICROGRAPHICS	(1,381)	(1,485)	(104)	-7%
<b>** 812100-TCTF - PGM 10 OPERATIONS</b>	<b>(4,428,710)</b>	<b>(4,117,930)</b>	<b>310,780</b>	<b>8%</b>
821120 OTHER COURT RETAINED LOCA	57	(5,550)	(5,608)	-101%
821121 LOCAL FEE 1	(7,537)	(11,974)	(4,436)	-37%
821122 LOCAL FEE 2	(3,655)	(4,068)	(413)	-10%
821126 LOCAL FEE 6		(10,219)	(10,219)	-100%
821170 GC26840.3 MARRIAGE LICENS	(1,350)	(1,375)	(25)	-2%
821190 VC11205m TRAFFIC SCHOOL	(22,220)	(38,308)	(16,088)	-42%
821191 VC40508.6 DMV HISTORY/PRI	(7,800)	(11,262)	(3,462)	-31%
821194 CRC 10.500 PUBLIC ACCESS-	(56)		56	-
<b>** 821000-LOCAL FEES REVENUE</b>	<b>(42,562)</b>	<b>(82,756)</b>	<b>(40,194)</b>	<b>-49%</b>
822120 CRC3.670f COURT CALL	(6,220)	(6,170)	50	1%
<b>** 822000-LOCAL NON-FEES REVENUE</b>	<b>(6,220)</b>	<b>(6,170)</b>	<b>50</b>	<b>1%</b>
823001 MISCELLANEOUS REVENUE	(7,450)	(1,356)	6,094	449%
823002 ESCHEATMENT REVENUE	(230)		230	-
823011 JUDGES VOLUNTARY DONATION	(23,814)	(14,192)	9,622	68%
<b>** 823000-OTHER - REVENUE</b>	<b>(31,494)</b>	<b>(15,548)</b>	<b>15,946</b>	<b>103%</b>
831010 GF-AB2030/AB2695 SERVICE	(4,761)	(3,508)	1,253	36%
831012 GF-PRISONER HEARING COST	(13,468)	(9,605)	3,862	40%
<b>** 831000-GENERAL FUND - MOU/REIMBUR</b>	<b>(18,229)</b>	<b>(13,113)</b>	<b>5,115</b>	<b>39%</b>
832010 TCTF MOU REIMBURSEMENTS	(55,451)	(55,049)	402	1%
832011 TCTF-PGM 45.10-JURY	(8,473)	(6,341)	2,132	34%
832012 TCTF-PGM 45.10-CAC	(32,847)	(73,717)	(40,870)	-55%
832013 TCTF-PGM 45.10-ELDER ABUS	(722)	(185)	537	290%
832014 TCTF-PGM 45.10-OTHER		(167)	(167)	-100%
<b>** 832000-PROGRAM 45.10 - MOU/REIMBU</b>	<b>(97,493)</b>	<b>(135,459)</b>	<b>(37,966)</b>	<b>-28%</b>
833010 PROGRAM 45.25-JUDGES SALA	(27,534)	(30,000)	(2,466)	-8%
<b>** 833000-PROGRAM 45.25 - REIMBURSEM</b>	<b>(27,534)</b>	<b>(30,000)</b>	<b>(2,466)</b>	<b>-8%</b>
834010 PROGRAM 45.45-COURT INTER	(30,490)	(34,802)	(4,312)	-12%
<b>** 834000-PROGRAM 45.45 - REIMBURSEM</b>	<b>(30,490)</b>	<b>(34,802)</b>	<b>(4,312)</b>	<b>-12%</b>
836010 MODERNIZATION FUND	(29,000)	(51,307)	(22,307)	-43%
<b>** 836000-MODERNIZATION FUND - REIMB</b>	<b>(29,000)</b>	<b>(51,307)</b>	<b>(22,307)</b>	<b>-43%</b>
837010 IMPROVEMENT FUND REIMBURS	(27,387)		27,387	-
<b>** 837000-IMPROVEMENT FUND - REIMBUR</b>	<b>(27,387)</b>		<b>27,387</b>	<b>-</b>

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Revenues</b>				
841010 SMALL CLAIMS ADVISORY	(2,768)	(3,148)	(380)	-12%
841012 GRAND JURY	(3,791)	(2,824)	967	34%
841015 OTHER COUNTY SERVICES	(38,269)	(36,637)	1,632	4%
<b>** 840000-COUNTY PROGRAM - RESTRICTE</b>	<b>(44,828)</b>	<b>(42,609)</b>	<b>2,219</b>	<b>5%</b>
861010 CIVIL JURY REIMBURSEMENT	(4,688)	(6,790)	(2,102)	-31%
861011 MISCELLANEOUS REIMBURSEME	(10,901)	(12,637)	(1,737)	-14%
<b>** 860000-REIMBURSEMENTS - OTHER</b>	<b>(15,589)</b>	<b>(19,428)</b>	<b>(3,839)</b>	<b>-20%</b>
<b>Revenues – Grants</b>				
838010 AB1058 GRANTS	(305,278)	(290,368)	14,910	5%
838020 OTHER AOC GRANTS	(14,400)	(18,920)	(4,520)	-24%
<b>** 838000-AOC GRANTS - REIMBURSEMENT</b>	<b>(319,678)</b>	<b>(309,288)</b>	<b>10,390</b>	<b>3%</b>
839010 NON-AOC GRANTS	(32,250)	(21,291)	10,959	51%
<b>** 839000-NON-AOC GRANTS - REIMBURSE</b>	<b>(32,250)</b>	<b>(21,291)</b>	<b>10,959</b>	<b>51%</b>
<b>Prior Year Adjustments</b>				
899910 PRIOR YEAR ADJUSTMENTS -	949	-	(949)	-
<b>** 890000-PRIOR YEAR REVENUE</b>	<b>949</b>	<b>-</b>	<b>(949)</b>	<b>-</b>
999910 PRIOR YEAR ADJUSTMENTS -	9,142	-	9,142	-
<b>* 999900 -PRIOR YEAR EXPENSE ADJUST</b>	<b>9,142</b>	<b>-</b>	<b>9,142</b>	<b>-</b>

We reviewed the year-end general ledger account balances for the prior two fiscal years and followed up on material account categories that changed significantly between the two years. To determine whether the Court has sufficient controls to monitor funds it holds in trust, we reviewed its procedures for depositing, disbursing, reconciling, and reporting trust accounts. We also reviewed various accounting transactions and in the prior fiscal year and supporting documentation to assess the Court's compliance with FIN Manual procedures for revenue and expenditure recognition, encumbrance, year-end accrual, and other accounting practices. Additionally, we reviewed a sample of grants received in the prior fiscal year to determine whether the Court properly accounted for grant activity and complied with grant requirements.

**This audit identified no significant issues to report to management in this section.**



## 5. Cash Collections

### Background

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

The Court has two locations that accept in-person payments and process mailed-in payments. It also has an automated telephone and internet system to accept credit card payments on traffic citations. Furthermore, the Court contracts with the County to monitor and collection on delinquent accounts. It records payments in its case management system (CMS), and uses its CMS to calculate the amounts to distribute to State and local entities.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with cash collection. A description of these accounts and audit procedures we performed to review the Court's cash handling procedures follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	%Change
	2011	2010		
<b>Asset</b>				
119001 CASH ON HAND - CHANGE FUN	925	925	-	0%
<b>Revenue</b>				
821201 ENHANCED COLLECTIONS (CIV	(52,544)	(55,617)	(3,073)	-6%
<b>** 821200-ENHANCED COLLECTIONS - REV</b>	<b>(52,544)</b>	<b>(55,617)</b>	<b>(3,073)</b>	<b>-6%</b>
<b>Expenditure</b>				
952599 CASHIER SHORTAGES		0	(0)	-100%
<b>* 952500 - CASH DIFFERENCES</b>		<b>0</b>	<b>(0)</b>	<b>-100%</b>

We assessed the Court's cash handling controls and practices through interviews with management, observation of practices, and review of documentation. Specific controls and practices reviewed include, but are not limited to, the following:

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

Additionally, we reviewed sample payment entries, adjustments, and reversals in the CMS to determine whether they were properly approved, supported by sufficient documentation or complied with applicable statutory requirements or policies.

Furthermore, we reviewed the Court's comprehensive collection program to assess its collection activity controls and compliance with statutory requirements. Specifically, we reviewed the Court's procedures for identifying and referring delinquent accounts to the County, notifying the Department of Motor Vehicles (DMV), recording the County's collection activity in the CMS, and tracking and recovering enhanced collections costs.

**The following issues were considered significant enough to bring to management's attention. Appendix A of this report contains additional minor issues associated with this area.**

## **5.1 The Court Could 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, 6.1.1, states that the preferred method for securing change funds, unprocessed payments, or other valuable documents is to house them in a safe or vault. In addition, procedures that courts must follow include distributing safe combinations to as few persons as possible and requiring court employees to memorize the combination and not keep it in legible form. It also requires courts to keep a record showing the date the combination was changed last and the names of the persons knowing the present combination. Furthermore, it identifies situations when the safe or vault combination should be changed to prevent unauthorized access, including when it becomes known to an excessive number of employees, when employees having knowledge of the combination leave the court, when employees no longer require the combination to perform his or her duties, or on a periodic basis defined by the court.

Also, FIN 10.02, 6.3.3, requires cashiers to issue receipts to customers when receiving payments. Further, FIN 10.02, 6.3.7, requires that all payments be acknowledged by a unique sequentially numbered receipt containing information sufficient to create an adequate audit trail, such as a unique receipt number, date of payment, case number, and amount of payment.

FIN 10.02, 6.3.8, further requires that a supervisor review and approve all voided transactions. It indicates that, where possible, the security access levels to the court's case management system (CMS) should be adjusted so that supervisory employees must approve a void before it takes effect in the system.

In addition, FIN 10.02, 6.3.10, states that all cashiers must balance their own cash drawer or register at the end of the workday. Cashiers may not leave the premises nor transact new

business until the daily balancing and closeout processes are complete, including completing and signing the daily report, attaching a calculator tape for checks, turning in the daily report with money collected to the supervisor, and verifying their daily balancing and closeout reports, money collected, and change fund with their supervisor.

Further, 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 to assure that payment processing errors and irregularities do not go undetected.

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

- 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.
- 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 (CFO) 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 (CEO) or his or her designee that lists by age any payment that has not been processed for 30 days.

As part of the process of depositing daily collections, the FIN Manual, Policy No. FIN 13.01, 6.3, requires, in part, that the coin and paper currency portion of any bank deposit be counted by one person and verified and initialed by a second person. Additionally, the policy requires an

employee other than the person who prepares the bank deposit (preferably a supervisor or higher level of management) to sign and date a voucher verifying the cash receipts have been deposited in total.

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

### **Issues**

Our review of the Court's cash handling practices and associated documents found that the Court could follow more consistent cash handling and accounting practices and could strengthen their procedures in the following areas:

1. Safekeeping of Cash Collections – Although the Court uses either a vault or safe at each courthouse to secure change funds, unprocessed collections, and other valuables, it does not maintain a record of the individuals who know the vault and/or safe combinations, and the date the combinations were last changed. In addition, although the Civil and Fiscal Divisions use locking compartments within the vault to store change funds and unprocessed collections to afford better security, the Criminal Division's safe does not have locking compartments. Further, the Criminal Division does not change the safe combination when it becomes known to an excessive number of employees, when employees who know the combination leave Court employment or no longer require access to the safe, or on a periodic basis as defined by the Court. We previously identified this as an issue in our 2007 audit.
2. Receipts – We observed two instances where Criminal Division cashiers did not enter the payments into the CMS until after the customers left. As a result, these cashiers did not issue CMS generated receipts to these customers. Instead, the cashiers processed the customers' credit card payments and provided these customers with a copy of the receipt generated by the credit card machine. However, the credit card machine does not automatically download and enter the credit card payments into the CMS. In addition, the credit card machine receipts do not provide sufficient information to link the payment to the associated case number. When cashiers do not issue a valid CMS generated receipt or a handwritten receipt to customers at the time payments are collected, the Court is exposed to the risk of lapping and potentially lost payments.
3. Void Transactions – The Court could not demonstrate supervisory oversight and approval of the voids performed by the CFO and a Fiscal Technician. A review of the transactions the Court voided within a 12-month period revealed that the CFO and Fiscal Technician either voided their own non-monetary transactions – entries that did not involve a cash payment – or voided transactions entered by Court clerks. Although the CFO and Fiscal Technician do not normally have cash handling responsibilities, they may occasionally handle cash when preparing the bank deposit because they are short-staffed. We noted a similar issue in the 2007 audit, and the Court implemented a procedure for the CEO to

review and approve the reversals performed by the CFO on a monthly basis. However, the Court discontinued this review and approval process.

4. Daily Closeout Process – Although cashiers submit daily closeout and balancing reports, money collected, and change funds to their supervisors for review, supervisors do not perform their review of each cashier's reports and funds in the presence of each cashier. When supervisors do not verify reports and funds in the presence of each cashier, they do not ensure that responsible cashiers are present to identify and acknowledge any discrepancies and take immediate action to address and resolve these discrepancies.
5. Surprise Cash Counts – The Court has not performed surprise cash counts on any cashiers since this FIN Manual policy became effective in September 2010. The Civil Division Manager believed surprise cash counts were unnecessary due to the division's low collection volume. The division's average monthly collection volume was approximately \$44,000, of which approximately \$2,700 were in currency and coin. In addition, the Criminal Division collected nearly twice as much, including currency and coin that was more than four times as much as the Civil Division, but also did not implement the required surprise cash count procedures. The Court has also not submitted a request for alternative procedure to explain the reasons for not implementing the required procedure, describe its alternate procedure, and propose controls to mitigate the risks associated with not implementing the surprise cash count procedures.
6. Mail Payments – Our review of the procedures for opening and processing mail payments in the Civil and Criminal Divisions identified the following control weaknesses:

Both divisions do not use two-person teams to open the mail. Also, the Criminal Division does not require the use of a mail payment log to track the mail payments it receives. We identified similar issues in our 2007 audit. Although the supervisor at each division opens mail daily and distributes mail payments to the appropriate clerks for processing, using a two-person team provides stronger oversight and security over unprocessed mail payments. Additionally, not requiring a two-person team to open the mail and not completing a mail payment log may provide individuals who process mail and counter payments on the same day with an opportunity to take money without being detected.

In addition, although the Civil Division maintains a mail payments log, the supervisor does not compare the log to system generated closeout reports to ensure that all logged mail payments were promptly entered in the system. The FIN Manual requires that the log be included with the daily closeout documentation after the cashier enters the mail payments into the system. This is to ensure that the supervisor verifies the log along with the system-generated closeout reports, money collected, and change fund during the daily balancing and closeout process. However, due to insufficient supervisory review, the division did not promptly enter in the CMS and deposit in the bank one of the 10 logged mail payments we selected to review. The supervisor believed that the customer mailed a payment that exceeded the cost of the service requested or requested the wrong service, so the division held the payment for at least 20 calendar days while it attempted to

contact the customer. As a result, the Court did not enter the mail payment into the system on the day received, and did not secure and deposit the payment in the bank while it attempted to contact the customer.

7. Bank Deposits – The same Fiscal Technician who prepares the daily bank deposit also delivers the deposit to the County and to the bank. However, there is no secondary or supervisory review of the deposit documents and funds prior to the deposit. This creates the risk that errors and irregularities in the deposit preparation process go undetected.

### **Recommendations**

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

1. Require the Criminal Division to change its safe combination when necessary, such as when the combination becomes known to an excessive number of employees, when employees who know the combination leave court employment or no longer require access to the safe, or on a periodic basis as defined by the Court. In addition, the Court should maintain a record showing the dates the combination was changed and the names of persons knowing the present combination.
2. Require cashiers to immediately enter payments into the CMS and issue CMS receipts to customers as proof of payment. If the CMS is not available for cashiers to enter payments and generate a receipt, cashiers should prepare and issue appropriate hand-written receipts.
3. Require supervisory oversight and approval of voids performed by the CFO and Fiscal Technician. To facilitate this review and approval process, the Court should determine whether it can program the CMS to generate daily reports of voids performed by the CFO and Fiscal Technician for supervisory review and approval. For example, the CFO may review and approve daily reports listing the Fiscal Technician's voids, and the CEO may review and approve reports listing the CFO's voids.
4. Require supervisors to review each cashier's daily closeout and balancing reports, money collected, and change fund in the presence of each cashier, and sign-off on the daily reports before the cashier leaves for the day.
5. Establish a process for the supervisors, managers, or fiscal staff members who do not have direct responsibility for processing payments to conduct the required surprise cash counts on all cashiers. The Court may determine the frequency of the surprise cash counts, which may differ for each division, based on each division's collection volume and other factors, but should conduct the counts at least quarterly and as frequent as monthly.
6. Ensure that each Court location uses two-person teams to open and process mail, and record mail payments on a mail payment log. In addition, the Civil Division should require the supervisor to verify the mail payment log against the system-generated

closeout reports to ensure that all mail payments are promptly entered into the CMS and deposited in the bank. To prevent losing or misplacing mail payments that require follow up with the customer or additional research, it may enter and deposit these payments in trust until it can identify the services performed and apply the payments to the corresponding accounts.

7. Require a senior-level fiscal staff to review and verify the daily deposit that is prepared and deposited by the same Fiscal Technician. The reviewer should count and verify the deposits, and sign and date all deposit slips to demonstrate this review and verification of these deposits.
8. Prepare alternative procedure requests and submit them to the AOC for approval if the Court cannot implement the FIN Manual procedures and process payments as recommended. The requests should identify the FIN Manual procedures the Court cannot implement, the reasons why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

**Superior Court Responses by: Shelley Walker, CFO      Date: April 11, 2012**

1. Agree. The combination has been changed on the safe located at 60 N. Washington and a log kept by Fiscal Services of employees who have safe combinations and the date of the combination change. Combinations will be changed periodically as determined by the Court Executive Officer.
2. Agree. The court reaffirmed the existing process with the supervisor and clerks. This is a performance and training issue. Cashiers are required to immediately enter payment into CMS and issue receipts to customers as proof of payment.
3. Agree. CMS is currently programmed to generate reports of voids. CFO has reinstated generating reports and CEO has reviewed and approved reports of voids performed by the CFO from July 1, 2011 through February 29, 2012. CFO has reviewed and approved reports of voids performed by Fiscal Technician's July 1, 2011 through February 29, 2012. Reports will be reviewed by CFO and CEO by the 15<sup>th</sup> of each month following the report month.
4. Agree. Supervisors will require employee cashier to remain present during daily closeout and verification before allowing employee to leave for the day.
5. Agree. A written procedure and form will be developed by the CFO for surprise cash counts. CFO will determine frequency and division of surprise cash counts to be conducted no less than quarterly. CEO will review compliance of cash counts.
6. The court does not agree with the recommendation. The court does not have the resources to dedicate two-person teams to open and process mail and record mail payments on a mail payment log. Alternatively the court Criminal Division has adopted the procedure currently used in the Civil Division specifically the supervisor opens and

creates a log of payments and assigns the work to specific clerks to process. Both Division supervisors have been instructed to verify the mail payment log against the system generated daily closeout reports to ensure that all mail payments are promptly entered into CMS. An alternative procedure will be submitted by the court to the AOC stating the reasons why it cannot implement two-person teams and will describe the alternate procedures and controls currently being used to mitigate the risks.

7. Agree. A log has been created designated separate duties with review signature verification.
8. Agree. An alternative procedure will be submitted by the court to the AOC.

## **5.2 Court Procedures for Tracking and Monitoring Dishonored or Partial 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 (dishonored checks), or in an amount less than the required fee (partial payments). 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 of either \$25 or a reasonable amount determined by the court that does not exceed the actual costs incurred 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 (20-day 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 20-day 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.

When receiving partial payments for civil filing fees, CCP 411.21 provides procedures that courts must follow that are similar to the above procedures for dishonored checks. These procedures include requirements for notifying the appropriate parties by mail, imposing an administrative charge, and voiding the filing if full payment is not received within 20 days of the notice or the scheduled court date.



## Issues

According to the Court, upon receiving notice from the bank of dishonored check payments, the Fiscal Division voids the associated payments and forwards the returned check notices along with a cover memorandum to the appropriate operating divisions. The operating divisions are responsible for mailing appropriate notices to the defaulting parties, monitoring these cases, and taking appropriate action on the cases if full payments are not received.

However, our review of selected civil cases for which the Court voided payments due to dishonored checks or for which it received partial payments revealed that it did not void the filings and allowed cases to proceed even though the responsible parties had not fully paid the required civil filing and administrative fees within the 20 day period or prior to a scheduled hearing, whichever occurred first. Specifically, although the Civil Division (division) records indicate it received only six dishonored check payments and two partial payments during the 12-month period we reviewed, we identified the following instances of non-compliance:

1. For three of the six dishonored check payments we reviewed, although the Fiscal Division notified the Civil Division of the dishonored checks, the Civil Division did not mail the required 20-day notice. As a result, the Court did not receive full payment within 20 days for two of these three dishonored check payments. For one of these two unpaid dishonored checks, the division did not void the filing or suspend further proceedings, and allowed the case to proceed even though the party did not pay in full. The second unpaid dishonored check was to pay for copy fees on an inactive case. Although the division could not void the filing or suspend further proceedings because the Court had already issued its judgment on the case, it also did not attempt to collect full payment before providing any additional services to the defaulting party. As a result, the division provided this defaulting party with additional copy services and accepted another check as payment which the bank also later returned to the Court as dishonored.
2. Further, for the two cases in which it accepted a partial payment on the civil filing fees owed, although the division mailed the required notice, it did not fully follow the procedures required by CCP 411.21. Specifically, the division did not impose an administrative fee of \$25, or a reasonable amount as determined by the Court, for processing the partial payment and providing the notice. It also did not specify in the notices it mailed to the paying parties that the filing fee and the administrative fee must be paid within 20 days of the date the notice was mailed. Further, it did not void the associated filing and allowed the cases to proceed even though the balance owed was not paid within 20 days of the notice.

According to the Civil Division Manager (manager), the clerk who mails the notice verbally informs the manager that the notice has been mailed. The manager manually tracks the case and takes appropriate action if the party does not make full payment by the due date. However, because the clerk only provides verbal notice to the manager, a communication breakdown may have occurred between the clerk and the manager resulting in the manager not tracking the filings and allowing the cases to proceed without full payment.

**Recommendations**

To ensure that the Court processes only civil filings for which all required fees are paid in full, it should consider the following:

1. Require the division to consistently prepare and promptly mail the required notice notifying the paying party that the bank returned their check unpaid, that it is imposing an administrative fee, and that it must receive full payment within 20-days of the notice.
2. Require the division to impose the administrative fee required by CCP 411.21(g) when a party partially pays the civil filing fees owed to the Court. In addition, the division should include in the notices it mails to parties who partially pay civil filing fees that the filing fee and the administrative fee must be paid within 20 days of the date the notice was mailed. Further, the division should enhance its tracking of partial payments by requiring the clerk to provide to the Civil Division Manager a copy of the 20-day notice to enable the manager to better track and take appropriate action to void filings when full payments are not received by the applicable due date, similar to the handling of filings with dishonored checks.
3. Initiate collection proceedings to collect the required filing and administrative fees due to the Court for cases where it allowed the case to continue even though the responsible parties did not fully pay the required filing and administrative fees.

**Superior Court Responses by: Shelley Walker, CFO      Date: April 11, 2012**

1. Agree. The court reaffirmed the existing process with supervisor and clerks. It was a lack of communication and a training issue. Notice of Returned Check will be prepared and promptly mailed. The notice indicates the amount of fee, a due date for payment to be made within 20 days or prior to a scheduled hearing whichever occurs first, and imposes a \$25 administrative fee. If the fees are not paid the filing will be voided.
2. Agree. The court will comply with all provisions of CCP 411.21 and will create a Notice of Underpayment of Fees together with written procedures.
3. The court does not agree with the recommendation. The court does not have a collection program to collect civil fees through a small claims action nor the resources or staffing to implement such a program due to reduced funding. The court will track payment due dates. However, not allowing the case to continue if a hearing has been scheduled may prejudice a party to the action. It would be a judicial determination whether or not the case should proceed. As an alternative, the case and responsible party will be flagged as fees due and the judge will be advised of a party's non-payment status in the event a subsequent filing is presented by that party or the case returns to calendar.

## 6. Information Systems

### Background

Courts make wide use of information technology (IT) to support their operations. For example, courts use IT services to operate and maintain automated case management systems, accounting systems, and local area networks. Since information systems are integral to daily court operations, courts must maintain their systems in proper working order, protect their systems from interruptions, and establish a systems recovery plan should it experience an unexpected system mishap. Courts must also implement controls to prevent unauthorized access to sensitive and confidential information, and to protect the integrity of its information.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with information systems. A description of these accounts and audit procedures we performed to review the Court's information systems controls follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	%Change
	2011	2010		
<b>Expenditures</b>				
943201 IT MAINTENANCE	6,336	5,486	850	15%
943202 IT MAINTENANCE - HARDWARE	4,971	5,150	(180)	-3%
943203 IT MAINTENANCE - SOFTWARE	636		636	-
<b>* 943200 - IT MAINTENANCE</b>	<b>11,943</b>	<b>10,636</b>	<b>1,306</b>	<b>12%</b>
943301 IT COMMERCIAL CONTRACTS	72,462	126,479	(54,017)	-43%
<b>* 943300 - IT COMMERCIAL CONTRACT</b>	<b>72,462</b>	<b>126,479</b>	<b>(54,017)</b>	<b>-43%</b>
943401 IT INTER-JURISDICTIONAL C		7,727	(7,727)	-100%
<b>* 943400 - IT INTER-JURISDICTIONAL</b>		<b>7,727</b>	<b>(7,727)</b>	<b>-100%</b>
943501 IT REPAIRS & SUPPLIES	44	380	(336)	-88%
943502 IT SOFTWARE & LICENSING F	58,226	55,110	3,116	6%
943503 COMPUTER SOFTWARE	351	321	30	9%
<b>* 943500 - IT REPAIRS/SUPPLIES/LICE</b>	<b>58,621</b>	<b>55,812</b>	<b>2,809</b>	<b>5%</b>
<b>** INFORMATION TECHNOLOGY (IT) TOTAL</b>	<b>143,026</b>	<b>200,654</b>	<b>(57,628)</b>	<b>-29%</b>

We reviewed various IT controls through interviews with Court management, inspection of the server room, and review of documents. Some of the primary reviews and tests include:

- Systems backup and data storage procedures.
- Continuity and recovery procedures in case of natural disasters and other disruptions to Court operations.
- Logical access controls, such as user account management.
- Physical security controls, such as server room access.
- Controls over access to DMV records.

In addition, we reviewed automated calculation and distribution of fees, fines, forfeitures, restitutions, penalties, and assessments for sample criminal and traffic violations to determine whether the Court correctly distributed funds to the appropriate government entities.

**The following issues were considered significant enough to bring to management's attention. Appendix A of this report contains additional minor issues associated with this area.**

## **6.1 The Court Needs to Improve 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 (SCO Appendix C) and the *Uniform Bail and Penalty Schedule (UBS)* issued by the Judicial Council to calculate and distribute these court collections to the appropriate State and local funds. Courts use either an automated system, manual process, or a combination of both to perform the often complex calculations and distributions required by law.

### **Issues**

To determine whether the Court correctly calculated and distributed collections, we reviewed the distributions calculated by the Court's CMS, Sustain, of selected cases with violations that the Court disposed during calendar year 2011. In total, we reviewed 22 cases of the following case types:

- **Traffic Infraction (12 total)** – Speeding (2), Red Light (3), Railroad Crossing (2), Child Restraint (2), Unattended Child (1), Proof of Financial Responsibility (1), and Proof of Correction (1).
- **Non-Traffic Infraction (1 total)** – Fish & Game (1)
- **Misdemeanor/Felony (9 total)** – DUI (4), Reckless Driving (2), Domestic Violence (1), and Health & Safety (2)

In addition, we reviewed selected criminal domestic violence cases to determine whether the Court assessed the minimum required domestic violence fines and fees.

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

1. The Court did not apply the GC 68090.8 – 2% deposit for automation to the following assessments and, as a result, understated its associated distribution to the State:
  - The GC 76000.10(c) – emergency medical air transportation (EMAT) penalty assessment for all cases reviewed that were disposed as bail forfeitures.
  - The PC 1463.25 – alcohol abuse education and prevention assessment for all four DUI cases reviewed.
  - The FG 12021 – secret witness penalty assessment for the Fish & Game case we selected to review.
2. The Court incorrectly distributed two Red Light cases we selected to review, including a bail forfeiture case and a traffic school case. Specifically, the Court did not include the

EMAT penalty assessment when calculating the 30 percent allocation to the arresting agency's general fund. As a result, it overstated its distribution to the State EMAT fund.

Additionally, for the Red Light traffic school case, the Court also did not include either the GC 70372 – state court construction or the GC 76101 – local criminal justice penalty assessments when calculating the VC 42007.3 – 30 percent allocation to the arresting agency's general fund. Therefore, it overstated its distribution to the County general fund and understated its distribution to the arresting agency's general fund. Further, although it correctly included the GC 76104 – emergency medical services (EMS) penalty assessment when calculating the 30 percent allocation to the arresting agency's general fund, it incorrectly distributed the EMS penalty assessment as net of 30 percent instead of the amount required by the special distribution in VC 42007(b)(2). As a result, it overstated its distribution to the County general fund and understated its distribution to the local EMS fund.

3. For three of the four traffic school cases reviewed, the Court incorrectly distributed the EMAT penalty assessment to the State EMAT fund instead of distributing the EMAT penalty assessment to the VC 42007 – traffic violator school (TVS) fee. Additionally, similar to the Red Light traffic school case above, for the Railroad traffic school case reviewed, the Court did not include the EMAT penalty assessment when calculating the 30 percent allocation to the applicable local agency responsible for railroad safety education. As a result, it overstated its distribution to the State EMAT fund and understated its distribution to the County general fund and the applicable local agency responsible for railroad safety education.
4. For the Fish & Game case we selected to review, the Court incorrectly reduced the \$15 secret witness penalty assessment from the base fine and other penalty assessments. Instead of adding the secret witness penalty assessment as an additional penalty assessment.
5. The Court incorrectly distributed two Health & Safety cases we selected to review. For one case where the judge assessed a reduced total fine, the Court's top-down distribution was not proportional to the standard distribution, including base fine enhancements.

For the second case reviewed involving a County arrest, the Court did not calculate and distribute the State portion of the H&S 11502 – 75 percent State/25 percent County/City base fine split, resulting in understated distributions to the State and overstated distributions to the County. Furthermore, it did not distribute the H&S 11372.5 - criminal analysis laboratory fee of \$50 and H&S 11372.7 – drug program fee of up to \$150 from the base fine, thus understating distributions to the local criminalistics laboratories fund and the local drug program fund, respectively, and overstating distributions to the County general fund.

6. The Court did not correctly distribute the PC 1203.097 – domestic violence (DV) fee of \$400 in 8 of 17 criminal DV cases we selected to review where the sentencing included probation. Specifically, although it correctly distributed the DV fee for nine cases

charged with violating PC 273.5(a), it did not distribute the fee for seven cases charged with misdemeanor PC 166(c)(1), PC 243(e), or PC 273.6(a) violations, and only distributed a DV fee of \$330 for one case where it reduced the original PC 273.5 charge to a PC 243(e) charge. The Court provided CMS distribution tables to demonstrate that it currently distributes the \$400 DV fee for PC 243(e) cases, but still does not correctly distribute the fee for PC 166(c)(1) and PC 273.6(a) cases.

### **Recommendations**

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

1. Configure its CMS to apply the 2% automation distribution to the EMAT penalty assessment for all bail forfeiture dispositions, the alcohol abuse education and prevention assessment for DUI cases, and the secret witness penalty assessment for Fish & Game cases.
2. Analyze its CMS to ensure that it includes the EMAT penalty assessment when calculating the 30 percent allocation to the arresting agency's general fund for Red Light cases.

It should also ensure that, for Red Light traffic school cases, its CMS includes the state court construction and local criminal justice penalty assessments when calculating the 30 percent allocation to the arresting agency's general fund, and distribute the entire local EMS penalty assessment rather than the assessment net of 30 percent.

3. Configure its CMS to allocate the EMAT penalty assessment to the VC 42007 –TVS fee for traffic school cases. Additionally, ensure the CMS includes the EMAT penalty assessment when calculating the 30 percent allocation for Red Light and Railroad traffic school cases before allocating the remaining balance of the EMAT penalty assessment to the TVS fee.
4. Configure its CMS to distribute the \$15 secret witness penalty for Fish & Game cases as an additional assessment to the other base fine, penalties, surcharge, and fees.
5. Analyze its CMS distribution tables for Health & Safety cases to ensure that the top-down distribution is proportional to the standard distribution, including base fine enhancements.

Additionally, ensure that its CMS distributes the \$50 criminal analysis laboratory fee and drug program fee of up to \$150 as base fine enhancements, and distribute the remaining balance of the base fine in accordance with the 75 percent State/25 percent County/City base fine split.

6. Analyze its CMS distribution tables for PC 166(c)(1), PC 243(e), or PC 273.6(a) violations to ensure that the system distributes the minimum \$400 DV fee.

**Superior Court Responses by: Jeanne Caughell, CEO Date: July 11, 2012**

Recommendations 1 – 5: Agree. Fees, fines, and penalty assessments are programmed to perform statutory distributions automatically through Sustain's Auto-Assess capabilities. Auto-Assess programming and any subsequent programming to Sustain due to statutory changes are interpreted, managed, and funded by the Administrative Office of the Courts (AOC). This is helpful to the trial courts to ensure statewide consistency in distributions and compliance with the manual of Accounting and Audit Guidelines for Trial Courts prepared by the State Controller's Office for courts using the Sustain Case Management System. The Court will initiate dialogue with AOC IT to address the issues noted by 09/30/2012.

Recommendation 6: Agree. The court will review the distribution tables and ensure that the bench officers, managers, supervisors and courtroom clerks are aware of the minimum DV fee as well have the need to document any reasons for any court ordered reduced fee.

## 7. Banking and Treasury

### Background

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. The FIN Manual, FIN 13.01, establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury and with the County. It deposits in AOC-established accounts allocations for court operations, filing and most other civil fees, civil assessments, and court-ordered sanctions under AB 145. It also deposits some operations funds, trust funds, and collections to be distributed to various government entities in the County Treasury.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with Banking and Treasury. A description of these accounts and audit procedures we performed to review the Court's banking procedures follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Assets</b>				
100000 POOLED CASH	189,567		189,567	-
100011 OPS DEPOSIT	8,388		8,388	-
100025 DISB CHECK-OPERATIONS	(108,927)		(108,927)	-
100027 DISB OUTGOING EFT	(15,086)		(15,086)	-
111000 BLOCK CASH-OPERATIONS ACC		103,581	(103,581)	-100%
111002 BLOCK CASH OPERATIONS IN-		1,628	(1,628)	-100%
111100 BLOCK CASH-OPERATIONS CLE		(24,718)	24,718	100%
117500 BLOCK CASH CIVIL FILING F		108,736	(108,736)	-100%
117502 BLOCK CASH CIVIL FILING F		660	(660)	-100%
120001 CASH WITH COUNTY	1,031,125	1,369,176	(338,051)	-25%
120051 SHORT TERM INVESTMENTS-CA	657,212		657,212	-
<b>Liabilities</b>				
321600 A/P - TC145 LIABILITY	(110,845)	(109,396)	1,448	1%
323010 TREASURY INTEREST PAYABLE	(6)		6	-
351003 LIABILITIES FOR DEPOSITS	(359)		359	-
353090 FUNDS HELD OUTSIDE OF THE	(30,304)	(157,170)	(126,866)	-81%
375001 ACCRUED PAYROLL	(115,008)	(107,574)	7,434	7%
<b>*** Current Liabilities</b>	<b>(145,671)</b>	<b>(264,744)</b>	<b>(119,073)</b>	<b>-45%</b>
<b>Revenue</b>				
825010 INTEREST INCOME	(9,214)	(16,737)	(7,523)	-45%
<b>** 825000-INTEREST INCOME</b>	<b>(9,214)</b>	<b>(16,737)</b>	<b>(7,523)</b>	<b>-45%</b>
<b>Expenditures</b>				
920302 BANK FEES	3,699	7,170	(3,471)	-48%

The Trial Court Trust and Treasury Services unit provides various banking and treasury services to the Court for funds on deposit with the AOC Treasury. These services include but are not



limited to investing trial court funds, performing monthly bank account reconciliations, and providing periodic reports to trial courts and other stakeholders. Therefore, we only performed a high level review of the Court's banking and treasury procedures, including the following:

- Bank account reconciliation procedures.
- Procedures for opening and closing bank accounts.
- Approval requirements for accepting credit and debit card payments.
- Segregation of banking duties.
- Procedures to identify and escheat funds.

**Appendix A of this report contains minor issues associated with this area.**

## 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 and perimeter security services. The sheriff specifies the level of security services it agrees to provide and the associated costs, and these services and costs are included in the MOU that also specifies the terms of payment. The Court entered into an MOU with the County Sheriff for bailiff and other court security services, and contracts with a vendor to provide entrance screening services.

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

The table below presents year-end general ledger account balances from the Court that we consider to be associated with court security. A description of these accounts and audit procedures we performed to review the Court's court security practices follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Expenditures</b>				
934503 PERIMETER SECURITY-SHERIF	74,264	120,353	(46,089)	-38%
934504 PERIMETER SEC-CONTRCT (OT	168,100	162,615	5,484	3%
934510 COURTROOM SECURITY-SHERIF	531,564	442,234	89,331	20%
* <b>934500 - SECURITY</b>	<b>773,928</b>	<b>725,202</b>	<b>48,725</b>	<b>7%</b>
941101 SHERIFF - REIMBURSEMENTS	4,755	4,430	325	7%
* <b>941100 - SHERIFF</b>	<b>4,755</b>	<b>4,430</b>	<b>325</b>	<b>7%</b>

We reviewed the Court's security controls through interviews with Court management, observation of security conditions, and review of documents. We also reviewed the its court security services agreements, compared budgeted and actual security expenditures, and reviewed sample court security invoices to determine whether costs billed are allowable by statute and comply with service agreements.

**Appendix A of this report contains minor issues associated with this area.**

## 9. Procurement

### Background

The FIN Manual, FIN 6.01 provides uniform guidelines for trial courts to use in procuring necessary goods and services and to document their procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and documents approval by an authorized individual. The requestor identifies the correct account codes(s), verifies that budgeted funds are available for the purchase, and completes the requisition form. Individuals responsible for approving the purchase verify that the correct account codes(s) are specified and that funding is available for the purchase. Depending on the type, cost, and frequency of the good or service to be purchased, court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases. Although the Judicial Branch Contracting Manual became effective on October 1, 2011 and superseded the FIN Manual, Policy No. FIN 6.01, we reviewed procurement activity conducted in fiscal year 2010–2011 when FIN 6.01 was effective.

We reviewed the Court's procurement practices to determine whether purchasing, approval, receipt, and payment roles are sufficiently segregated. We also reviewed selected purchase transactions to determine whether the Court obtained approvals from authorized individuals and followed open and competitive procurement practices provided in the FIN Manual. Additionally, we reviewed sample purchase card transactions to assess compliance with FIN Manual requirements for purchase cards.

**The following issues were considered significant enough to bring to management's attention. Appendix A of this report contains additional minor issues associated with this area.**

### 9.1 The Court Can Improve Its Procurement Practices

#### Background

As stewards of public funds, trial courts are obligated to use sound procurement practices to demonstrate that they purchased goods and services in a fair and reasonable manner and used public funds economically. To obtain the best value for a purchase, courts should solicit competing offers from multiple, well-qualified vendors while considering the amount of time and resources dedicated to such activities. Therefore, we believe that the procurement methods and corresponding dollar thresholds suggested by the FIN Manual provide a good framework for courts to follow. Although effective October 1, 2011, the Judicial Branch Contracting Manual superseded the FIN Manual procurement and contracts policies, these FIN Manual policies were applicable to the prior fiscal year procurement activity under review.

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

The procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee who has been given the responsibility for approving the requisition. This is a separate and distinct process from approving the purchase order or executing the contract. The individual who approves the requisition is responsible for assessing the need for the requested goods or services and assuring that funds are available in the court's budget and that appropriate account codes are provided for the proposed purchase.

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

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

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

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

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

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

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

Although full and open competition is a primary goal of public procurement, courts may use sole-source procurements – soliciting an offer from only one source – for purchases of less than \$500 or for certain reasons causing competitive procurement to not be feasible. FIN 6.01, 6.11 listed these reasons and the documentation required to justify sole-source procurements.

Further, courts may issue purchase orders to authorize vendors to provide goods, and issue contracts to procure services in most cases. When courts require repeated purchases of a broad class of goods, such as office supplies, but do not know the exact items, quantities, and delivery requirements, or want to avoid the administrative cost of issuing numerous purchase orders, they may use blanket purchase orders to streamline the purchasing process. FIN 6.01, 6.4 provided procedures for issuing purchase orders and section 6.12 provided procedures for issuing blanket purchase orders.

Finally, FIN 6.01, 6.14, provided the requirements courts must follow when using purchase cards. Among these requirements, courts must initiate all purchase card procurements with an approved purchase requisition, and may not use purchase cards to circumvent other established procurement procedures. Also, they may not use purchase cards for personal use, but only to pay for goods such as library purchases, subscriptions, office supplies, and minor equipment for official court business. If they use purchase cards to pay for services, such as emergency repairs and association or membership dues, they must comply with Internal Revenue Service regulations and maintain a Vendor Data Record, or W-9, on file for each service supplier. In addition, they may only use purchase cards for purchases with a maximum of \$1,500 per transaction, and should set a suggested daily limit of \$5,000. As with other alternative procedures, courts wanting to set alternative dollar limits must obtain AOC approval prior to implementing these limits. Further, cardholders are responsible for submitting requisitions and receipts to support purchases made on their cards for verification prior to payment. Finally, individual court employee travel expenses may be reimbursed, or purchased with a court credit card that is used only for travel expenses, or centrally purchased using a court travel account.

## **Issues**

To determine whether the Court followed the procurement policies and procedures in the FIN Manual, we interviewed Court management and staff regarding its procurement practices. We also reviewed a selection of fiscal year 2010–2011 invoices, claims, and purchase card transactions; and any available procurement documentation and contract files associated with these expenditures. Our review indicates that the Court did not always follow the FIN Manual procurement guidelines. Specifically, we noted the following:

1. The Court did not establish purchase requisitions for all 18 procurements and 7 of the 10 purchase card transactions we selected to review. Although 6 of the 18 procurements and three of the seven purchase card transactions were supported by quotes, memos, orders, or e-mail requests that were approved by the CEO or CFO, some of these documents did not include a request explaining the reason for the purchase, and one order did not include an estimated purchase price. The remaining 12 procurements and 5 purchase card transactions, many of which were reoccurring purchases, such as printing services or subscription renewals, or purchases with installment payments, such as copier leases, were not supported

by pre-approved purchase requests. Although the CFO explained that she budgets for copier leases and maintenance, office supplies, and other annual expenses in the Court's Baseline Budget; the Court could not demonstrate that an authorized individual assessed the need for the specific good or service and ensure sufficient funds were available in the Court's budget before entering into an agreement for or renewing the purchase.

2. The Court also did not establish standard purchase orders for one-time procurements or blanket purchase orders for repeat procurements with any vendors. The CFO explained that due to the complexity of applying invoice payments to purchase orders in the accounting system, the CFO decided that better use of the limited Court staff resources was to process invoices as direct payments and monitor budget and actual expenditures outside of the accounting system. However, because it did not prepare and use purchase orders, the Court was not protected by the terms and conditions contained in purchase orders that vendors must follow when providing goods and services to the Court. Additionally, it did not encumber funds in accordance with the FIN Manual encumbrance procedures because it did not establish purchase orders in the accounting system for the goods and services it committed to procure.
3. Further, the Court did not follow FIN Manual procurement methods for obtaining and documenting competing offers for 18 standard procurements and two purchase card procurements we selected to review that exceeded \$500. For some of these procurements, the Court indicated that it historically obtained the goods or services from the same vendors. However, the Court did not attempt to solicit competing offers from other vendors when an agreement expired or every few years to ensure it continues to obtain the best value. Furthermore, although the Court may have valid reasons justifying some of these purchases from a single vendor without soliciting competing offers from other vendors, it did not properly document its rationale and authorized pre-approval for its sole-source procurements.
4. In addition, although the Court has a travel business account for lodging expenses, it allowed a judge and two court employees to use their assigned purchase cards to pay for individual travel and personal expenses. Although the Court requires individuals to reimburse it for personal expenses, the process of monitoring and processing reimbursements for personal expenses is time-consuming and prone to error. As a result, we identified one instance where an employee used a Court purchase card to pay for dinner while traveling on Court business, but only a portion of the expense qualified as a business travel expense because the cost of the dinner exceeded the maximum allowed meal expense limit for dinner. The Court did not obtain reimbursement from the employee for the unallowable portion of the meal expense until we brought this oversight to the Court's attention.

The Court also acknowledged that it did not enforce a \$1,500 per transaction limit nor a \$5,000 daily limit for purchase card procurements. Our review identified one purchase that exceeded the maximum \$1,500 per transaction limit.

### **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. Ensure that its procurements of goods and services are supported by well documented, pre-approved purchase requisition requests to demonstrate that authorized individuals assessed the need for the purchase and verified that sufficient funds are available to make the purchase. Although the Court may demonstrate this by attaching an e-mail request and quote, using a purchase requisition form to ensure it captures the necessary information and required approvals is ideal.
2. Establish standard purchase orders with vendors for one-time purchases, and blanket purchase orders for repeat purchases of a general class of goods such as office supplies. Additionally, since courts must encumber amounts over \$500 and may only encumber funds in the accounting system by creating purchase orders, it should establish purchase orders in the accounting system for purchases that exceed \$500 to encumber funds for its contractual commitments.
3. Follow the competitive procurement practices provided in the Judicial Branch Contracting Manual for purchases of goods and services over \$5,000, unless they qualify as non-competitive procurements. Additionally, maintain proper documentation to support non-competitively bid procurements, including but not limited to documenting sufficient justification and authorized pre-approval of sole-source procurements.
4. Remind purchase card holders that purchase cards may not be used to pay for individual travel and personal expenses. The Court may pay for certain travel expenses such as lodging, airfare, and car rental using its business travel account, and reimburse court officials and employees their out-of-pocket expenses for all other qualified business travel expenses.

Further, inform purchase card holders that they may only use purchase cards for purchases with a maximum of \$1,500 per transaction, and consider setting a daily limit of \$5,000 for each purchase card.

**Superior Court Responses by: Jeanne Caughell, CEO Date: July 3, 2012**

Recommendations 1 – 3: Agree. The court entered into a Memorandum of Understanding with the Superior Court of California, County of Riverside for shared procurement services.

The Riverside Superior Court has developed procurement policies, procedures, templates, documents, and related forms that comply with the California Judicial Branch Contract Manual (JBCM)

The Riverside Superior Court is proficient in conducting JBCM-compliant competitive procurements, such as Invitations for Bid, Requests for Proposals, and Leverage Procurements using its expertise and the online competitive procurement system on [www.BidSync.com](http://www.BidSync.com).

The Riverside Superior Court offered the above services to Tuolumne Superior Court to use and share at no cost, and without commitment, during Fiscal Year 2012/2013.

Recommendation 4: Agree. The court will remind purchase card holders that purchase cards may not be used to pay for individual travel and personal expenses. The court will also inform purchase card holders that the cards may be used for purchases with a maximum of \$1,500 per transaction with a daily limit of \$5,000 for each purchase card.



## 10. Contracts

### Background

The FIN Manual, FIN 7.01, establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. Trial court must issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court. Additionally, FIN 7.02 establishes uniform guidelines for courts to follow in preparing, reviewing, negotiating, and entering into agreements with other government entities. Lastly, FIN 7.03 provides policies and procedures for contract administration. Although the Judicial Branch Contracting Manual became effective on October 1, 2011, and superseded FIN 7.01 through 7.03, the contracts and MOUs we reviewed became effective during the timeframe when these FIN Manual sections still applied.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with contracts. A description of these accounts and audit procedures we performed to review the Court's contracting practices follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Expenditures</b>				
938401 GENERAL CONSULTANTS & PRO	69,439	25,478	43,961	173%
938404 ADMINISTRATIVE SERVICE	18,642	29,831	(11,189)	-38%
938411 TRAFFIC SCHOOL MONITORING	22,375	35,041	(12,666)	-36%
<b>* 938300 - GENERAL CONSULTANT AND P</b>	<b>110,456</b>	<b>90,350</b>	<b>20,106</b>	<b>22%</b>
938502 COURT INTERPRETER TRAVEL	4,747	1,900	2,847	150%
938504 COURT INTERPRETERS - CERT	13,901	11,821	2,080	18%
938506 COURT INTERPRETERS - NONC	350	267	83	31%
938507 COURT INTERPRETERS - AMER	564		564	-
<b>* 938500 - COURT INTERPRETER SERVIC</b>	<b>19,563</b>	<b>13,988</b>	<b>5,575</b>	<b>40%</b>
938601 COURT REPORTERS SERVICES	390		390	-
<b>* 938600 - COURT REPORTER SERVICES</b>	<b>390</b>		<b>390</b>	<b>-</b>
938701 COURT TRANSCRIPTS	47,536	58,141	(10,605)	-18%
<b>* 938700 - COURT TRANSCRIPTS</b>	<b>47,536</b>	<b>58,141</b>	<b>(10,605)</b>	<b>-18%</b>
938801 DEPENDENCY COUNSEL CHRGS	5,565	39,387	(33,822)	-86%
938802 DEPENDENCY COUNSEL CHRGS	31,176	32,833	(1,657)	-5%
938803 COURT-APPOINTED COUNSEL C	3,190		3,190	-
938899 COURT APPOINTED COUNSEL C	5,420	3,215	2,205	69%
<b>* 938800 - COURT APPOINTED COUNSEL</b>	<b>45,351</b>	<b>75,435</b>	<b>(30,084)</b>	<b>-40%</b>
939001 COURT-ORDERED INVESTIGATI		450	(450)	-100%
939002 PSYCHIATRIC EVALUATIONS	3,140	2,620	520	20%
939003 COURT-ORDERED PROFESSIONA	3,310	6,840	(3,530)	-52%
939017 EVALUATION MENTAL COMPETE	3,300	4,300	(1,000)	-23%
939020 PROBATE EVALUATIONS & REP	4,580	26,400	(21,820)	-83%
<b>* 939000 - COURT ORDERED PROFESSION</b>	<b>14,330</b>	<b>40,610</b>	<b>(26,280)</b>	<b>-65%</b>
939101 MEDIATORS/ARBITRATORS	58,475	38,950	19,525	50%
939102 CIVIL ARBITRATION FEE	150	2,250	(2,100)	-93%
<b>* 939100 - MEDIATORS/ARBITRATORS</b>	<b>58,625</b>	<b>41,200</b>	<b>17,425</b>	<b>42%</b>

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Expenditures</b>				
939402 LABOR NEGOTIATIONS		1,307	(1,307)	-100%
939420 SMALL CLAIMS ADVISORY SER	6,200	6,717	(517)	-8%
* <b>939400 - LEGAL</b>	<b>6,200</b>	<b>8,024</b>	<b>(1,823)</b>	<b>-23%</b>
939801 OTHER CONTRACT SERVICES	7,700	8,663	(963)	-11%
* <b>939800 - OTHER CONTRACT SERVICES</b>	<b>7,700</b>	<b>8,663</b>	<b>(963)</b>	<b>-11%</b>
** <b>CONTRACTED SERVICES TOTAL</b>	<b>310,150</b>	<b>336,410</b>	<b>(26,260)</b>	<b>-8%</b>
942302 AUDITOR-CONTROLLER SERVIC	26,100	26,380	(280)	-1%
* <b>942100 - COUNTY-PROVIDED SERVICES</b>	<b>26,100</b>	<b>26,380</b>	<b>(280)</b>	<b>-1%</b>

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

We reviewed MOUs entered into with the County to determine whether they are current and contain minimum required terms and conditions. Additionally, we performed a trend analysis of county-provided revenue and services expenditures for the last three fiscal years to determine whether they are covered by current MOUs and whether the Court has sufficient procedures to monitor and control these costs. We also reviewed selected invoices to determine whether the services billed by the County were allowable, reasonable, sufficiently itemized, and supported.

**The following issues were considered significant enough to bring to management's attention. Appendix A of this report contains additional minor issues associated with this area.**

## 10.1 The Court Needs to Negotiate Agreements for County-Provided Services

### Background

Government Code (GC) section 77212 requires a court to enter into a contract with the county to define the services the court desires to receive from the county and the services the county agrees to provide the court. A Memorandum of Understanding (MOU) may serve as the contract between the county and the court. An MOU is a written statement that outlines the terms of an agreement or transaction between government entities. Because of the historical relationship between courts and counties, courts commonly use MOUs to establish agreements for county-provided services.

### Issue

To obtain an understanding of the types of services the County of Tuolumne (County) provides to the Court and the manner in which the Court is billed for these services, we analyzed the trend in the Court's payments to the County in the prior three fiscal years, interviewed appropriate Court and County personnel, reviewed existing MOUs between the Court and County, and reviewed selected County invoices submitted to the Court in fiscal year 2010–2011.

Our review revealed that although the Court and County entered into MOUs for court security services and collections services, they do not have current MOUs for other county-provided services. Specifically, the County provides the Court with custodial, dependency counsel, archive, telecommunications, mailing, payroll processing, accounting, and treasury services. The Court and County entered into agreements for some of these services in fiscal year 2003–2004, but did not renew the agreements when they expired. They also entered into an agreement in fiscal year 2002–2003 for dependency counsel services that did not have a termination date, but did not amend the agreement to reflect the change in method of payment. Without current MOUs or other agreements with the County, the Court is not in compliance with statute and cannot be sure it is appropriately paying only for the level of county-provided services it is receiving.

**Recommendation**

To ensure the Court adequately protects its best interests, receives the services it expects from the County, and pays only costs that are allowable, it should consider entering into the required contract, MOU, with the County for the services the County is currently providing to the Court and that are not covered by a current MOU.

**Superior Court Response By: Jeanne Caughell, CEO Date: July 6, 2012**

Agree. Pursuant to Government Code section 77212 the court contacted the County Administrative Officer in March 2012, to discuss updating or drafting a court/county MOU or multiple MOU's that will identify the scope of services, methods of service delivery, term of agreement, anticipated services outcomes, and the cost of the services. Additionally any indirect or overhead costs will be specified individually with the method of calculation.

Services currently provided by the county currently include housekeeping, dependency counsel, archive storage and destruction, accounting, payroll, HR, and telecommunications

The MOU(s) will have an effective date of July 1, 2012.

## 11. Accounts Payable

### Background

The FIN Manual provides uniform guidelines for processing vendor invoices, in-court service provider claims, and court-appointed counsel claims. Trial court personnel must route invoices and claims submitted by vendors and court service providers to trial court accounts payable staff for processing. The accounts payable staff must process the invoices in a timely fashion. While processing for payment, they must verify that amounts billed match purchase agreements, and that authorized court personnel approved the invoice to indicate that goods were received or services were provided.

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

The table below presents year-end general ledger account balances from the Court that we consider to be associated with accounts payable. A description of these accounts and audit procedures we performed to review the Court's accounts payable procedures follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	%Change
	2011	2010		
<b>Liabilities</b>				
322001 A/P - DUE TO OTHER GOVERN	(178,416)	(115,295)	63,121	55%
330001 A/P - ACCRUED LIABILITIES	(17,957)	(34,917)	(16,960)	-49%
<b>Expenditures</b>				
920601 MISCELLANEOUS OFFICE SUPP	32,180	1,010	31,170	3086%
920601 MISCELLANEOUS OFFICE SUPP		27,265	(27,265)	-100%
920603 FIRST AID/SAFETY SUPPLIES		25	(25)	-100%
920699 OFFICE EXPENSE	3,015	934	2,080	223%
<b>* 920600 - OFFICE EXPENSE</b>	<b>35,195</b>	<b>28,224</b>	<b>6,971</b>	<b>25%</b>
921504 JOB BULLETINS	316		316	-
<b>* 921500 - ADVERTISING</b>	<b>316</b>		<b>316</b>	<b>-</b>
921702 MEETING AND CONFERENCE -	588	281	307	109%
921704 SPECIAL EVENTS	25		25	-
921799 MEETINGS, CONFERENCES, EX	502		502	-
<b>* 921700 - MEETINGS, CONFERENCES, E</b>	<b>1,115</b>	<b>281</b>	<b>834</b>	<b>297%</b>
922399 LIBRARY PURCHASES AND SUB	24,215	25,390	(1,175)	-5%
<b>* 922300 - LIBRARY PURCHASES AND SU</b>	<b>24,215</b>	<b>25,390</b>	<b>(1,175)</b>	<b>-5%</b>

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Expenditures</b>				
922799 EQUIPMENT RENTAL/LEASE	13,594	17,060	(3,465)	-20%
* <b>922700 - EQUIPMENT RENTAL/LEASE</b>	<b>13,594</b>	<b>17,060</b>	<b>(3,465)</b>	<b>-20%</b>
922806 SECURITY SYSTEM MAINTENAN	38,357		38,357	-
922899 OFFICE EQUIPMENT MAINTENA	7,363	12,372	(5,008)	-40%
* <b>922800 - EQUIPMENT MAINTENANCE</b>	<b>45,720</b>	<b>12,372</b>	<b>33,349</b>	<b>270%</b>
922908 FURNITURE REPAIR		225	(225)	-100%
922909 SECURITY EQUIPMENT REPAIR	300		300	-
922999 EQUIPMENT REPAIRS	49		49	-
* <b>922900 - EQUIPMENT REPAIRS</b>	<b>349</b>	<b>225</b>	<b>124</b>	<b>55%</b>
920306 PARKING FEES	1,403	1,403	-	0%
923999 GENERAL EXPENSE-SERVICE	18,628	31,743	(13,115)	-41%
* <b>923900 - GENERAL EXPENSE - SERVIC</b>	<b>18,628</b>	<b>31,743</b>	<b>(13,115)</b>	<b>-41%</b>
924501 PRINTED FORMS	18,559	15,075	3,484	23%
924599 PRINTING	566	44	522	1192%
* <b>924500 - PRINTING</b>	<b>19,125</b>	<b>15,119</b>	<b>4,006</b>	<b>26%</b>
925101 TELECOMMUNICATIONS	47,024	56,653	(9,629)	-17%
* <b>925100 - TELECOMMUNICATIONS</b>	<b>47,024</b>	<b>56,653</b>	<b>(9,629)</b>	<b>-17%</b>
926101 STAMPS	383	2,707	(2,324)	-86%
926199 STAMPS, STAMPED ENVELOPES	27,726	31,217	(3,491)	-11%
* <b>926200 - STAMPS, STAMPED ENVELOPE</b>	<b>28,109</b>	<b>33,924</b>	<b>(5,815)</b>	<b>-17%</b>
928802 VEHICLE INSURANCE	3,127	4,033	(907)	-22%
928803 PROPERTY INSURANCE	1,192	1,083	109	10%
* <b>928800 - INSURANCE</b>	<b>4,319</b>	<b>5,116</b>	<b>(798)</b>	<b>-16%</b>
935201 RENT/LEASE STATE OWNED	13,188	14,547	(1,359)	-9%
935301 JANITORIAL SERVICES	51,755	68,443	(16,688)	-24%
* <b>935300 - JANITORIAL</b>	<b>51,755</b>	<b>68,443</b>	<b>(16,688)</b>	<b>-24%</b>
935701 SIGNS & RELATED SUPPLIES		591	(591)	-100%
935799 OTHER FACILITY COSTS - GO	651	106	545	514%
* <b>935700 - OTHER FACILITY COSTS - G</b>	<b>651</b>	<b>697</b>	<b>(46)</b>	<b>-7%</b>
935899 OTHER FACILITY COSTS - SE	1,115	2,104	(989)	-47%
* <b>935800 - OTHER FACILITY COSTS - S</b>	<b>1,115</b>	<b>2,104</b>	<b>(989)</b>	<b>-47%</b>
936101 UTILITIES	5,760	5,250	510	10%
* <b>936100 -UTILITIES</b>	<b>5,760</b>	<b>5,250</b>	<b>510</b>	<b>10%</b>
952402 OIL & LUBRICATION	43		43	-
952403 TIRES AND TUBES		660	(660)	-100%
952499 VEHICLE OPERATIONS	4,599	8,285	(3,686)	-44%
* <b>952300 - VEHICLE OPERATIONS</b>	<b>4,642</b>	<b>8,944</b>	<b>(4,302)</b>	<b>-48%</b>
929201 IN-STATE TRAVEL EXPENSE C	381	328	53	16%
929202 IN-STATE AIR TRANSPORTATI		(490)	490	100%
929206 LODGING-IN STATE	369	1,778	(1,410)	-79%
929207 RAIL, BUS TAXI, FERRY-IN		12	(12)	-100%
929210 PRIVATE CAR MILEAGE-OTHER		95	(95)	-100%
929211 PARKING-IN STATE	182	334	(152)	-46%
929299 TRAVEL IN STATE	3,265	1,352	1,913	142%
* <b>929200 - TRAVEL- IN STATE</b>	<b>4,197</b>	<b>3,410</b>	<b>787</b>	<b>23%</b>

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	%Change
	2011	2010		
<b>Expenditures – Jury</b>				
965101 JURORS - FEES	10,830	10,800	30	0%
965102 JURORS - MILEAGE	2,331	2,379	(48)	-2%
965106 JURORS NON-SEQUESTERED ME	879	1,549	(670)	-43%
* 965100 - JUROR COSTS	14,040	14,728	(688)	-5%

To evaluate the Court's compliance with invoice and claim processing procedures specified in the FIN Manual, we interviewed Court staff who perform accounts payable activities, and reviewed sample invoices and claims. We also assessed its compliance with additional requirements provided in statute or policy for processing court transcripts claims, contract interpreter claims, and jury per diems and mileage reimbursements. Furthermore, we reviewed sample travel expense claims and business meal expenditures to assess compliance with *AOC Travel Reimbursement Guidelines* and *Business-Related Meals Reimbursement Guidelines* provided in the FIN Manual.

**The following issues were considered significant enough to bring to management's attention. Appendix A of this report contains additional minor issues associated with this area.**

## 11.1 The Court Needs to Strengthen Its Invoice Review and Approval Procedures

### 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 and claims 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 "in-court" services claims for payment. In-court service providers may include but are not limited to court-appointed counsel, investigators, psychiatrists, psychologists, court reporters, interpreters, mediators, and arbitrators.

FIN 8.01, 6.3.2 provides guidelines for accounts payable staff to match invoices to appropriate supporting documentation when processing invoices for payment. This "three-point-match" procedure consists of matching an invoice to a purchase agreement and to proof of receipt and acceptance of goods or services. For example, the accounts payable employee must match all details of the invoice, including description of goods and services ordered, quantities invoiced, unit prices billed and other applicable charges to the details and terms and conditions of the court's purchase agreements or contracts. Additionally, she must match all invoice details, including description of goods or services ordered and quantities invoiced to the details of packing slips, shipping orders, receiving reports, or an authorized court employee's acknowledgement of delivery of products or completion of work. If one element is missing, the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

FIN 8.02 addresses steps unique to processing in-court services claims, but other steps involved in processing claims that are not discussed in FIN 8.02 are identical to those for processing invoices as referenced in FIN 8.01. For instance, FIN 8.02, 6.3 specifies documentation required to be submitted in order for a claim to be paid, which includes a court-approved claim form, a copy of the court authorization issued to the individual or business that is making the claim, and an itemized invoice describing the services provided and costs incurred. Section 6.5 specifies that in cases where rates are not established by statute, the court may set limits on the rates charged by service providers. The rates allowed shall be reasonable for the type of service performed and shall be consistent from vendor to vendor. Section 6.8 requires an accounts payable employee to reconcile the claim to the original court authorization for the services provided and the service provider's invoice.

Further, the Judicial Council has established Payment Policies for Contract Court Interpreters. For example, the policy lists full-day and half-day payment rates, and allows for payment above the daily rate under certain unusual circumstances.

### **Issues**

To determine whether the Court adheres to the invoice and claim processing policies and procedures in the FIN Manual, we interviewed appropriate Court staff regarding the Court's current invoice and claim processing practices. We also reviewed selected invoices and claims paid in fiscal year 2010–2011, and identified the following weaknesses and areas of noncompliance:

1. For 3 of the 20 invoices and 4 of the 30 claims we selected to review, the Court could not provide procurement documents, such as a quote, purchase order, contract, or court authorization, it needs to perform a three-point match to verify the rates and amounts billed. One invoice was a monthly billing for printing and mailing court summons and notices. Although the Court paid nearly \$28,800 in the prior fiscal year for this service, it had not entered into a standard agreement with the contractor to document the services to be provided, the rates to be charged, and other important terms and conditions. The other two invoices were significantly less in amount and did not require standard agreements, but the Court also could not provide short-form agreements, purchase orders, or approved quotes to document the goods or services procured and the agreed upon rates or costs. The Court also could not provide contracts or written court authorizations to support 4 of the 10 claims we reviewed where payment rates for in-court services may be set by the Court, including two family law mediator claims, one probate evaluator claim, and one court-appointed counsel claim. As a result, we could not always determine whether the Court paid the correct agreed upon rates and amounts.
2. In addition, for 28 of the 30 claims we selected to review that were submitted by mediators, interpreters, and reporters, copies of the associated court authorizations were not attached to the claims to demonstrate that the Court authorized the claimants to provide the services for the cases or days, and at the rates or amounts billed. Instead, the CEO or CFO approved all the claims for payment, and 26 of the 28 claims contained a second reviewer's approval signature indicating that a knowledgeable individual verified that the services were provided. Specifically, the Civil Mediation and Settlement

Program Project Manager approved the civil and small claims mediator claims, the Court Services Manager approved reporter per diem and transcript claims, and the Interpreter Coordinator approved interpreter claims. However, the Court did not prepare and submit to the AOC a request for approval of its alternative procedure that would have explained the reasons for not implementing the required FIN Manual procedure, described its alternate procedure, and proposed controls to mitigate the risks associated with not implementing the required FIN Manual procedures.

3. Also, of the 10 interpreter claims selected for review, the Court could not demonstrate that the CEO or written designee pre-approved the following instances after ensuring that the additional pay were reasonably justified before paying for services and travel at amounts higher than the rates adopted by the Judicial Council:
  - Paying a full-day rate for a half-day of service for five claims.
  - Compensating \$40 per hour for 4.5 to 6 hours of travel time per claim for three claims.
  - Reimbursing the additional mileage claimed for travel from beyond the individual's business headquarters for one claim.

### **Recommendations**

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

1. Establish and retain appropriate procurement documents and make them available to fiscal staff so they can perform the required three-point match when processing invoices and claims for payment. Specifically, the Court should enter into agreements with vendors for large, reoccurring, or complex services, and establish purchase orders or retain approved quotes to support other procurements. Additionally, it should document court authorizations and rates for various in-court services. Copies of these procurement documents should be made available to Court fiscal staff to confirm services, quantities, and rates before they process the invoices and claims for payment.
2. Provide court authorizations to in-court service providers to document the services to be provided, the cases or timeframes assigned, and the rates or amounts to be paid. Furthermore, require service providers to attach a copy of the court authorization to their claims when submitting claims for payment. If the Court wishes to rely on an alternative procedure to verify and process claims, it should prepare and submit to the AOC a request for approval of its alternative procedure and explain the reasons for not implementing the required FIN Manual procedure, describe its alternate procedure, and propose controls to mitigate the risks associated with not implementing the required FIN Manual procedures.
3. Require requests for payment for court interpreter services at rates or amounts above the rates or amounts established in the Payment Policies for Contract Court Interpreters to be supported by a written justification pre-approved by the CEO. If the CEO delegates the authority to negotiate interpreter payment to an authorized designee, this delegation should be made in writing to properly document the delegation.



**Superior Court Responses by: Jeanne Caughell, CEO Date: July 3, 2012**

1. Agree. The court will work with the Riverside procurement specialist through the shared services MOU to establish appropriate procurement documents and court authorization and rates for in-court services.
2. Agree. The court will provide authorizations to in-court service providers once established pursuant to recommendation 1 and require the providers to attach a copy of authorizations when submitting claims for payment unless an alternate procedure is determined to be more appropriate and efficient.

If after consulting with the procurement specialist the court determines that an alternative procedure would be more resource efficient and would also mitigate the risks associated with not implementing the required FIN manual procedure, the court will submit a request for approval of an alternate procedure to the AOC.

3. Agree. Payments for court interpreter services above the rates or amount established will be supported by written justification pre-approved by CEO or documented designee.

It should be noted that Tuolumne Superior Court does not have interpreter employees and is located at least 2 hours from the large urban areas of Sacramento and San Francisco. Few Spanish language interpreters reside in-county and it is particularly difficult to obtain multiple interpreters for multiple defendant cases. Additionally, other than Spanish language interpreters are generally obtained from out-of-county areas and charge a higher rate to travel to Sonora.

## **11.2 Travel and Business Meal Expense Reimbursement Procedures Need Improvement**

### **Background**

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

The rules and limits for arranging, engaging in, and claiming reimbursement for travel on official court business are specified in the FIN Manual. Specifically, FIN 8.03, 3.0(1) states:

The trial court should reimburse its judges and employees for reasonable and necessary travel expenses incurred while traveling on court business within the limits of the trial court's maximum reimbursement guidelines. Under Government Code section 69505, the AOC's Travel 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 No. FIN 1.01, Trial Court Organization, Section 6.4, Paragraph 4.

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

#### Business Travel

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

Paragraph 6.4 of this procedure 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 Judicial Branch Travel Guidelines. Judges and employees who incur reimbursable business travel costs must submit a completed travel expense claim (TEC) form that notes the business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level.

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

<b>MEALS</b>	<b>MAXIMUM REIMBURSEMENT</b>
Breakfast	Not to Exceed \$ 6
Lunch	Not to Exceed \$10
Dinner	Not to Exceed \$18
Incidentals	Not to exceed \$ 6

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

#### Business Meals

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

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

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

Business meal expenses not approved in advance by the PJ or authorized designee will be considered a personal expense and will not be reimbursed or paid.

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

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

### **Issues**

To determine whether the Court followed the travel and business meal expense guidelines set forth in the FIN Manual, we interviewed appropriate Court staff regarding current travel and business meal reimbursement practices. We also reviewed selected travel and business-related meal expenses paid in fiscal year 2010–2011 and identified the following areas of non-compliance:

1. The Court did not always require appropriate level approval signatures on the TEC forms before paying the claims. Specifically, the CFO signed approving 6 of the 10 TECs we reviewed and that were submitted by judicial officers, the CEO, a court clerk, and a mediator. However, the PJ would be the appropriate approval level for judicial officers' and the CEO's TECs, while a court services manager would be the appropriate approval level for the clerk's TEC, and the CEO would be the appropriate approval level for the mediators' TECs.
2. In addition, the Court did not prepare the required business-related meal expense form, memo, or e-mail for six of the seven business-related meal expenses we selected to

review. As a result, the Court could not demonstrate that the PJ or authorized designee pre-approved five of these meals. Further, because the required business-related meal information was not documented, the Court could not demonstrate the business purposes for these six meals, the duration of these six meals, as well as the cost-per-person for four of the meals. For example, the Court paid for two meals served during Dependency Drug Court Program meetings that were attended by individuals not employed by the Court, but did not document a business reason for keeping the group together during a meal period. Additionally, although one business-related meal expense was supported by an e-mail request, the request did not contain sufficient information to determine whether it met the duration requirements or cost-per-person limits applicable to the business meal.

3. Further, two of the seven business-related meal expenses we reviewed included unallowable expenses. Specifically, the first meal expense was for a judge's retirement event; however, the Court may not pay or reimburse the costs of a group meal that is intended to be part of a retirement event for a judge or court employee because it is considered to be a personal expense. The second meal expense included unallowable costs for a social event. Although the costs for these expenses were later reimbursed by employee contributions, the Court inappropriately used court funds to initially pay for these unallowable food and alcohol expenses. Further, it then comingled court and non-court funds when it deposited in the court operations fund employee contributions that exceeded the amount needed to reimburse the court for the cost of the expenses. The Court left the excess employee contributions in the court operations fund to pay for the next year's social event expenses.

### **Recommendations**

To ensure it complies with the required AOC travel and business meal policies and procedures, the Court should consider the following:

1. Require appropriate level review and approval signatures on TEC forms from the judge's or employee's immediate supervisor or above before processing these claims for payment.
2. Adopt business-related meal expense procedures that include requiring written prior approval by the PJ or written designee to ensure business-related meal expenses are an appropriate and necessary use of public funds. It should also adopt the use of a business-related meal form, such as the sample form in the FIN Manual, to consistently document sufficient information to support the meal expense.
3. Prohibit authorizing and paying for meal expenses and other expenses that are unallowable. This includes but is not limited to purchases for retirement events, purchase of alcohol, and purchases for Court social events. Further, discontinue using court funds to initially pay for non-court expenses and comingling employee or other non-court funds with court funds.

1. Agree. The Court Executive Officer will review with management staff the appropriate approval levels for TEC and require compliance. Fiscal services staff will review for compliance before processing for payment.
2. Agree. The court will develop a business-related meal expense form that will require written prior approval by the PJ or written designee for business-related meal expenses that are an appropriate and necessary use of public funds. Although no form was completed, the business related meals identified in this audit met the Business Meal Expense Guidelines contained in the FIN Manual and were authorized prior to expenditure by the PJ.
3. Agree. The court will not pay for meal expenses and other expenses that are unallowable. One event identified in this audit was to recognize a judge for his work-related accomplishments on behalf of the court and the Judicial Council at the time of his retirement and to present him with the Chief Justice's Resolution. The other expense included employee service recognition awards presented at a social event. However, the court was fully reimbursed for all unallowable expenses. The court will discontinue using court funds to initially pay for non-court expenses and comingling employee or other non-court funds with court funds.

## 12. Fixed Assets Management

### Background

The FIN Manual, FIN 9.01 provides uniform guidelines for trial courts 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 year-end general ledger account balances from the Court that we consider to be associated with fixed assets. A description of these accounts and audit procedures we performed to review the Court's fixed assets management practices follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Expenditures</b>				
922610 COMPUTER ACCESSORIES	365	8,061	(7,696)	-95%
922611 COMPUTER	3,778	54,019	(50,241)	-93%
922612 PRINTERS	2,494	1,951	543	28%
922614 SECURITY SURVEILLANCE - M	13,353	22,066	(8,713)	-39%
922699 MINOR EQUIPMENT - UNDER \$	16,328	13,947	2,382	17%
<b>* 922600 - MINOR EQUIPMENT - UNDER</b>	<b>36,318</b>	<b>100,044</b>	<b>(63,727)</b>	<b>-64%</b>
946601 MAJOR EQUIPMENT - IT	38,940		38,940	-
<b>* 945200 - MAJOR EQUIPMENT</b>	<b>38,940</b>		<b>38,940</b>	<b>-</b>

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

- Determining the accuracy of the Court's reported fixed assets by comparing the information reported in the Comprehensive Annual Financial Report (CAFR) worksheet statements 18 and 19 to the supporting accounting records.
- Verifying supporting invoices for selected fixed assets and minor equipment expenditures to determine whether the Court correctly classified these expenditures.
- Reviewing the completeness and accuracy of the asset inventory list by validating that selected fixed assets and inventory items listed were physically present, and validating that selected items were properly listed.
- Reviewing documentation to support disposal of fixed asset and inventory items to determine whether it obtained proper approvals and followed proper procedures.
- Reviewing software license monitoring tools to determine whether it has sufficient controls to track license and ensure that it follows vendor licensing requirements.

**The following issues were considered significant enough to bring to management's attention. Appendix A of this report contains additional minor issues associated with this area.**

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

### **Background**

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

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

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

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

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

**Issues**

Our review of the Court's system for recording, controlling, and reporting on Court assets identified the following procedures that need improvement:

1. The Court has not affixed property ID tags to fixed assets and inventory items it acquired since 2007. The Court purchased a new series of property ID tags, but has not restarted tagging items because, according to the CFO, the Court has not decided whether to assign this responsibility to the Fiscal Services or the Information Technology unit. Prior to 2007, both of these units had their own set of property ID tags and were simultaneously tagging fixed asset and inventory items. As a result, Property ID tags were not issued sequentially based on when the items were acquired. Furthermore, the units did not consistently tag all items acquired prior to 2007 that are listed in its fixed assets and inventory list. For instance, the Court only tagged selected furniture items such as desks, chairs, and cabinets it listed.
2. The Court has also not conducted a physical inventory of its fixed assets and inventory items since 2007 to reconcile and update its fixed assets and inventory items listings.
3. Further, although it maintains property disposal documentation, the fiscal year 2010–2011 property disposal documents we reviewed were not approved by the CEO. Also, the Court did not post two of the four technology items we selected for further review on the AOC's Surplus Website prior to disposal.
4. Partly as a result of the issues noted above, the Court's fixed assets and inventory lists are incomplete and outdated.
  - Specifically, it did not record in its assets list a major equipment purchase, and three of four minor equipment items it purchased in fiscal year 2010–2011 that we selected to review. Although the minor equipment items were under \$1,000, they were electronic equipment items prone to theft and loss, and therefore should have been added to the inventory items list. It also did not record the purchase price and useful life information for fixed assets purchased after fiscal year 2006–2007 on its fixed assets list.
  - Additionally, the Court did not update its fixed assets and inventory items list to record when it transferred or disposed of items. Specifically, we could not physically locate 3 of the 10 items we selected to trace from the list to the physical items. The Court informed us that these items were no longer at the Court, but did not update its list to reflect that the items had been disposed. In addition, the Court did not tag and list 2 of the 10 fixed asset and inventory items we selected to trace from the physical item to the list. Furthermore, the locations listed for another 5 of 10 items we selected to trace from the list and 2 of 8 physical items we selected to trace to the list were incorrect, indicating that the Court moved the items but did not update its list to reflect their current locations.

**Recommendations**

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



1. Designate one unit to tag and record fixed asset and inventory items, and tag existing and future items with sequentially numbered property ID tags. In addition, the Court should determine which items valued at less than \$1,000 are subject to theft or loss and tag and record those items as inventory items. It should ensure that all items assigned a property ID tag are recorded on its fixed asset and inventory lists.
2. Conduct physical inventories of its fixed assets and inventory items at least once every three years and use the results of its physical inventory to reconcile and update its fixed assets and inventory lists.
3. Require the CEO's written pre-approval for the disposal of fixed assets and inventory items. Additionally, post all technology equipment acquired on or after July 1, 2000, on the AOC's Surplus Website for at least 60 days prior to disposal.
4. Update and maintain its fixed assets and inventory lists up to date. Specifically, ensure that the lists contain a complete record of all the Court's fixed assets and inventory items, including items valued at less than \$1,000 that are prone to theft or loss. The record for each fixed asset item should include the information required by the FIN Manual for all fixed assets. The Court should also record the disposal dates for those items that have been disposed, and update the location of items that have been transferred to a different court location.

**Superior Court Responses by: Jeanne Caughell, CEO Date: July 11, 2012**

Recommendations 1, 2 and 4: Agree. The court has designated the fiscal services unit to tag, record, and inventory existing and future items with sequentially numbered property ID tags.

Forthwith, future items purchased will be tagged and recorded and placed on an inventory list by the fiscal services unit in consultation with the IT unit as appropriate. Unfortunately the current staffing vacancy in the fiscal services unit does not allow a comprehensive inventory of existing assets to take priority over more pressing court financial matters. Once the court's funding resources are improved in order to fill the vacancy, this recommendation to conduct physical inventories of fixed assets and updates will be taken into account.

Recommendation 3: Agree. The court will require the CEO's written pre-approval for the disposal of fixed assets and inventory items and utilize the AOC's surplus website for all usable technology equipment acquired on or after July 1, 2000 prior to disposal.

### 13. Audits

#### **Background**

There are many legal requirements and restrictions surrounding the use of public resources that can lead to audits of trial court operations and finances. Trial courts shall, as part of their standard management practice, conduct their operations and account for their resources in a manner that will withstand audit scrutiny. During an audit, courts shall fully cooperate with the auditors to demonstrate accountability, efficient use of public resources, and compliance with all requirements. Courts must also investigate and correct substantiated audit findings in a timely fashion.

We reviewed prior audits conducted on the Court to obtain an overview of the issues identified and to determine during the course of our audit whether it has corrected or resolved these issues. IAS performed an audit and readiness review for migration onto the Phoenix Financial System in 2007. Some of the issues were resolved due to the Court migrating away from the County's financial system, while we revisited the remaining issues during our current review. We identified issues that have not yet been corrected or resolved and issues that have resurfaced as repeat issues in various sections of this report.

We also reviewed the most recent Court Revenue Audit report released by the State Controller's Office (SCO) in November 2011. The SCO performed an audit to determine the propriety of revenue the County and Court remitted to the State by for the period July 1, 2003, through June 30, 2010. Although the SCO directed the majority of its findings at the Court, the SCO noted that the Court inappropriately distributed Traffic Violator School (TVS) fees in fiscal year 2003–2004 because the Court's previous accounting system was not programmed to comply with statutory requirements affecting the distribution of TVS cases. We revisited the SCO's finding during our audit work and identified repeat issues, if any, in the Information Systems section of this report.

**This audit identified no significant issues to report to management in this section.**

## 14. Records Retention

### Background

The FIN Manual, FIN 12.01 establishes uniform guidelines for the trial court to retain financial and accounting records. According to the FIN 12.01, 3.0, it is the policy of the trial court to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, the trial court shall employ sound business practices that best serve the interests of the court. The trial court shall apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records.

The table below presents year-end general ledger account balances from the Court that we consider to be associated with records retention. A description of these accounts and audit procedures we performed to review the Court's records retention practices follows.

ACCOUNT	TOTAL FUNDS AS OF JUNE 30		\$ Inc. (Dec)	% Change
	2011	2010		
<b>Expenditure</b>				
935203 STORAGE	22,472	29,950	(7,478)	-25%

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 record retention procedures for various operational and fiscal records throughout the audit.

**This audit identified no significant issues to report to management in this section.**

## **15. Domestic Violence**

### **Background**

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

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

**Appendix A of this report contains minor issues associated with this area.**

## **16. Exhibits**

### **Background**

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

A suggested best practice for trial courts includes establishing written Exhibit Room Manuals (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 in proof of facts in a criminal or civil case. While some exhibits have little value or do not present a safety hazard, such as documents and photographs, other exhibits are valuable or hazardous and may include: contracts or deeds, weapons, drugs or drug paraphernalia, toxic substances such as PCP, ether, and phosphorus, as well as cash, jewelry, or goods such as stereo equipment. To minimize the risk of exhibits being lost, stolen, damaged, spilled, and/or disbursed into the environment, courts should prepare a manual 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 best practices for the consistent and proper handling, storing, and safeguarding of evidence until final case disposition.

We evaluated controls over exhibit handling and storage by interviewing court managers and staff with exhibit handling responsibilities, reviewing the Court’s exhibit handling policy and procedures, and observing the physical conditions of exhibit storage areas.

**Appendix A of this report contains minor issues associated with this area.**

## 17. Bail

### Background

In general, bail is used to ensure 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. An individual arrested on a criminal charge may be held in custody until trial, unless he or someone on his behalf furnishes the required bail or acquires a bail bond. The bonding company issuing the bail bond guarantees that the defendant will appear in court at a given time and place. Licensed bail agents specialize in underwriting and issuing bail bonds, and act as the appointed representatives of licensed surety insurance companies. CRC 3.1130(a) outlines certain conditions for insurance companies to meet prior to being accepted or approved as a surety on a bond:

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

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

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

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

**Appendix A of this report contains minor issues associated with this area.**

**APPENDIX A**

**Issue Control Log**

**Superior Court of California,  
County of Tuolumne**

**Note:**

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

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

**Internal Audit Services will periodically contact the court to monitor the status of the corrective efforts indicted by the court.**

**February 2012**

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1 Court Administration</b>								
			No issues to report.					
<b>2 Fiscal Management and Budgets</b>								
		<b>Log</b>	The Court's personnel manual is outdated, such as the sections regarding leave accrual and cash out of accrued personal time-off credits.	<b>I</b>		Agree-Courts personnel manual will be updated by 01/01/2013	HR Manager	January 2013
		<b>Log</b>	For 1 of the 10 employees reviewed, the employee did not complete, sign, and submit a timesheet for review and approval by a supervisor that supports the compensation the payroll register indicates the Court paid to this employee. According to the Court, the PJ tracks this employee's time similar to other judges since the employee is the Commissioner. However, the process for tracking and reporting time worked and leave taken by employees compensated by the Court through its payroll system differs from the process used for judges.		<b>C</b>	Disagree. The Commissioner is paid a salary based on her time base without submitting a timesheet. The Presiding Judge does not require the Commissioner to complete, sign, and submit a timesheet for his review and approval. All time worked and leave taken by the Commissioner are tracked, monitored, and documented. In the future, the court will consider implementing this process.	Presiding Judge, Court Executive Officer	N/A - Court disagrees with issue
		<b>Log</b>	The Court has not established internal review and approval procedures by the PJ or his written designee for budgeted fund transfers between program or expenditure categories.		<b>C</b>	Agree. The Fiscal Officer will submit to the CEO for approval any requests to transfer budgeted funds between program or expenditure categories.	Presiding Judge, Court Executive Officer	July 2012
<b>3 Fund Accounting</b>								
		<b>Log</b>	The Court incorrectly designated \$553,909 as contractually committed amounts in fiscal year 2011-2012 even though these contracts have expired at the time.		<b>C</b>	Agree-will correct for FY 2011/2012	Court Fiscal Officer	July 2012
		<b>Log</b>	The Court's leave payments designation for fiscal year 2011-2012, an assigned fund balance category, represents total leave payout liability as of June 30, 2010, rather than the liability as of June 30, 2011.		<b>C</b>	Agree-will correct for FY 2011/2012	Court Fiscal Officer	July 2012
		<b>Log</b>	The Court's unfunded retiree healthcare liability in fiscal year 2011-2012, an assigned fund balance category, is not supported by an actuarial report and the methodology for calculating the liability does not comply with the Judicial Council's Fund Balance Policy.		<b>C</b>	Agree-will correct for FY 2011/2012	Court Fiscal Officer	July 2012
<b>4 Accounting Principles and Practices</b>								
			No issues to report.					



FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
5	Cash Collections							
		5.1	<b>The Court Could Strengthen Some of Its Cash Handling Procedures</b>					
			<b>1</b> The Court does not maintain a record of the individuals who know the vault and/or safe combinations, and the date the combinations were last changed. In addition, the Criminal Division does not change the safe combination when it becomes known to an excessive number of employees, when employees who know the combination leave Court employment or no longer require access to the safe, or on a periodic basis as defined by the Court (repeat issue).		C	Agree. The combination has been changed on the safe located at 60 N. Washington and a log kept by Fiscal Services of employees who have safe combinations and the date of the combination change. Combinations will be changed periodically as determined by the Court Executive Officer.	Court Fiscal Officer	April 2012
			<b>1</b> We observed two instances where Criminal Division cashiers did not enter the payments into the CMS until after the customers left. These cashiers issued the customers receipts generated by credit card machine, but not receipts generated by the CMS.		C	Agree. The court reaffirmed the existing process with the supervisor and clerks. This is a performance and training issue. Cashiers are required to immediately enter payment into CMS and issue receipts to customers as proof of payment.	Court Fiscal Officer, Civil and Criminal Operations Supervisors and Managers	March 2012
			<b>1</b> The Court could not demonstrate supervisory oversight and approval of the voids performed by the CFO and a Fiscal Technician.		C	Agree. CMS is currently programmed to generate reports of voids. CFO has reinstated generating reports and CEO has reviewed and approved reports of voids performed by the CFO from July 1, 2011 through February 29, 2012. CFO has reviewed and approved reports of voids performed by Fiscal Technician's July 1, 2011 through February 29, 2012. Reports will be reviewed by CFO and CEO by the 15th of each month following the report month.	Court Executive Officer, Court Fiscal Officer	February 2012
			<b>1</b> Supervisors do not perform their review of each cashier's daily closeout and balancing reports and funds in the presence of each cashier.		C	Agree. Supervisors will require employee cashier to remain present during daily closeout and verification before allowing employee to leave for the day.	Civil and Criminal Operations Managers and Supervisors	March 2012
			<b>1</b> The Court has not performed surprise cash counts on any cashiers since this FIN Manual policy became effective in September 2010.		C	Agree. A written procedure and form will be developed by the CFO for surprise cash counts. CFO will determine frequency and division of surprise cash counts to be conducted no less than quarterly. CEO will review compliance of cash counts.	Court Executive Officer, Court Fiscal Officer	March 2012
			<b>1</b> The Court does not use two-person teams to open mail, and the Criminal Division does not require the use of a mail payment log to track the mail payments it receives (repeat issue). In addition, the Civil Division does not compare its mail payments log to system generated closeout reports to ensure that all logged mail payments were promptly entered in the system, and did not promptly enter in the CMS and deposit in the bank one of the 10 logged mail payments we selected to review.	I		The court does not agree with the recommendation. The court does not have the resources to dedicate two-person teams to open and process mail and record mail payments on a mail payment log. Alternatively the court Criminal Division has adopted the procedure currently used in the Civil Division specifically the supervisor opens and creates a log of payments and assigns the work to specific clerks to process. Both Division supervisors have been instructed to verify the mail payment log against the system generated daily closeout reports to ensure that all mail payments are promptly entered into CMS. An alternative procedure will be submitted by the court to the AOC stating the reasons why it cannot implement two-person teams and will describe the alternate procedures and controls currently being used to mitigate the risks.	Civil and Criminal Operations Managers and Supervisors, Court Fiscal Officer	March 2012
			<b>1</b> The same Fiscal Technician who prepares the daily bank deposit also delivers the deposit to the County and to the bank, but there is no secondary or supervisory review of the deposit documents and funds prior to the deposit.		C	Agree. A log has been created designated separate duties with review signature verification.	Court Fiscal Officer	May 2012

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

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		1	The Court should prepare alternative procedure requests and submit them to the AOC for approval if the Court cannot implement the FIN Manual procedures and process payments as recommended.	I	8. Agree. An alternative procedure will be submitted by the court to the AOC.	Court Fiscal Officer, Court Executive Officer	June 2012
	5.2		<b>Court Procedures for Tracking and Monitoring Dishonored or Partial Payments in Civil Actions Need Improvement</b>				
		2	The Civil Division did not mail the required 20-day notice for three of six dishonored check payments we reviewed.	C	Agree. The court reaffirmed the existing process with supervisor and clerks. It was a lack of communication and a training issue. Notice of Returned Check will be prepared and promptly mailed. The notice indicates the amount of fee, a due date for payment to be made within 20 days or prior to a scheduled hearing whichever occurs first, and imposes a \$25 administrative fee. If the fees are not paid the filing will be voided.	Civil Operations Manager	March 2012
		2	For the two cases in which the Civil Division accepted a partial payment on the civil filing fees owed, it did not impose an administrative fee, did not specify in the notices mailed to the paying parties that the filing fee and the administrative fee must be paid within 20 days of the notice, and did not void the associated filing when the balance owed was not paid within 20 days.	C	Agree. The court will comply with all provisions of CCP 411.21 and will create a Notice of Underpayment of Fees together with written procedures.	Civil Operations Manager	June 2012
		2	The Court should initiate collection proceedings to collect the required filing and administrative fees due to the Court for cases where it allowed the case to continue even though the responsible parties did not fully pay the required filing and administrative fees.	C	The court does not agree with the recommendation. The court does not have a collection program to collect civil fees through a small claims action nor the resources or staffing to implement such a program due to reduced funding. The court will track payment due dates. However, not allowing the case to continue if a hearing has been scheduled may prejudice a party to the action. It would be a judicial determination whether or not the case should proceed. As an alternative, the case and responsible party will be flagged as fees due and the judge will be advised of a party's non-payment status in the event a subsequent filing is presented by that party or the case returns to calendar.	Civil Operations Manager	March 2012
		Log	The Court does not have any current local desktop procedures for cash handling.	I	Agree-The court will create a desktop procedure for the cash handling process by 01/01/2013	Court Fiscal Officer	January 2013
		Log	Repeat issue: The Court does not provide training initially and at least annually on the identification and handling of counterfeit currency to its cashiering staff and supervisors.	I	Agree-The court will provide cash handling training to staff and supervisors to include, but not limited to the handling of counterfeit money by 01/01/2013	Court Fiscal Officer	January 2013
		Log	Repeat issue: In both the Civil and Criminal Divisions, the same clerk may set up new cases and receive and enter payments into the CMS.	I	Disagree. Due to limited staff, the court does not have the resources to separate the two functions. The court will submit a request for an alternative procedure with sufficient compensating controls.	Court Executive Officer	September 2012
		Log	The Civil and Criminal Divisions did not always write the CMS receipt number on manual receipts after posting into the system.	C	Agree -This is a training issue, and will be reviewed with staff by division Managers and Supervisors	Civil and Criminal Operations Supervisors and Managers	July 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Repeat issue: The Civil Division does not have a fee waiver notice posted near the collection windows as required by CRC 3.58.	C	Agree-This issue has been corrected and now is compliant with CRC 3.58	Civil Operations Manager	July 2012
		Log	For 2 of 10 cases selected for review, the Court did not refer the imposed fines to collections on a timely basis. Specifically, it did not refer these cases to the County Office of Revenue and Recovery for collection until they were heard in Court again almost 11 months in one case, and almost one year and eight months in the second case, after sentencing.	C	Agree -This is a training issue, and will be reviewed with staff by division Managers and Supervisors	Criminal Operations Manager and Supervisor	July 2012
		Log	For another 1 of 10 cases, the Court referred to collections the incorrect fine amount. Specifically, it referred a portion of the fine that the judge converted to community work service. Nevertheless, the judge reinstated the fine portion 71 days later.	C	Agree -This is a training issue, and will be reviewed with staff by division Managers and Supervisors and a spot check will be done on cases by Manager and or Supervisor	Criminal Operations Manager and Supervisor	July 2012
<b>6 Information Systems</b>							
	6.1		<b>The Court Needs to Improve Its Calculations and Distributions of Court Collections</b>				
		7	The Court did not apply the GC 68090.8 – 2% deposit for automation to the GC 76000.10(c) – emergency medical air transportation (EMAT), PC 1463.25 – alcohol abuse education and prevention, and the FG 12021 – secret witness penalty assessments.	I	Agree. Fees, fines, and penalty assessments are programmed to perform statutory distributions automatically through Sustain's Auto-Assess capabilities. Auto-Assess programming and any subsequent programming to Sustain due to statutory changes are interpreted, managed, and funded by the Administrative Office of the Courts (AOC). This is helpful to the trial courts to ensure statewide consistency in distributions and compliance with the manual of Accounting and Audit Guidelines for Trial Courts prepared by the State Controller's Office for courts using the Sustain Case Management System. The Court will initiate dialogue with AOC IT to address the issues noted by 09/30/2012.	IT Manager, Court Fiscal Officer, Court Executive Officer	September 2012
		7	The Court incorrectly distributed two Red Light cases we selected to review, including a bail forfeiture case and a traffic school case.				
		7	For three of the four traffic school cases reviewed, the Court incorrectly distributed the EMAT penalty assessment to the State EMAT fund. For the Railroad traffic school case reviewed, the Court did not include the EMAT penalty assessment when calculating the 30 percent allocation to the applicable local agency responsible for railroad safety education.				
		7	For the Fish & Game case we selected to review, the Court incorrectly reduced the \$15 secret witness penalty assessment from the base fine and other penalty assessments.				
		7	The Court incorrectly distributed two Health & Safety cases we selected to review.				
		7	The Court did not correctly distribute the PC 1203.097 – domestic violence (DV) fee of \$400 in 8 of 17 criminal DV cases we selected to review where the sentencing included probation.	C	Agree. The court will review the distribution tables and ensure that the bench officers, managers, supervisors and courtroom clerks are aware of the minimum DV fee as well have the need to document any reasons for any court ordered reduced fee.	Court Executive Officer, Court Fiscal Officer	July 2012
		Log	For one of two Railroad Crossing cases we selected to review, the Court did not include the GC 70372 - state court construction penalty in the PC 1463.12 – 30 percent allocation for railroad public safety and education.	I	The Court assumes that Sustain has been programmed correctly pursuant to statute by the AOC. We would be looking to the AOC for guidance as to the corrective measures needed for these items noted here. The Court will initiate dialogue with AOC IT	Court Executive Officer, IT Manager, AOC IT	September 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	For two of two Railroad Crossing cases we selected to review, the Court did not include the GC 76000.10(c ) EMAT penalty assessment in the PC 1463.12 – 30 percent allocation for railroad public safety and education.		to address the issues noted by 09/30/2012.		
		Log	The Court incorrectly configured its CMS to distribute a Railroad Crossing traffic school case as a bail forfeiture case, and did not assess traffic school fees (\$49 traffic school fee, \$15 traffic school monitoring fee, and \$3 DMV monitoring fee).				
		Log	For the one Child Restraint traffic school case we reviewed, the Court incorrectly calculated the distribution as a regular traffic school case, but statute requires that it be distributed as a bail forfeiture with traffic school fees added.				
		Log	Although the VC 11208 - DMV monitoring fee became effective on January 1, 2011, the Court did not start assessing the fee until September 1, 2011.				
		Log	The base fine amounts programmed into auto-assess feature for VC 23152(a) and VC 23103(a) misdemeanor cases do not equal the standard base fines from the Statewide Uniform Bail and Penalty Schedule.				
		Log	Although the Court has a Continuity of Operations Plan, it is missing some key components. For instance, it has not identified alternate facilities for two courthouse locations, nor plans for the protection, duplication, and movement of all records, systems, and data it identified as vital.	I	Agree. Although we began work on the COOP, work has not been completed due to the current reduced staffing level and weighing that against the court's priorities. Once the court's funding improves in order to fill vacancies, we hope to continue work on the COOP.	Court Executive Officer, HR-Risk Assessment Officer	January 2013
		Log	Repeat issue: The Court also does not have a documented Disaster Recovery Plan to address the recovery of IT processes, systems, applications, databases, and network assets that is either a part of the Continuity of Operations Plan or a standalone plan.	I	Agree. The court's CEO and IT Manager are currently working on a Disaster Recovery Plan for critical IT systems which will eventually become part of COOP. Any significant additional costs for complete redundancy may be prohibitive until funding improves.	Court Executive Officer, IT Manager, HR-Risk Assessment Officer	January 2013
		Log	Repeat issue: The Court stores its backup data at a facility located less than one mile from its server room, which may not be sufficiently remote enough to provide adequate protection from a potential local disaster that may impact its server room.	I	Agree. The court's CEO and IT Manager are currently working on a Disaster Recovery Plan for critical IT systems including data backup which will eventually become part of COOP.	Court Executive Officer, IT Manager	January 2013
		Log	The Court's server room can be better secured against access by unauthorized individuals. According to the Court's key log, it issued 20 building keys to court judges and employees and 23 keys to County staff. However, these keys may also open the server room door.	I	Agree. The court will obtain a cost estimate for placing the server farm on a separate key with limited distribution.	Court Executive Officer, IT Manager	September 2012
		Log	Although the Court authorizes certain County employees access to its CMS on a limited view-only basis, it does not have an agreement in place that requires County employees to follow the Court's IT policy.	C	Agree. The court does not have a separate agreement in place with County employees. However, county employees are required to follow the county IT policy which significantly mirrors and is in sync with the courts.	IT Manager	July 2012
		Log	The Court does not disable network or CMS user accounts after a period of inactivity, such as over 90 days.	C	Agree. Court HR will notify IT to disable account of separated employees. Disagree as to employees on medical leave who would not have access to the system while on leave.	IT Manager, HR Manager	July 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court does not have signed DMV Information Security Statements for three of six employees with access to DMV data, and the statements for the remaining three employees are outdated.		C	Agree. The court will inventory current security statements and review and update annually as needed.	IT Manager, HR Manager	July 2012
		Log	The Court cannot locate its MOU with the DMV for access to DMV records. It only has a 1994 amendment to the original MOU.	I		Agree. The court will contact the DMV and AOC to located original MOU.	IT Manager, Fiscal Officer	September 2012
		Log	In 2 of 10 traffic cases reviewed where the defendant failed to appear (FTA), the Court did not release the FTA hold on a timely basis when the defendants appeared in court.		C	Agree -This is a training issue, and will be reviewed with staff by division Managers and Supervisors and a spot check will be done on cases by Manager and or Supervisor	Criminal Operations Manager and Supervisor	July 2012
<b>7</b>	<b>Banking and Treasury</b>							
		Log	The Court does not perform the required supervisory review and approval of monthly trust account reconciliations.		C	Agree-Court Fiscal Officer will review all reconciled trust accounts and sign off on a monthly basis	Court Fiscal Officer	July 2012
		Log	The Court does not perform a monthly reconciliation of the payroll funds it deposited with the County. Although the Court tracks the activity in the County payroll fund, it does not reconcile the cash balance deposited with the County with the corresponding cash balance reported in the Phoenix Financial System. Instead, the Trial Court Administrative Services Division (TCAS) relies on the Court to review the payroll activity and report on the quarterly cash balances on deposit with the County. TCAS then adjusts the Phoenix Financial System cash account balance to agree to the County cash balance.		C	Agree-A Monthly reconciliation will be done of the payroll funds deposited with the county and the Phoenix Financial system. The Court Fiscal Officer will then sign off on the monthly reconciliation report	Court Fiscal Officer	July 2012
		Log	Repeat issue: During our 2007 audit, the Court did not obtain approval from the AOC for assessing a credit card convenience fee. The CFO confirmed that the Court has still not obtained such approval.	I		Agree. The court will obtain approval.	Court Executive Officer	October 2012
<b>8</b>	<b>Court Security</b>							
			<b>Security issues redacted in accordance with Judicial Council Policy</b>					
<b>9</b>	<b>Procurement</b>							
		9.1	<b>The Court Can Improve Its Procurement Practices</b>					
		3	The Court did not establish purchase requisitions for all 18 procurements and 7 of the 10 purchase card transactions we selected to review.		C	Agree. The court entered into a Memorandum of Understanding with the Superior Court of California, County of Riverside for shared procurement services.	Court Executive Officer, Court Fiscal Officer	July 2012
		3	The Court did not establish standard purchase orders for one-time procurements or blanket purchase orders for repeat procurements with any vendors.		C	The Riverside Superior Court has developed procurement policies, procedures, templates, documents, and related forms,		

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		3	The Court did not follow FIN Manual procurement methods for obtaining and documenting competing offers for 18 standard procurements and two purchase card procurements we selected to review that exceeded \$500.	C	that comply with the California Judicial Branch Contract Manual (JBCM)  The Riverside Superior Court is proficient in conducting JBCM-compliant competitive procurements, such as Invitations for Bid, Requests for Proposals, and Leverage Procurements using its expertise and the online competitive procurement system on www.BidSync.com.  The Riverside Superior Court offered the above services to Tuolumne Superior Court to use and share at no cost, and without commitment, during Fiscal Year 2012/2013.		
		3	The Court allowed a judge and two court employees to use their assigned purchase cards to pay for individual travel and personal expenses, and acknowledged that it did not enforce a \$1,500 per transaction limit nor a \$5,000 daily limit for purchase card procurements.	C	Agree. The court will remind purchase card holders that purchase cards may not be used to pay for individual travel and personal expenses. The court will also inform purchase card holders that the cards may be used for purchases with a maximum of \$1,500 per transaction with a daily limit of \$5,000 for each purchase card.	Court Executive Officer, Court Fiscal Officer	July 2012
		Log	The Court has not established a Local Contracting Manual as required by the Judicial Branch Contracting Manual (JBCM).	I	Agree-The court will be working with Riverside Procurement unit to help us through this process to establish our own local contracting manual.	Court Fiscal Officer	June 2013
		Log	The Court uses its purchase cards to pay for services that are reportable to the IRS, but it does not have a process to track these purchase card transactions and report the compensation paid to vendors to the IRS.	C	Agree-The court will no longer use credit cards to pay for services that would be subject to 1099 reporting. All payments for services will go through the SAP accounting system to insure that these services would be reported by the issuance of a 1099 through the SAP system.	Court Executive Officer, Court Fiscal Officer	July 2012
		Log	The Court did not track and report as income any personal use of the Court's two vehicles assigned to the PJ and CEO.	C	Agree. Any personal use considered to be taxable fringe benefits will be tracked and reported pursuant to Federal Income Tax Regulations.	Presiding Judge, Court Executive Officer	July 2012
<b>10</b>	<b>Contracts</b>						
		10.1	<b>The Court Needs to Negotiate Agreements for County-Provided Services</b>				
		6	Although the Court and County entered into MOUs for court security services and collections services, they do not have current MOUs for other county-provided services.	I	Agree. Pursuant to Government Code section 77212 the court contacted the County Administrative Officer in March 2012, to discuss updating or drafting a court/county MOU or multiple MOU's that will identify the scope of services, methods of service delivery, term of agreement, anticipated services outcomes, and the cost of the services. Additionally any indirect or overhead costs will be specified individually with the method of calculation.  Services currently provided by the county currently include housekeeping, dependency counsel, archive storage and destruction, accounting, payroll, HR, and telecommunications  The MOU(s) will have an effective date of July 1, 2012.	Court Executive Officer, Senior Fiscal Tech	January 2013

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		Log	In fiscal year 2010-2011, the County overcharged the Court for telecommunications costs by approximately \$106 per month, or \$1,270 per year. Specifically, the County allocated indirect costs for 88 lines to the Court, but the Court only used 81 lines.	I	Agree-The court will work with County IT department to determine the additional seven lines that it has been charging the court for each month. Once the determination has been made as to the actual correct number of lines the court will work with the county if a credit is deemed due to the court.	Court Fiscal Officer	January 2013
		Log	Repeat issue: The Court did not ensure that certificates of insurance were submitted by contractors before work was performed. For four contract files reviewed with insurance requirements, only one contract had a current certificate on file.	I	Agree-The court has entered into a MOU with Superior Court of Riverside County in the hopes that we can correct these issues and other procurement issues noted in this and the following four items	Court Executive Officer, Court Fiscal Officer	January 2013
		Log	One of four contracts reviewed does not contain conditions for termination that allowed the Court to terminate the contract for cause, convenience, or in the event that funding no longer becomes available.				
		Log	Two of four contracts reviewed do not include a condition providing for the right of the Court or its representative to audit the contractor's financial records relating to services provided to the Court.				
		Log	Two of four contracts reviewed do not include a remedies provision that establishes the parties' rights and process to be followed in the event of a failure to perform as required by contract terms and conditions.				
		Log	One of four contracts reviewed does not include a confidentiality clause that addresses the kinds of data and other information to be disclosed or generated by the contractor and/or disclosed or provided by the Court that are considered confidential and how it should be treated.				
<b>11</b>	<b>Accounts Payable</b>						
	11.1		<b>The Court Needs to Strengthen Its Invoice Review and Approval Procedures</b>				
		4	For 3 of the 20 invoices and 4 of the 30 claims we selected to review, the Court could not provide procurement documents, such as a quote, purchase order, contract, or court authorization, it needs to perform a three-point match to verify the rates and amounts billed.	I	Agree. The court will work with the Riverside procurement specialist through the shared services MOU to establish appropriate procurement documents and court authorization and rates for in-court services.	Court Executive Officer, Court Fiscal Officer	September 2012
		4	For 28 of the 30 claims we selected to review that were submitted by mediators, interpreters, and reporters, copies of the associated court authorizations were not attached to the claims to demonstrate that the Court authorized the claimants to provide the services for the cases or days, and at the rates or amounts billed.	I	Agree. The court will provide authorizations to in-court service providers once established pursuant to recommendation 1 and require the providers to attach a copy of authorizations when submitting claims for payment unless an alternate procedure is determined to be more appropriate and efficient.  If after consulting with the procurement specialist the court determines that an alternative procedure would be more resource efficient and would also mitigate the risks associated with not implementing the required FIN manual procedure, the court will submit a request for approval of an alternate procedure to the AOC.	Court Executive Officer, Court Fiscal Officer	September 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		4	For the 10 interpreter claims selected for review, the Court could not demonstrate that the CEO or written designee pre-approved paying for services and travel at amounts higher than the rates adopted by the Judicial Council after ensuring that the additional pay were reasonably justified.	C		Agree. Payments for court interpreter services above the rates or amount established will be supported by written justification pre-approved by CEO or documented designee.  It should be noted that Tuolumne Superior Court does not have interpreter employees and is located at least 2 hours from the large urban areas of Sacramento and San Francisco. Few Spanish language interpreters reside in-county and it is particularly difficult to obtain multiple interpreters for multiple defendant cases. Additionally, other than Spanish language interpreters are generally obtained from out-of-county areas and charge a higher rate to travel to Sonora.	Court Executive Officer, Court Services Manager	July 2012
	11.2		<b>Travel and Business Meal Expense Reimbursement Procedures Need Improvement</b>					
		5	The Court did not always require appropriate level approval signatures on the travel expense claim forms before paying the claims.	C		Agree. The Court Executive Officer will review with management staff the appropriate approval levels for TEC and require compliance. Fiscal services staff will review for compliance before processing for payment.	Court Executive Officer, Court Fiscal Officer	April 2012
		5	The Court did not prepare the required business-related meal expense form, memo, or e-mail for six of the seven business-related meal expenses we selected to review.	C		Agree. The court will develop a business-related meal expense form that will require written prior approval by the PJ or written designee for business-related meal expenses that are an appropriate and necessary use of public funds. Although no form was completed, the business related meals identified in this audit met the Business Meal Expense Guidelines contained in the FIN Manual and were authorized prior to expenditure by the PJ.	Court Executive Officer, Court Fiscal Officer	July 2012
		5	Two of the seven business-related meal expenses we reviewed included unallowable expenses.	C		Agree. The court will not pay for meal expenses and other expenses that are unallowable. One event identified in this audit was to recognize a judge for his work-related accomplishments on behalf of the court and the Judicial Council at the time of his retirement and to present him with the Chief Justice's Resolution. The other expense included employee service recognition awards presented at a social event. However, the court was fully reimbursed for all unallowable expenses. The court will discontinue using court funds to initially pay for non-court expenses and comingling employee or other non-court funds with court funds.	Court Executive Officer, Court Fiscal Officer	May 2012
		Log	The Court's undocumented internal policy to reimburse court officials and employees who use their personal vehicles for travel starting from home based on the distance between the headquarter and destination conflicts with the FIN Manual, which requires that, for travel starting from home, mileage reimbursement be calculated based on the lesser distance from the traveler's headquarters or home.	C		Agree-Travel reimbursements for personal vehicle use will now be based on shortest distance either from employee home or court headquarter location.	Court Fiscal Officer	July 2012
		Log	One of the seven travel expense claims we reviewed included reimbursements for alcohol, which is an unallowable expense.	C		Agree. Reimbursements will not be approved for unallowable expenses.	Court Executive Officer	none provided



FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>12 Fixed Assets Management</b>								
	12.1		<b>The Court Could Improve Its Tracking and Reporting of Court Assets</b>					
		8	The Court has not affixed property ID tags to fixed assets and inventory items it acquired since 2007, did not issue tags sequentially, and did not consistently tag items on its fixed assets and inventory list.	I		Agree. The court has designated the fiscal services unit to tag, record, and inventory existing and future items with sequentially numbered property ID tags.  Forthwith, future items purchased will be tagged and recorded and placed on an inventory list by the fiscal services unit in consultation with the IT unit as appropriate.	Court Fiscal Officer, IT Manager	January 2013
		8	The Court has not conducted a physical inventory of its fixed assets and inventory items since 2007 to reconcile and update its fixed assets and inventory items listings.	I		Unfortunately the current staffing vacancy in the fiscal services unit does not allow a comprehensive inventory of existing assets to take priority over more pressing court financial matters. Once the court's funding resources are improved in order to fill the vacancy, this recommendation to conduct physical inventories of fixed assets and updates will be taken into account.	Court Fiscal Officer, IT Manager	January 2013
		8	The fiscal year 2010–2011 property disposal documents we reviewed were not approved by the CEO. Also, the Court did not post two of the four technology items we selected for further review on the AOC's Surplus Website prior to disposal.		C	Agree. The court will require the CEO's written pre-approval for the disposal of fixed assets and inventory items and utilize the AOC's surplus website for all usable technology equipment acquired on or after July 1, 2000 prior to disposal.	IT Manager, Court Executive Officer	July 2012
		8	The Court's fixed assets and inventory lists are incomplete and outdated. Specifically, it did not record one major equipment and three of four minor equipments it purchased in fiscal year 2010–2011 that we selected for review, the purchase price and useful life information for certain fixed assets, and transfer and disposal information.	I		Unfortunately the current staffing vacancy in the fiscal services unit does not allow a comprehensive inventory of existing assets to take priority over more pressing court financial matters. Once the court's funding resources are improved in order to fill the vacancy, this recommendation to conduct physical inventories of fixed assets and updates will be taken into account.	Court Fiscal Officer, IT Manager	January 2013
		Log	The Court incorrectly included extended warranty and software costs under GL 946601 – Major Equipment IT as a portion of the price of the fixed asset purchased in fiscal year 2010-2011. As a result, it overstated the additions to fixed assets amount on its year-end CAFR worksheet.		C	Agree-The Court Fiscal Officer will review all general ledger coding on A/P documents to make sure that items are not overstated in their corresponding general ledger accounts prior to SAP upload and therefore not overstated on the CAFR report.	Court Fiscal Officer	July 2012
<b>13 Audits</b>			<b>No issues to report.</b>					
<b>14 Records Retention</b>			<b>No issues to report.</b>					
<b>15 Domestic Violence</b>								
		Log	The Court did not assess the PC 1202.44 - probation revocation fee for 10 of the 17 criminal DV cases reviewed where probation was granted.		C	Agree. The presiding judge discussed the audit finding at a judges' meeting and reminded judges about the statutory requirement to assess the probation revocation fee when appropriate.	Presiding Judge	July 2012
		Log	The Court's CMS distributed the incorrect PC 1465.8 - court security fee of \$30 for 3 of 20 criminal DV cases reviewed.		C	Agree. Sustain has been programmed to either apply a fee of \$30 or \$40 based upon the date of the original violation in relation to when the fee was increased by statute. The 3 cases where a \$30 fee was assessed were violations prior to the increase in the fee.	Court Executive Officer	none provided

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log</b>	In 3 of 20 cases reviewed, the Court could not demonstrate that it assessed a PC 1465.8 - court security fee and a GC 70373 - criminal conviction assessment. Specifically, the case file records did not list these assessments, and the Court did not have CMS distribution tables for these cases because they were referred to the prison for collection. Without documentation listing court-ordered assessments, the Court cannot be sure that the agency collecting on the case will correctly distribute the amounts collected.	C	Agree. The presiding judge discussed the audit finding at a judges' meeting and reminded judges about the statutory requirements to assess the court security and criminal conviction fees when appropriate whether or not they are sentenced to prison.	Presiding Judge	July 2012
		<b>Log</b>	For one of four cases reviewed with multiple convictions, the Court assessed only one PC 1465.8 - court security fee and one GC 70373 - criminal conviction assessment. However, it should have assessed one court security fee and one criminal conviction assessment for each conviction.	C	Agree. The presiding judge discussed the audit finding at a judges' meeting and reminded judges about the statutory requirements to assess the court security and criminal conviction fees per convicted count when appropriate.	Presiding Judge	July 2012
<b>16 Exhibits</b>							
		<b>Log</b>	The Court does not require the Exhibit Custodian to sign an affidavit affirming that she read and understood the manual.	C	Disagree. This is a court procedure, not a formal policy, and clerks are not required to sign affidavits of this nature for procedures.	Civil Operations Manager and Supervisor	N/A - Court disagrees with issue
		<b>Log</b>	The exhibit list is not created in triplicate. Only one copy is created and stored with the exhibit. As a result, a record of the exhibits transferred from the courtroom clerk to the exhibit custodian is not maintained by the courtroom clerk.	C	Disagree. The procedure for a transfer of exhibits from the courtroom clerk to the exhibit clerk requires initials by both. In addition to the copy stored with the exhibit, a copy of the exhibit list is also filed in the case file as well as maintained on a separate tab in Sustain. Only supervisors and above have the ability to delete from Sustain. The court disagrees that it is necessary to maintain an additional hard copy to ensure that the chain of evidence is secure.	Civil Operations Manager and Supervisor	N/A - Court disagrees with issue
		<b>Log</b>	Although the Court has recently inventoried the exhibit room in anticipation of the audit and is in the process of updating its CMS exhibit records, the Court does not perform inventories of exhibit items held in the exhibit cabinets at least annually.	I	Agree. The court will conduct inventories of exhibits annually.	Civil Operations Manager and Supervisor	September 2012
		<b>Log</b>	Although the Civil Division Supervisor or Manager accompanies the Exhibit Custodian to access exhibits, the Court does not perform periodic inspections of the exhibit room and cabinets.	C	Disagree. The court already provides the resources for one staff and either the supervisor or manager to access exhibits and will be conducting inventories annually. Periodic inspections are achieved through the ordinary process of checking in exhibits and returning exhibits in the supervisor's presence.	Civil Operations Manager and Supervisor	N/A - Court disagrees with issue
		<b>Log</b>	We identified a box of paper exhibits in the Department Two closet that does not belong to an on-going case and should be transferred to the Exhibit Custodian.	C	Agree. This is a training issue, and will be reviewed with courtroom staff by division manager and a spot check will be done periodically on a courtroom by courtroom basis.	Court Support Division Manager	August 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
17	Bail							
		Log	The Court did not revise the Tuolumne County Bail Schedule annually as required by PC 1269b(c). Specifically, it has not revised its bail schedule since its adoption in February 2007, or otherwise indicate on the bail schedule that the schedule is approved for use in the current year. As a result, users cannot be sure that they are using the most current bail schedule.	I		Agree. The local Criminal Bail Schedule was last reviewed by the Judges at a Judges' meeting on September 8, 2010 where the minutes reflect that the judges voted no change. The adoption date should have been revised to reflect the new date. This will again be brought before the judges at a judges meeting in August or September for review for use in current year. The Court will review and approve the bail schedule annually, and revise the adoption date on the bail schedule to reflect the annual approval date.	Court Executive Officer	September 2012