



**Judicial Council of California**  
ADMINISTRATIVE OFFICE OF THE COURTS

FINANCE DIVISION

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September 21, 2010

Hon. Stephen M. Hall  
Presiding Judge of the Superior Court of California,  
County of San Mateo  
400 County Center, Department 24  
Redwood City, California 94063.1662

Dear Presiding Judge Hall:

I am pleased to provide you with the enclosed audit report entitled *Audit of the Superior Court of California, County of San Mateo* dated April 2010. The report summarizes the results of the work performed by Internal Audit Services (IAS) of the Administrative Office of the Courts.

While this stage of the audit process is completed, the audit report continues to be considered in “pending” status until reviewed with the new Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch and accepted by the Judicial Council. Once accepted by the Judicial Council, it will be considered “final” and placed on the California Courts public website for public access. As discussed with the Court, the report issued on November 23, 2009 entitled *Superior Court of California, County of San Mateo, Audit Report on Budgeting Practices* will be submitted to the committee at the same time as this report and once accepted by the Judicial Council they will both be on the website.

I appreciate the effort expended on the part of Court management and staff to make this audit effort efficient and productive for both the Court and IAS. This audit will hopefully assist the Court in enhancing its compliance with the *Trial Court Policies and Procedures Manual*, the Court’s overall control environment, and basic business processes.

Our primary objectives, as stated in our engagement letter, were to determine the extent to which the Court:

- Complied with the *Trial Court Financial Policies and Procedures Manual*;
- Designed and implemented an effective internal control structure over financial reporting and the safeguarding of assets and funds;
- Established internal controls to ensure compliance with laws and regulations over grants and contracts; and
- Established internal controls to limit access to computer-based systems, records and assets.

The above objectives and others encompassed as part of our review are also contained in the overall guidance provided under the Financial Integrity and State Manager's Accountability Act known as FISMA (Government Code 13400 – 13407). While I believe that FISMA may not apply to the trial courts, I do believe that it represents good public policy, and therefore its policies and procedures are incorporated into the Internal Audit Services program. It is therefore important to review the audit results and responses discussed in the attached report within the framework of internal accounting and administrative controls that include, but are not limited to:

- 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 who require these assets in the performance of their assigned duties;
- A system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenditures;
- An established system of practices to be followed in performance of duties and functions;
- Personnel of a quality commensurate with their responsibilities; and
- An effective system of internal review.

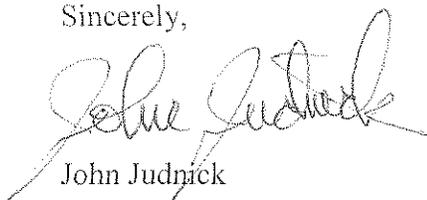
To assist the Court, after each audit issue and recommendation in the attached report we have included the response provided by Court management and staff. Additionally, the Issues Control Log (Appendix A of the report) contains all of the reportable issues identified during the course of this audit and the estimated date of correction of each issue that remained uncorrected at the end of the review.

With the completion of this audit, the Court continues to be on the regular three to four year cycle for audit review. Periodically, until such time as all outstanding issues identified in the audit report are corrected according to the Court's response, we will be contacting the Court to determine their status.

Hon. Stephen M. Hall  
September 21, 2010  
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Again, I appreciate the effort expended on the part of Court management and staff who through their attentive efforts made the audit easier to complete in an efficient and effective manner. If you have any questions concerning the audit report, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "John Judnick". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

John Judnick  
Senior Manager  
Internal Audit Services

JAJ/Attachment

cc:

Mr. John Fitton, Court Executive Officer

Ms. Christine Patton, AOC Regional Administrative Director, Bay Area/Northern Coastal Region



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

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REPORT OF  
INTERNAL AUDIT SERVICES

APRIL 2010



ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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

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## MANAGEMENT SUMMARY

### Introduction

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

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

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

During audits, we plan on covering all four of the above areas. The audit process involves the review of compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS conducted its first audit of the Court in fiscal year 2005 – 2006. We followed up on issues identified in the prior audit to determine whether they have been resolved.

Compliance with the Financial Integrity and State Manager's Accountability Act known as FISMA is also an integral part of the audit process. The primary thrust of a FISMA review is to evaluate the Court's internal control structure and processes. While we do not believe that the FISMA applies to the judicial branch, we do believe that it represents good public policy and we conduct internal audits incorporating FISMA concepts relating to internal control. These guidelines include:

- 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.
- Personnel of a quality commensurate with their responsibilities.

Audits performed by IAS are specifically designed to identify instances of non-compliance with the FIN Manual and FISMA. We did note instances of non-compliance that are highlighted in the **Audit Issues Overview** below. However, we would be remiss in not commenting upon the numerous examples in which the Court was in compliance with the FIN Manual and FISMA. For instance, the Court has an established system of practices to be followed in the performance

of duties and functions. It has put together internal policies and procedures that supplement FIN Manual requirements for cash handling and other processes.

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

### **Audit Issues Overview**

This internal audit identified numerous reportable issues that are not out of line with other courts. The body of this report provides detail on many of the issues identified and Appendix A contains all of the issues identified as reportable, management's responses, and estimated completion dates. There were also issues that were not significant enough in our opinion to be included in the report that were discussed with court management and left out of the report. We performed a special review of the Court's budget monitoring and reporting practices at the Court's request that was completed and provided to the Court in late November 2009. We informed the Court of a number of the recommendations, and the Court Executive Officer (CEO) noted in his responses various actions the Court had already taken to fully or partially implement our recommendations. Refer to that audit report for identified issues, proposed recommendations, and Court's responses and corrective action plans.

We believe the Court, relative to its size, generally has a satisfactory level of operational controls although there are certain high risk areas in the audit report. Although these higher risk areas span various operational functions such as cash handling, procurement, and accounts payable; they share deficiencies in the same key controls. These controls – a system of authorization to provide effective management and an appropriate segregation of duties in court processes that safeguards court assets – are both components of an effective system of internal controls. These control deficiencies are not unique to San Mateo Superior Court, and in fact have been identified in various degrees in other courts throughout the State.

The Court agreed that corrective measures are necessary in those high risk areas and is immediately reviewing the issues and initiating appropriate actions to mitigate concerns. In many instances Court responses indicate that appropriate corrective actions have already been taken. This said, it is important to note that this audit was conducted during a period of unprecedented reductions in State and trial court resources, necessitating a reduction of over 20 percent of the Court's budgeted workforce due to the elimination of vacant and filled positions. Further, one of the Court's currently vacant positions is Finance Director. The CEO held this position open for a period to personally supervise the Fiscal Division, related budget management and systems activities, and direct appropriate fiscal actions until the recruitment of a new Finance Director is completed. The Court has been addressing these challenges through this audit period, as it focuses on providing essential services to the public with increased workload associated with reduced resources to ensure continued access to justice. Given these changes and competing court initiatives such as the migration onto the new traffic case management system (CMS) that the Court believes will significantly reduce risks in these areas and reduce costs, the Court pointed out that it is not feasible to initiate immediate corrective action for some lower-risk issues, but will continue to review and assess ways to resolve issues in the order of priority and potential risk. Overall, the Court has responded productively and

professionally to each issue raised, either accepting the auditors recommended course of action or offering their justification as to why it felt its practice was appropriate.

#### Voids Not Adequately Controlled and Monitored

Although the Court has a well-documented internal policy that requires voids to be approved by a supervisor or lead clerk, systems limitations and inadequate monitoring contributed to the risk that voids may be performed by unauthorized individuals or for unauthorized purposes. To safeguard and control payments collected at cashier counters, the Court must have a system of authorizations over certain transactions such as voids to ensure that voided transactions were appropriate. Ideally, voids should be electronically controlled on a real-time basis on the CMS through user settings. However, the Court's traffic CMS, Judicial Data System (JDS), does not allow the Court to control void access by user. Instead, JDS prompts the user to enter a shared password before a transaction may be voided, and the Court informed us it has only distributed this shared password to certain individuals. However, the Court does not have mitigating controls in place, including changing the password periodically and with changes in affected staff, and documenting reasons for voids and approval signatures on an authorization form to reconcile to the number of voids and total voided amount captured in the system. The lack of mitigating controls poses a risk that the password may be leaked to unauthorized individuals, and that unauthorized voids may go undetected. The Court informed us that it implemented a new traffic CMS in July 2010. As result, some of the JDS-specific issues have been resolved or minimized for traffic-related transactions. However, since the Court plans to continue using JDS to process payments for criminal cases until it finds a replacement system, it still needs to mitigate control deficiencies in JDS.

The Court's civil CMS, Integrated Case Management System (ICMS), on the other hand, allows the Court to assign void capabilities to specific users, but the Court does not have adequate monitoring procedures to ensure that void capabilities are aligned with job responsibilities. As a result, we identified 55 unique users who should not have void capabilities, including deputy court clerks, individuals with no cash collection or fiscal responsibilities, former court employees or officers, and one county employee. Furthermore, we identified instances where the lead clerk or supervisor who entered the original transaction also voided his own transaction, and where the lead clerk who voided his own transaction also deleted the case from the system. Appropriate segregation of duties prohibits an individual from authorizing or approving his own transactions or requests; and from having the ability to establish a case in the CMS, void the transaction, and then delete the case. The Court has agreed with the recommendations in concept, and informed us that it has taken steps to implement some of the recommended changes. Given reduced staffing levels of approximately 20 percent court wide due to continued and significant reductions in state wide court funding, some of these recommendations may not be feasible at this time, but the Court will continue to review the issues and assess the feasibility of changes and/or improvements.

#### Purchasing and Travel Expense Reimbursements Lacking Authorizations

Some court purchases and reimbursements for employee travel expenses lacked documentation to support all necessary approvals had been obtained. A system of authorization is needed in purchasing and employee reimbursement to safeguard court funds and demonstrate effective and appropriate use of public funds. However, the Court's purchases were not always supported by an approved purchase requisition. During our review of sample FY 2008 – 2009 expenditures, we found that a purchase requisition was not attached to the invoice and associated payment

documentation for half of the applicable expenditures reviewed. Furthermore, half of the travel expense claims reviewed involving lodging expenses did not include *Exception Request for Lodging* forms to support pre-approval for exceeding maximum lodging rates. The Court agreed to the audit recommendations. The Court informed us that it has revised and updated its travel reimbursement procedures and the Fiscal Division has added steps to review and oversee these expenses, but we did not validate these corrective actions.

Procurement and Accounts Payable Duties Not Sufficiently Segregated

The Court's purchasing and accounts payable processes are insufficiently segregated because the same fiscal staff oversee both functions. Specifically, two senior accountants have buyer and requisitioner roles in the procurement module of the Phoenix Financial System, in addition to parking and posting roles in the accounts payable module. Additionally, one other senior accountant has the buyer role and the ability to post invoices and claims for payment. During our review of FY 2008 – 2009 expenditures, one-third of the invoices and claims reviewed were approved for payment by a senior accountant who also has requisitioner and buyer roles on the Phoenix Financial System. Work should be assigned to court employees in such a fashion that no one individual can control all phases of an activity or transaction in order to eliminate or minimize opportunities for errors to go undetected or for any court employee to conceal errors or commit acts of irregularity. Appropriate segregation of duties requires that no one individual be assigned purchasing duties (choosing the vendor, deciding the price, and issuing the purchase order) and the ability to approve or process invoices for payment. Unless the AOC has previously approved other procedures for courts, different employees must be responsible for procurement activities and payment approval. The Court agreed to the audit recommendations and informed us that it will segregate purchasing and accounts payable functions as well as separate parking and posting functions. Further, the Court will prohibit the person who performed the purchasing functions for a particular contract or regular purchase order from approving the invoices related to the contract or regular purchase order.

## STATISTICS

The Superior Court of California, County of San Mateo (Court) operates five courthouses and other service centers in the cities of Redwood City, South San Francisco and San Mateo. The Court has 33 judges and subordinate judicial officers who handled approximately 161,340 cases in FY 2007 – 2008. Further, the Court employed 384 staff to fulfill its administrative and operational activities, with total trial court expenditures of more than \$55 million for the fiscal year ended June 30, 2009.

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

The charts that follow contain general Court statistical information.

	Redwood City (400)	South San Francisco	San Mateo (Humboldt St.)	Redwood City (500)	San Mateo (Scannell)	
Number of Authorized Judgeships as of June 30, 2009	18	4	2	0	2	26
Number of Authorized Subordinate Judicial Officers as of June 30, 2009	4	1	1	1	0	7
Number of Actual Full Time Equivalent (FTE) Employees as of June 30, 2009	282	45	36	14	7	384
Number of Authorized FTE as of June 30, 2009	286	46	37	15	7	391

Sources: Court website, Court-provided, and Quarterly Financial Statement

County Population Source: California Department of Finance	745,858 estimated as of January 1, 2009
Number of Temporary Employees as of June 30, 2009	9
Total Salaries for Temporary Employees for FY 2008-2009 Sources: Court-provided and Phoenix Financial System	\$ 430,242
FY 2008 – 2009 Daily Average Revenues Collected: Source: Court-provided	\$ 174,174
<b>Number of Case Filings in FY 2007—2008:</b>	
<b>Criminal Filings:</b>	
▪ Felonies	3,174
▪ Non-Traffic Misdemeanors	6,783
▪ Non-Traffic Infractions	2,057
▪ Traffic Misdemeanors	5,276
▪ Traffic Infractions	116,979
<b>Civil Filings:</b>	
▪ Civil Unlimited	2,180
▪ Family Law (Marital)	2,488
▪ Family Law Petitions	3,333
▪ Probate	1,050
▪ Limited Civil	9,945
▪ Small Claims	3,145
<b>Juvenile Filings:</b>	
▪ Juvenile Delinquency –Original	1,622
▪ Juvenile Delinquency –Subsequent	1,784
▪ Juvenile Dependency –Original	263
▪ Juvenile Dependency –Subsequent	1,044
Source: Judicial Council of California's 2009 Court Statistics Report	

## FINANCIAL STATEMENTS

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

**Fiscal accountability.** 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).<sup>1</sup>  
**Operational accountability.** This refers to governments' responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future.<sup>2</sup>

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."

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<sup>1</sup> GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments, paragraph 203.

<sup>2</sup> GASB Statement No. 34, paragraph 203.

To assist in the fiscal accountability requirements of the branch, the statewide fiscal infrastructure process, Phoenix Financial System, was established and the Superior Court of California, County of San Mateo (Court) implemented this on July 1, 2007. Fiscal data is processed through the shared services center in Sacramento for the Court using Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Trial Court Operations Fund for the Court for the last two fiscal years. The three schedules are:

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

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

There are three basic fund classifications available for courts to use: Government, Proprietary and Fiduciary. The Court only utilizes the following three 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. Court Warrant System – 120011
      4. Traffic Violator Fee – 120012
      5. 2 Percent Automation / Micrographics – 180004
      6. Children’s Waiting Room – 180005
    - Grants**
      1. AB 1058 Family Law Facilitator – 1910581
      2. AB1058 Child Support Commissioner – 1910591
      3. Substance Abuse Focus – 1910601
- **Proprietary**
  - **Enterprise** – Used to account for operations that are financed and operated in a manner similar to private business enterprises.
    1. EZ Legal – 130002
  - **Internal Service Fund** – Used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. Not used by the Court.

- **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>3</sup> Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:
  1. Trust – 320001.
- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government’s own programs, such funds are specifically excluded from the government-wide financial statements.<sup>4</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. Funds included here are:
  1. Distribution – 400000
  2. Civil Filing Fees – 450000

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<sup>3</sup> GASB Statement No. 34, paragraph 69.

<sup>4</sup> GASB No. 34, paragraph 12.

SAN MATEO SUPERIOR COURT TRIAL COURT OPERATIONS FUND BALANCE SHEET (UNAUDITED)							
AS OF JUNE 30							
2009							2008
	GOVERNMENTAL FUNDS			FIDUCIARY FUNDS	PROPRIETARY FUNDS	TOTAL FUNDS (Info. Purposes Only)	TOTAL FUNDS (Info. Purposes Only)
	General	Special Revenue	Grant				
<b>ASSETS</b>							
Operations	\$ (4,241,357)	\$ 3,552,798	\$ -	\$ -	\$ 721,992	\$ 33,433	\$ 14,459,490
Payroll	-	-	-	-	-	-	-
Civil Filing Fees	-	-	-	788,758	-	788,758	698,005
Trust	-	-	-	7,355,199	-	7,355,199	6,199,920
On Hand	4,580	-	-	-	-	4,580	4,146
Distribution	-	-	-	4,000,577	-	4,000,577	3,077,505
Revolving	25,000	-	-	-	-	25,000	25,000
With County	2,637,538	-	-	608,049	-	3,245,587	3,841,825
Outside of AOC	-	-	-	-	-	-	-
<b>Total Cash</b>	<b>\$ (1,574,239)</b>	<b>\$ 3,552,798</b>	<b>\$ -</b>	<b>\$ 12,752,583</b>	<b>\$ 721,992</b>	<b>\$ 15,453,134</b>	<b>\$ 28,305,891</b>
Short Term Investment	\$ 10,548,703	\$ -	\$ -	\$ -	\$ -	\$ 10,548,703	\$ -
<b>Total Investments</b>	<b>\$ 10,548,703</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,548,703</b>	<b>\$ -</b>
Accrued Revenue	\$ 39,395	\$ 25	\$ -	\$ 227	\$ 5	\$ 39,651	\$ 58,360
Accounts Receivable	-	-	-	-	-	-	-
Civil Jury Fees	748	-	-	-	-	748	3,300
Due From Employee	729	-	-	-	-	729	-
Due From Other Funds	248,724	-	-	-	-	248,724	14,570
Due From Other Govts	191,979	36,379	-	-	13,470	241,828	190,927
Due From Other Courts	-	-	-	-	-	-	-
Due From State	716,575	51,323	268,486	-	-	1,036,384	821,284
<b>Total Receivables</b>	<b>\$ 1,198,150</b>	<b>\$ 87,726</b>	<b>\$ 268,486</b>	<b>\$ 227</b>	<b>\$ 13,475</b>	<b>\$ 1,568,064</b>	<b>\$ 1,088,441</b>
Prepaid Expenses - General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel Advances	-	-	-	-	-	-	-
<b>Total Prepaid Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Assets</b>	<b>\$ 10,172,614</b>	<b>\$ 3,640,524</b>	<b>\$ 268,486</b>	<b>\$ 12,752,810</b>	<b>\$ 735,467</b>	<b>\$ 27,569,901</b>	<b>\$ 29,394,332</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Accrued Liabilities	\$ 257,669	\$ 34,951	\$ 941	\$ -	\$ 49,175	\$ 342,736	\$ 3,164,655
General Accounts Payable	21,214	-	-	8,072	-	29,286	9,082
Due to Other Funds	-	-	247,545	1,179	-	248,724	14,570
TC145 Liability	-	-	-	788,758	-	788,758	698,005
Sales and Use Tax	127	-	-	-	-	127	-
Due to the State	13,773	-	-	-	-	13,773	-
Due to Other Governments	2,947,766	2,183	20,000	4,000,577	-	6,970,525	3,290,390
Other	9	-	-	-	-	9	(43)
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 3,240,559</b>	<b>\$ 37,134</b>	<b>\$ 268,486</b>	<b>\$ 4,798,586</b>	<b>\$ 49,175</b>	<b>\$ 8,393,939</b>	<b>\$ 7,176,659</b>
Civil - Unreconciled	\$ -	\$ -	\$ -	\$ 1,518,502	\$ -	\$ 1,518,502	\$ 1,528,973
Civil	-	-	-	2,579,249	-	2,579,249	758,021
Criminal - General & Traffic	-	-	-	2,787,858	-	2,787,858	3,503,553
Trust Held Outside of the AOC	-	-	-	608,049	-	608,049	1,061,388
Trust Interest Payable	-	-	-	81,413	-	81,413	82,023
<b>Total Trust Deposits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,575,071</b>	<b>\$ -</b>	<b>\$ 7,575,071</b>	<b>\$ 6,933,959</b>
Accrued Payroll	\$ 278,376	\$ -	\$ -	\$ -	\$ -	\$ 278,376	\$ 137,323
Accrued Benefits	-	-	-	-	-	-	-
Benefits Payable	-	-	-	-	-	-	-
Deferred Compensation Payable	-	-	-	-	-	-	-
Deductions Payable	-	-	-	-	-	-	-
Payroll Clearing	1,391,879	-	-	-	-	1,391,879	1,373,223
<b>Total Payroll Liabilities</b>	<b>\$ 1,670,255</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,670,255</b>	<b>\$ 1,510,546</b>
AB145 Due to Other Government Agency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jury Fees - Non-interest bearing	-	-	-	372,298	-	372,298	323,988
Revenue Collected in Advance	-	-	-	-	-	-	6,796
Liabilities For Deposits	6,299	-	-	-	-	6,299	-
Reimbursements Collected	-	-	-	-	-	-	-
Uncleared Collections	-	-	-	-	-	-	-
Other Miscellaneous	-	-	-	6,855	-	6,855	6,410
<b>Total Other Liabilities</b>	<b>\$ 6,299</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 379,153</b>	<b>\$ -</b>	<b>\$ 385,452</b>	<b>\$ 337,193</b>
<b>Total Liabilities</b>	<b>\$ 4,917,113</b>	<b>\$ 37,134</b>	<b>\$ 268,486</b>	<b>\$ 12,752,810</b>	<b>\$ 49,175</b>	<b>\$ 18,024,718</b>	<b>\$ 15,958,356</b>
Fund Balance - Restricted							
Contractual	\$ -	\$ -	\$ -	\$ -	\$ 686,292	\$ 686,292	\$ 1,168,852
Statutory	246,644	3,603,391	-	-	-	3,850,035	4,022,645
Fund Balance - Unrestricted							
Designated	5,008,857	-	-	-	-	5,008,857	8,244,479
Undesignated	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>\$ 5,255,501</b>	<b>\$ 3,603,391</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 686,292</b>	<b>\$ 9,545,184</b>	<b>\$ 13,435,976</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 10,172,614</b>	<b>\$ 3,640,524</b>	<b>\$ 268,486</b>	<b>\$ 12,752,810</b>	<b>\$ 735,467</b>	<b>\$ 27,569,901</b>	<b>\$ 29,394,332</b>

SOURCE: Phoenix Financial System and 4th Quarter Financial Statements

SAN MATEO SUPERIOR COURT									
TRIAL COURT OPERATIONS FUND									
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES									
(UNAUDITED)									
FOR THE FISCAL YEAR ENDED JUNE 30									
2009									
2008									
	GOVERNMENTAL FUNDS			FIDUCIARY FUNDS	PROPRIETARY FUNDS	TOTAL FUNDS (Info. Purposes Only)	BASELINE BUDGET	TOTAL FUNDS (Info. Purposes Only)	BASELINE BUDGET
	General	Special Revenue	Grant						
<b>REVENUES</b>									
<b>State Financing Sources:</b>									
Trial Court Trust Fund	\$ 45,331,507	\$ 428,182	\$ -	\$ -	\$ -	\$ 45,759,689	\$ 46,086,997	\$ 46,268,427	\$ 47,719,008
Trial Court Improvement Fund - Reimbursement	252,366	-	-	-	-	252,366	267,685	289,598	336,277
Trial Court Improvement Fund - Block	-	-	-	-	-	-	-	-	-
Judicial Administration Efficiency & Mod Fund	-	-	-	-	-	-	-	43,300	143,800
Judges' Compensation (45.25)	242,107	-	-	-	-	242,107	247,000	247,000	247,000
Court Interpreter (45.45)	1,465,622	-	-	-	-	1,465,622	1,869,900	1,373,190	1,221,557
Civil Coordination Reimbursement (45.55)	-	-	-	-	-	-	-	-	-
MOU Reimbursement (45.10 and General)	872,955	-	-	-	-	872,955	1,036,893	966,139	-
Other miscellaneous	356,632	-	-	-	-	356,632	346,904	7,089	-
	\$ 48,521,190	\$ 428,182	\$ -	\$ -	\$ -	\$ 48,949,372	\$ 49,855,379	\$ 49,194,742	\$ 49,667,642
<b>Grants:</b>									
AB 1058 Commissioner/Facilitator	\$ -	\$ -	\$ 697,671	\$ -	\$ -	\$ 697,671	\$ 717,672	\$ 731,526	\$ 731,526
Other AOC Grants	-	-	20,000	-	-	20,000	-	24,635	24,635
Non-State Grants	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ 717,671	\$ -	\$ -	\$ 717,671	\$ 717,672	\$ 756,161	\$ 756,161
<b>Other Financing Sources:</b>									
Investment Income	\$ 249,779	\$ 37,363	\$ -	\$ -	\$ 7,449	\$ 294,591	\$ 598,177	\$ 920,137	\$ 633,243
Donations	-	1,000	-	-	-	1,000	-	-	-
Local Fee and Non-fee Revenue	581,251	388,814	-	-	405,505	1,375,570	1,369,459	1,342,842	1,485,363
Enhanced Collections	-	-	-	-	-	-	-	-	-
Prior year revenue	-	-	-	-	-	-	-	196,328	-
County Program - restricted	-	180,002	-	-	-	180,002	174,422	176,533	-
Reimbursement Other	43,807	-	-	-	-	43,807	74,600	74,414	-
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-
Other miscellaneous	15,160	-	-	-	-	15,160	12,433	12,433	55,908
	\$ 889,998	\$ 607,179	\$ -	\$ -	\$ 412,954	\$ 1,910,130	\$ 2,229,091	\$ 2,722,686	\$ 2,174,514
<b>Total Revenues</b>	<b>\$ 49,411,188</b>	<b>\$ 1,035,361</b>	<b>\$ 717,671</b>	<b>\$ -</b>	<b>\$ 412,954</b>	<b>\$ 51,577,173</b>	<b>\$ 52,802,142</b>	<b>\$ 52,673,589</b>	<b>\$ 52,598,317</b>
<b>EXPENDITURES</b>									
<b>Personal Services:</b>									
Salaries and Wages	\$ 24,942,072	\$ -	\$ 524,296	\$ -	\$ -	\$ 25,466,368	\$ 24,211,202	\$ 25,025,426	\$ 24,696,212
Employee Benefits	11,430,997	-	247,194	-	-	11,678,191	14,375,502	11,449,553	13,180,439
	\$ 36,373,069	\$ -	\$ 771,490	\$ -	\$ -	\$ 37,144,559	\$ 38,586,704	\$ 36,474,979	\$ 37,876,651
<b>Operating Expenses and Equipment:</b>									
General Expense	\$ 1,013,266	\$ 8,140	\$ 6,712	\$ -	\$ 303	\$ 1,028,420	\$ 826,753	\$ 1,024,739	\$ 1,064,080
Printing	141,331	-	-	-	-	141,331	166,500	163,570	180,000
Communications	344,158	247,856	-	-	-	592,014	335,701	492,410	373,999
Postage	256,675	-	-	-	-	256,675	207,000	214,083	363,970
Insurance	10,002	-	-	-	-	10,002	10,202	10,008	10,014
In-State Travel	68,671	-	166	-	-	68,837	68,300	73,994	60,004
Out-of-State Travel	3,468	-	-	-	-	3,468	3,300	2,661	4,996
Training	85,300	-	300	-	-	85,600	66,212	30,020	35,000
Facilities Operations	503,477	78	162	-	-	503,718	622,443	409,208	309,500
Security Contractual Services	8,473,061	-	34,986	-	-	8,508,048	8,795,040	7,972,348	8,519,541
Utilities	6,702	-	-	-	-	6,702	6,500	6,423	6,000
Contracted Services	2,105,881	500,891	33,556	-	-	2,640,327	2,457,795	2,408,440	2,850,272
Consulting and Professional Services	1,805,080	28,229	-	-	-	1,833,309	1,625,252	2,248,217	2,731,964
Information Technology	1,171,038	154,169	-	-	341,041	1,666,248	1,621,400	1,538,760	1,915,506
Major Equipment	-	534,858	-	-	-	534,858	595,420	205,410	-
Other Items of Expense	29,288	-	-	-	-	29,288	39,700	29,552	36,253
	\$ 16,017,396	\$ 1,474,222	\$ 75,882	\$ -	\$ 341,344	\$ 17,908,845	\$ 17,447,518	\$ 16,829,842	\$ 18,461,099
<b>Special Items of Expense</b>									
Grand Jury	\$ 3,176	\$ -	\$ -	\$ -	\$ -	\$ 3,176	\$ 500	\$ 441	\$ -
Juror Costs	294,695	-	-	-	-	294,695	360,000	353,938	325,000
Loss on Investment	116,643	47	-	-	-	116,691	-	-	-
Distributed Administration	(191,407)	-	191,407	-	-	-	-	-	-
Prior Year Adjustment to Expense	-	-	-	-	-	-	-	19	-
	\$ 223,107	\$ 47	\$ 191,407	\$ -	\$ -	\$ 414,561	\$ 360,500	\$ 354,399	\$ 325,000
<b>Total Expenditures</b>	<b>\$ 52,613,573</b>	<b>\$ 1,474,269</b>	<b>\$ 1,038,779</b>	<b>\$ -</b>	<b>\$ 341,344</b>	<b>\$ 55,467,965</b>	<b>\$ 56,394,722</b>	<b>\$ 53,659,219</b>	<b>\$ 56,662,750</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (3,202,385)</b>	<b>\$ (438,908)</b>	<b>\$ (321,108)</b>	<b>\$ -</b>	<b>\$ 71,609</b>	<b>\$ (3,890,791)</b>	<b>\$ (3,592,580)</b>	<b>\$ (985,630)</b>	<b>\$ (4,064,433)</b>
<b>OPERATING TRANSFERS IN (OUT)</b>	<b>(340,762)</b>	<b>19,654</b>	<b>321,108</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>								<b>1</b>	
Beginning Balance (Deficit)	8,798,648	4,022,645	-	-	614,683	13,435,976	13,435,976	14,421,605	18,486,038
Ending Balance (Deficit)	\$ 5,255,501	\$ 3,603,391	\$ -	\$ -	\$ 686,292	\$ 9,545,185	\$ 9,843,396	\$ 13,435,976	\$ 14,421,605

SOURCE: Phoenix Financial System and the 4th Quarter Quarterly Financial Statements

SAN MATEO SUPERIOR COURT										
TRIAL COURT OPERATIONS FUND										
STATEMENT OF PROGRAM EXPENDITURES										
(UNAUDITED)										
FOR THE FISCAL YEAR ENDED JUNE 30										
	2009							2008		
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Adjustment to Expense	Operating Transfers	TOTAL ACTUAL EXPENSE	BASELINE BUDGET	TOTAL ACTUAL EXPENSE	BASELINE BUDGET
<b>PROGRAM EXPENDITURES:</b>										
Judges and Courtroom Support	\$ 12,900,469	\$ 1,250,008	\$ -	\$ -	\$ -	\$ -	\$ 14,150,477	\$ 14,112,502	\$ 14,179,380	\$ 14,324,972
Traffic & Other Infractions	2,682,282	286,668	-	-	-	-	2,968,950	3,084,027	3,114,629	3,198,969
Other Criminal Cases	3,578,425	265,630	-	-	-	-	3,844,055	4,214,853	3,920,698	4,357,987
Civil	3,351,871	158,284	-	-	-	-	3,510,155	3,908,491	3,666,419	3,690,889
Family and Children Services	3,191,253	417,449	196	-	-	-	3,608,898	3,607,907	3,336,500	3,179,972
Probate, Guardianship & Mental Health Services	1,311,444	55,686	-	-	-	-	1,367,130	1,301,442	1,265,095	1,288,036
Juvenile Dependency Services	278,481	436,830	-	-	-	-	715,311	792,817	785,217	809,025
Juvenile Delinquency Services	350,852	18,007	-	-	-	-	368,859	348,099	357,044	392,776
Other Support Operations	2,205,098	294,308	-	-	-	-	2,499,406	2,712,601	2,518,299	2,580,971
Court Interpreters	1,034,724	506,880	-	-	-	-	1,541,604	1,862,040	1,491,447	1,824,010
Jury Services	534,740	319,283	294,695	-	-	-	1,148,718	1,352,489	1,218,184	1,184,168
Security	-	8,564,080	-	-	-	-	8,564,080	8,833,990	8,051,891	8,573,554
<b>Trial Court Operations Program</b>	<b>\$ 31,419,639</b>	<b>\$ 12,573,113</b>	<b>\$ 294,891</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,287,643</b>	<b>\$ 46,131,258</b>	<b>\$ 43,904,803</b>	<b>\$ 45,405,329</b>
Enhanced Collections	-	-	-	-	-	-	\$ -	-	-	-
Other Non-Court Operations	-	501,042	3,223	-	-	-	504,265	500	441	-
<b>Non-Court Operations Program</b>	<b>\$ -</b>	<b>\$ 501,042</b>	<b>\$ 3,223</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 504,265</b>	<b>\$ 500</b>	<b>\$ 441</b>	<b>\$ -</b>
Executive Office	1,155,793	719,541	116,447	-	-	-	\$ 1,991,781	1,623,325	1,546,637	1,678,717
Fiscal Services	1,752,891	(166,446)	-	-	-	-	1,586,445	1,669,077	1,525,485	1,689,593
Human Resources	624,134	52,277	-	-	-	-	676,411	658,144	685,001	612,784
Business & Facilities Services	143,414	999,774	-	-	-	-	1,143,188	1,269,226	1,496,394	2,022,408
Information Technology	2,048,688	3,229,544	-	-	-	-	5,278,232	5,043,192	4,500,439	5,253,919
<b>Court Administration Program</b>	<b>\$ 5,724,920</b>	<b>\$ 4,834,690</b>	<b>\$ 116,447</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,676,057</b>	<b>\$ 10,262,964</b>	<b>\$ 9,753,956</b>	<b>\$ 11,257,421</b>
Prior year adjustment to expense	-	-	-	-	-	-	-	-	19	-
<b>TOTAL</b>	<b>\$ 37,144,559</b>	<b>\$ 17,908,845</b>	<b>\$ 414,561</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,467,965</b>	<b>\$ 56,394,722</b>	<b>\$ 53,659,219</b>	<b>\$ 56,662,750</b>

SOURCE: 4th Quarter Financial Statement (QFS)

## PURPOSE AND SCOPE

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

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

The scope of audit work included reviews of the Court's major functional areas during the two fiscal years ending June 30, 2009, including: cash handling, fixed assets, contracting and procurement, accounts payable, payroll, financial reporting, case management, information technology, domestic violence, and court security. Coverage in depth of each area is based on initial scope coverage decisions.

The Judicial Council in December 2009 adopted California Rule of Court 10.500 with an effective date of January 1, 2010, that provides for public access to nondeliberative or nonadjudicative 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 to be of a confidential or sensitive 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 August 27, 2009.

The entrance meeting was held with the Court on September 2, 2009.

Audit fieldwork commenced on September 21, 2009.

Fieldwork was completed on March 30, 2010.

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

A preliminary review of audit results was held on June 7, 2010.

A final review of audit results was held on August 24, 2010 with:

- Stephen M. Hall, Presiding Judge
- John Fitton, Court Executive Officer
- Rodina Catalano, Deputy Court Executive Officer of Operations
- Mel Toomer, Deputy Court Executive Officer of Support

- Tim Benton, Information Technology Director
- Fran Doubleday, Human Resources Manager
- George Antrea, Management Analyst III

Final management responses to our recommended actions were received on August 24, 2010.

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

#### Background

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

California Rules of Court (CRC) and the *Trial Court Financial Policy and Procedures Manual* (FIN Manual); established under Government Code section (GC) 77009(i) and proceduralized under CRC 10.707, specify guidelines and requirements concerning court governance.

In the table below are expenditures from the Superior Court of California, County of San Mateo's (Court) general ledger that are considered to be associated with court administrative practices. A description of the areas and how they have been reviewed as part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Revenues</b>				
833010 PROGRAM 45.25-JUDGES SALA	242,107.00-	247,000.00-	(4,893)	(2)
<b>** 833000-PROGRAM 45.25 - REIMBURSEM</b>	<b>242,107.00-</b>	<b>247,000.00-</b>	<b>(4,893)</b>	<b>(2)</b>
<b>Expenditures</b>				
906303 SALARIES - COMMISSIONERS	955,248.60	867,932.14	87,316	10
906311 SALARIES - SUPERIOR COURT	238,066.17	245,668.06	(7,602)	(3)
* 906300 - SALARIES - JUDICIAL OFFI	1,193,314.77	1,113,600.20	79,715	7
920502 DUES & MEMBERSHIPS-LEGAL	5,840.00	1,235.00	4,605	373
920503 DUES & MEMBERSHIPS-OTHER	5,525.00	10,765.00	(5,240)	(49)
<b>* 920500 - DUES AND MEMBERSHIPS</b>	<b>11,365.00</b>	<b>12,000.00</b>	<b>(635)</b>	<b>(5)</b>
933101 TRAINING	40,637.02	1,998.00	38,639	1,934
933102 TUITION REIMBURSEMENT (NO	13,362.46	165.88	13,197	7,955
933103 REGISTRATION FEES - TRAIN	15,760.00	5,446.50	10,314	189
933106 TRAINING COMMERCIAL CONTR	15,840.80	21,290.61	(5,450)	(26)
933107 TRAINING MEDIA		689.50	(690)	(100)
933108 TRAINING SUPPLIES		429.57	(430)	(100)
* 933100 - TRAINING	85,600.28	30,020.06	55,580	185
<b>** TRAINING TOTAL</b>	<b>85,600.28</b>	<b>30,020.06</b>	<b>55,580</b>	<b>185</b>

We assessed the Court's compliance with CRC and FIN Manual requirements for trial court management, including duties of the presiding judge (PJ), duties of the court executive

officer (CEO), and management of human resources, through a series of questionnaires and tests. Primary tests included an evaluation of:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch* (operating guidelines). Requirements include restrictions on the payment of professional association dues for individuals making over \$100,000 a year.
- Compliance with CRC relating to cases taken under submission.
- Notification requirements regarding lawsuits.
- Approval requirements regarding training. (Tested during review of business travel expense reimbursements.)
- Controls over judicial officer facsimile stamps. (Tested during review of cash handling procedures.)

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

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

## **1.1 The Court Does Not Use ICMS to Track and Report Submitted Matters**

### **Background**

CRC 10.603(c)(3) requires the PJ to supervise and monitor the number of causes under submission before the judges of the court and ensure that no cause under submission remains undecided and pending for longer than 90 days. As an aid in accomplishing this goal, CRC 10.603(c)(3)(B) requires the PJ to compile a list of all causes under submission before judges of the court, designated as the submitted list, which must include the name of each judge, a list of causes under submission before that judge, and the length of time each cause has been under submission.

The Court has a manual process to compile monthly submitted matters reports. The lead courtroom clerk prepares monthly submitted matters reports based on information reported by judicial officers or their courtroom clerks. Self-reported information is not validated to a secondary source such as the CMS or case file. As a control, according to the Courtroom Services Supervisor, the responsibility of preparing the submitted matters list is rotated between lead courtroom clerks quarterly. The lead courtroom clerk delivers a hard copy report to the PJ for review and e-mails an electronic copy to judicial officers, the Courtroom Clerk Manager, and courtroom clerk supervisors.

### **Issue**

The Integrated Case Management System (ICMS) has the capability to track and age submitted matters for small claims, family law, probate, and other civil case types, but

courtroom clerks are not using this functionality to compile submitted matter reports (**issue repeated from the prior audit**).

- Courtroom clerks may denote in ICMS when a matter has been submitted (MTUS) and when a ruling has been rendered on the submitted matter (RENT). The Court has also compiled desktop procedures on using these codes. However, courtroom clerks are not consistently using the submission and ruling codes in ICMS.
- Courtroom clerks may delete ICMS records concerning submitted matters. The ability to delete such records erodes the usefulness of using the CMS unnecessarily. We obtained from the Information Systems (IS) Division an ICMS extract of all submission and ruling codes entered in calendar year 2009 and validated to the monthly submitted matters reports prepared in the same time period. We identified 10 submitted entries that should have been on the monthly submitted case reports because the ruling was not rendered until the following month, but these entries were not found.

### **Recommendation**

The Court should use ICMS to aid in preparing monthly submitted matters reports. Proper use of the ICMS in this process can help minimize the chance a submitted case is not reported. Specifically, the Court should investigate whether ICMS may be programmed to generate monthly reports of submitted cases not yet ruled on. Before this is possible, the Court must do the following:

- Require courtroom clerks to use the submission (MTUS) and ruling (RENT) codes to track when matters are taken under submission and when rulings are rendered in ICMS.
- Immediately prevent court employees from having the capability to delete submission records from ICMS.

The Court may continue to self-report and manually prepare reports of matters submitted for criminal case types.

### **Superior Court Response**

*The Court's responses are as follows:*

- The Court agrees with this recommendation and will train courtroom clerks to use the system. ICMS will be used to produce reports. Training will be completed by June 2011.

The court agrees with this recommendation generally; however some delete capability is necessary for leads and supervisors for quality control purposes. The Court is currently working with the Information Technology Department to review the feasibility of implementing this step as soon as practicable in FY 2010-2011.

## 2. Fiscal Management and Budgets

### Background

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

The Court contracts with the County for payroll processing services. Payroll is processed biweekly and begins with employees entering their time worked into the Automated Time Keeping System. Once managers approve time, the data is transferred to the Personnel Information and Payroll System which calculates employee payroll deductions and contributions. The information is then uploaded to the County's Integrated Financial and Administrative Solution (IFAS) accounting system which is utilized by the County to process the payroll. A majority of employees receive direct deposit thus the County does not have to process many checks. Once payroll is processed, the Court generates a general ledger report from IFAS. The Court uses the County report and a mapping guide to transfer payroll expenditures to the appropriate Phoenix general ledger accounts. The Court then submits the spreadsheet to Phoenix Shared Services Center (PSSC) for upload.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
900301 SALARIES - PERMANENT	15,306,525.65	14,832,163.76	474,362	3
900302 SALARIES - COURT REPORTER	2,349,796.62	2,428,259.16	(78,463)	(3)
900303 SALARIES - COURT ATTORNEY	1,008,635.72	951,282.70	57,353	6
900305 SALARIES - COURT SMALL CL	491,266.99	476,730.20	14,537	3
900306 SALARIES - COURT INTERPRE	592,670.89	660,940.17	(68,269)	(10)
900321 HOLIDAY PAY	1,216,742.86	1,208,580.51	8,162	1
900324 SICK LEAVE PAY	756,443.10	918,445.64	(162,003)	(18)
900325 BILINGUAL	61,289.49	61,365.72	(76)	(0)
900328 OTHER PAY	390,132.29	415,487.19	(25,355)	(6)
900330 VACATION PAY	1,640,341.13	1,695,188.81	(54,848)	(3)
* 900300 - SALARIES - PERMANENT	23,813,844.74	23,648,443.86	165,401	1
903301 TEMPORARY EMPLOYEES - ON	316,660.52	220,174.64	96,486	44
903302 COURT INTERPRETER PRO-TEM	113,581.85	10,107.59	103,474	1,024
* 903300 - TEMP HELP	430,242.37	230,282.23	199,960	87
908301 OVERTIME	28,966.23	33,099.41	(4,133)	(12)
* 908300 - OVERTIME	28,966.23	33,099.41	(4,133)	(12)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
910301 SOCIAL SECURITY INS & MED	1,303,124.04	1,286,504.08	16,620	1
910302 MEDICARE TAX	358,624.21	352,654.23	5,970	2
* 910300 - TAX	1,661,748.25	1,639,158.31	22,590	1
910401 DENTAL INSURANCE	290,619.12	317,295.81	(26,677)	(8)
910501 HEALTH INSURANCE	3,208,041.10	3,121,016.90	87,024	3
910503 RETIREE BENEFIT	265,944.37	155,320.65	110,624	71
* 910400 - HEALTH INSURANCE	3,764,604.59	3,593,633.36	170,971	5
910601 RETIREMENT (NON-JUDICIAL	5,073,750.37	5,224,388.45	(150,638)	(3)
912301 RETIREMENT (SUBORDINATE A	312,566.41	294,677.04	17,889	6
* 910600 - RETIREMENT	5,386,316.78	5,519,065.49	(132,749)	(2)
912501 STATUTORY WORKERS COMPEN	474,169.48	477,804.00	(3,635)	(1)
* 912500 - WORKERS' COMPENSATION	474,169.48	477,804.00	(3,635)	(1)
913301 UNEMPLOYMENT INSURANCE	190,366.39	62,264.61	128,102	206
913501 LIFE INSURANCE	41,225.67	41,914.65	(689)	(2)
913502 LONG-TERM DISABILITY	41,484.13	40,047.48	1,437	4
913601 VISION CARE INSURANCE	63,362.29	65,082.39	(1,720)	(3)
* 912700 - OTHER INSURANCE	336,438.48	209,309.13	127,129	61
913803 PAY ALLOWANCES	16,913.08	10,583.01	6,330	60
913899 OTHER BENEFITS	38,000.00		38,000	n/a
* 913800 - OTHER BENEFITS	54,913.08	10,583.01	44,330	419
** STAFF BENEFITS TOTAL	11,678,190.66	11,449,553.30	228,637	2
<b>Liabilities</b>				
374001 PAYROLL CLEARING ACCOUNT	1,391,879.36	1,373,223.13	18,656	(1)
375001 ACCRUED PAYROLL	278,375.86	137,322.68	141,053	(103)

We performed a special review of the Court's budget monitoring and reporting practices at the Court's request that was completed and provided to the Court in late November 2009. During this review, we performed interviews to obtain an understanding of the Court's budget approval and monitoring procedures, reviewed the FY 2008 – 2009 annual budget and supporting documentation and schedules, and reviewed monthly budget monitoring reports prepared for the same timeframe.

In the November 2009 report we noted that there was documentation evidencing that the CEO regularly met with the Finance Director, reviewed internal budget monitoring reports, asked questions about them, and based his recommendations to the Court's judiciary on the information provided to him by his subject matter expert, the Finance Director. Further, the PJ and CEO regularly reviewed budget issues at their weekly meetings and regularly reported to the Court's judiciary regarding budget issues at monthly Judges' Meetings.

With the benefit of hindsight, the Court recognizes that the internal tools and methods utilized by their Finance Division, which according to the Court had been in use for approximately 12 years, had provided inaccurate forecasting and tracking in FY 2008 – 2009 and both the PJ and CEO requested the November 2009 review to purposefully move towards best practices. While we were still conducting our audit fieldwork at the end of September 2009, the CEO asked us to recommend budgeting best practices lacking from the Court's existing processes so that the Court may start improving its processes right away. We informed the Court of a number of the recommendations that are detailed in the Issues and Management Responses Section of the November 2009 audit report. In the CEO's

responses to our best practices recommendations, he noted actions the Court had already taken to fully or partially implement our recommendations. Please refer to that audit report for identified issues, proposed recommendations, and Court's response and corrective action plans.

We evaluated the Court's position management system through a self-assessment checklist. We also compared the Court's budgeted and actual personnel services expenditures and performed a trend analysis of personnel services expenditures for the last three fiscal years to identify and determine the causes of significant variances. We also evaluated the Court's payroll controls through interviews with Court employees and review of payroll reports and reconciliation documents. We validated payroll expenditures for a sample of employees to supporting documentation, including time-keeping records, County payroll reports, withholding documents, benefits administration files, and current labor agreements to determine whether timesheets were appropriately approved and payroll was correctly calculated. We also reviewed overtime costs and validated sample overtime charges to time-keeping records to determine whether overtime was pre-approved.

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

## **2.1 Some Court Users have Incompatible Phoenix User Security Roles**

### **Background**

The Phoenix Financial System allows Court users to perform specific functions based on their assigned user security roles and access capabilities in the procurement, accounts payable, and other modules. When assigning Court staff these roles, trial courts must be mindful that duties are appropriately segregated. The following are just some examples of segregation of duties requirements in the FIN Manual.

#### *Internal Review*

Procedure No. FIN 2.02, section 6.3.6 requires trial courts to establish an effective system of internal review to ensure that all financial transactions are properly and accurately recorded and reported. An effective system of internal review includes, among other things, independent review and approval of transactions by supervising or managing personnel.

#### *Segregation of Duties*

Procedure No. FIN 2.02, section 6.4.2 requires that work be assigned to court employees in such fashion that no one individual can control all phases of an activity or transaction to eliminate or minimize opportunities for errors to go undetected, concealment of errors, or committing acts of irregularity. For instance, no one individual may perform the purchasing function (choosing the vendor, deciding on the price, and issuing the purchase order) and approving or processing the invoice for payment.

In the Phoenix Financial System, one user presents a transaction for approval via "parking" the transaction. Another user, the approver "posts" the transaction. As a result, in the

Phoenix Financial System environment, in order to maintain proper segregation of duties, a user must not be able to park and post the same transaction.

### Issues

During our review of Phoenix security roles for Court users as of January 6, 2010, we identified the following Court users assigned access capabilities enabling them to perform incompatible duties:

1. The following five Court users have both parking and posting capabilities within the same module:

Functionalities	Court Employee				
	Fiscal Office Specialist (1)	Fiscal Office Specialist (2)	Senior Accountant (1)	Senior Accountant (2)	Senior Accountant (3)
Accounts Payable	Park & Post		Park & Post	Park & Post	Park & Post
Purchase Orders			Park & Post	Park & Post	Park & Post
General Ledger	Park & Post	Park & Post	Park & Post		
Journal Entry Upload	Park & Post	Park & Post	Park & Post		

The Court informed us that two senior accountants process certain types of invoices and claims and therefore require the accounts payable parking capability, but also are responsible for reviewing and posting other invoices parked by subordinate staff; while the third senior accountant who has park and post capabilities in the accounts payable module serves as a back-up only and do not use these functions on a regular basis. Phoenix staff informed us that while the system may be configured to prevent the same individual from posting his own parked entries, we understand that this configuration setting may be disabled. Absent of active manual monitoring, there is a risk that such incompatible duties may occur undetected.

2. Two senior accountants identified above also have buyer, requisitioner, and goods receipt roles in addition to their accounts payable and purchase order roles within the Phoenix Financial System. Additionally, one other senior accountant has buyer and goods receipt roles, and the ability to post purchase orders and accounts payable documents. As noted in the FIN Manual requirement above, no one individual may perform both purchasing and accounts payable functions.

### Recommendations

The Court should re-evaluate Phoenix user security roles for each Court user to determine which individuals have incompatible duties, and whether current roles are aligned to each individual's current job functions, responsibilities, and authorization levels. For individuals who are currently assigned incompatible duties, the Court should do the following:

1. Augment user security roles for individuals who are currently assigned both parking and posting capabilities within the same module so that he may only be able to do one or the other. Typically, posting functions are reserved for supervisors and above since they are responsible for reviewing and approving transactions before they are posted to the Phoenix Financial System. If the Court deems there is an operational necessity to assign both park and post capabilities to one individual, it must submit a request for alternative procedures to the AOC for approval.
2. Segregate purchasing roles (buyer, requisitioner, purchase order set-up) from accounts payable roles and goods receipt roles. The Court should have different groups of individuals performing purchasing functions and accounts payable functions.

### **Superior Court Responses**

1. The Court agrees with this recommendation and will revise the Accounts Payable matrix to separate parking and posting functions by September 2010.

We would like to add that the Court did discuss the operational necessity for specific individuals to have both park and post roles to the implementation team when the Court transitioned from the County's accounting system to the AOC's Phoenix Financial System in 2007, and received the deployment team's approval for the same; due to (a) the limited number of staff available for certain tasks, (b) the necessity to have an adequate number of back-up personnel available to perform certain tasks in the event of personnel absences, and (c) the Court's offline procedures to ensure that the same person who parks a document in Phoenix does not also post that same document.

2. The Court agrees with the recommendation and will segregate the functions. This will all be included in the AP matrix that will be provided by September 2010.

The Court has two individuals serving as primary goods receipts persons: one in the IT department, one in the Facilities department. The Court's buyers and one AP staffer have back-up roles for this function in order to not unduly delay processing of invoices due to an untimely (or prolonged) absence of one or both primary goods receipt persons.

### 3. Fund Accounting

#### Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Fund Balances</b>				
535001 RESERVE FOR ENCUMBRANCES	1,091,970.46-	323,182.77-	768,788	(238)
552001 FUND BALANCE-RESTRICTED	4,868,313.61-	5,515,109.64-	(646,796)	12
553001 FUND BALANCE - UNRESTRICT	8,567,661.61-	8,906,495.80-	(338,834)	4
615001 ENCUMBRANCES	1,091,970.46	323,182.77	(768,788)	(238)
<b>*** Fund Balances</b>	<b>13,435,975.22-</b>	<b>14,421,605.44-</b>	<b>(985,630)</b>	<b>7</b>

#### Expenditures

999910 PRIOR YEAR ADJUSTMENTS -		19.20	(19)	(100)
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ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Revenues</b>				
812110 TCTF-PROGRAM 45.10-OPERAT	45,172,920.00-	45,713,739.00-	(540,819)	(1)
812140 TCTF-PROGRAM 45.10-SMALL	15,315.00-	14,544.00-	771	5
812141 TCTF-PROGRAM 45.10-ADMIN	1,818.00-	1,566.00-	252	16
812143 TCTF-PROGRAM 45.10-FEE WA		25.00-	(25)	(100)
812144 TCTF-PROGRAM 45.10-CLERKS	11,704.00-	7,458.00-	4,246	57
812145 TCTF-PROGRAM 45.10-EXTRA		60.00-	(60)	(100)
812146 TCTF-PROGRAM 45.10-COPY P	125,987.00-	118,555.00-	7,432	6
812147 TCTF-PROGRAM 45.10-COMPAR	30.00-		30	n/a
812148 TCTF-PROGRAM 45.10-MANUAL	194.00-	300.00-	(106)	(35)
812150 TCTF-PROGRAM 45.10-ESTATE	30.00-		30	n/a
812151 TCTF-10-CUSTODY/VISITATIO	7,234.00-	7,705.00-	(471)	(6)
812152 TCTF-PROGRAM 45.10-RETURN	9,578.00-	8,714.00-	864	10
812153 TCTF-PROGRAM 45.10-GUARDI	3,186.00-	636.00-	2,550	401
812154 TCTF-PROGRAM 45.10-INFO P	1,855.00-	2,252.00-	(397)	(18)
812155 TCTF-PROGRAM 45.10-ASSESS	260,366.00-	215,425.00-	44,941	21
812156 TCTF-PROGRAM 45.10-ANNUAL		1,500.00-	(1,500)	(100)
812157 TCTF-PROGRAM 45.10-CHILDR	105,371.00-	86,856.00-	18,515	21
812158 TCTF-10-CUSTODY/VISITATIO	4,823.00-	5,137.00-	(314)	(6)
812159 TCTF-10-CIVIL ASSESSMENT	14,327.26-	37,349.00-	(23,022)	(62)
812160 TCTF-10-MICROGRAPHICS	20,751.00-	44,806.00-	(24,055)	(54)
812165 TCTF-PROG 45.10-STEP PARE	4,200.00-	1,800.00-	2,400	133
** 812100-TCTF - PGM 10 OPERATIONS	45,759,689.26-	46,268,427.00-	(508,738)	(1)
816110 OTHER STATE RECEIPTS	356,632.00-	7,089.00-	349,543	4,931
** 816000-OTHER STATE RECEIPTS	356,632.00-	7,089.00-	349,543	4,931
821120 OTHER COURT RETAINED LOCA	1,084.53-	1,486.45-	(402)	(27)
821121 LOCAL FEE 1	69,457.28-	72,698.74-	(3,241)	(4)
821123 LOCAL FEE 3	5,278.62-	5,723.48-	(445)	(8)
821124 LOCAL FEE 4	5,315.32-	5,746.46-	(431)	(8)
821125 LOCAL FEE 5	48,100.00-	56,664.12-	(8,564)	(15)
821126 LOCAL FEE 6	3,129.01-	2,198.82-	930	42
821127 LOCAL FEE 7	22.00-		22	n/a
821128 LOCAL FEE 8	16.00-	57.00-	(41)	(72)
821129 LOCAL FEE 9	75.00-	275.00-	(200)	(73)
821130 LOCAL FEE 10	136.00-	456.00-	(320)	(70)
821131 LOCAL FEE 11	5,043.55-	7,385.00-	(2,341)	(32)
821132 LOCAL FEE 12		272.25-	(272)	(100)
821140 LOCAL FEE 20	5,020.00-	5,920.00-	(900)	(15)
821170 GC26840.3 MARRIAGE LICENS	20,665.00-	17,515.00-	3,150	18
821180 PC1203.4 CHANGE OF PLEA	51,585.74-	53,197.61-	(1,612)	(3)
821182 PC1205d STAY FEE	114.44-	112.22-	2	2
821183 PC1463.22a INSURANCE CONV	153,425.98-	146,314.77-	7,111	5
821190 VC11205m TRAFFIC SCHOOL	319,129.55-	298,988.02-	20,142	7
821191 VC40508.6 DMV HISTORY/PRI	201,886.88-	195,490.67-	6,396	3
821193 VC42006a NIGHT COURT	38,986.92-	43,024.49-	(4,038)	(9)
** 821000-LOCAL FEES REVENUE	928,471.82-	913,526.10-	14,946	2
822101 NON-FEE REV 1	400,484.80-	381,324.32-	19,160	5
822120 CRC3.670f COURT CALL	35,077.50-	33,277.50-	1,800	5
822121 GC13963f RESTITUTION REBA	11,535.76-	14,713.98-	(3,178)	(22)
** 822000-LOCAL NON-FEES REVENUE	447,098.06-	429,315.80-	17,782	4
823001 MISCELLANEOUS REVENUE	15,160.30-	12,432.81-	2,727	22
823010 DONATIONS	1,000.00-		1,000	n/a
** 823000-OTHER - REVENUE	16,160.30-	12,432.81-	3,727	30

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
831010 GF-AB2030/AB2695 SERVICE	20,548.00-	21,120.00-	(572)	(3)
** 831000-GENERAL FUND - MOU/REIMBUR	20,548.00-	21,120.00-	(572)	(3)
832010 TCTF GENERAL MOU REIMBURS	249,878.73-	224,264.27-	25,614	11
832011 TCTF-PGM 45.10-JURY	272,872.70-	307,593.30-	(34,721)	(11)
832012 TCTF-PGM 45.10-CAC	325,585.84-	405,945.96-	(80,360)	(20)
832013 TCTF-PGM 45.10-ELDER ABUS	4,070.00-	7,215.00-	(3,145)	(44)
** 832000-PROGRAM 45.10 - MOU/REIMBU	852,407.27-	945,018.53-	(92,611)	(10)
836010 MODERNIZATION FUND		43,300.00-	(43,300)	(100)
** 836000-MODERNIZATION FUND - REIMB		43,300.00-	(43,300)	(100)
837010 IMPROVEMENT FUND REIMBURS	252,366.41-	289,597.85-	(37,231)	(13)
** 837000-IMPROVEMENT FUND - REIMBUR	252,366.41-	289,597.85-	(37,231)	(13)
841010 SMALL CLAIMS ADVISORY	11,406.26-	12,926.73-	(1,520)	(12)
841011 DISPUTE RESOLUTION	168,595.55-	163,606.48-	4,989	3
** 840000-COUNTY PROGRAM - RESTRICTE	180,001.81-	176,533.21-	3,469	2
861010 CIVIL JURY REIMBURSEMENT	26,637.79-	45,203.71-	(18,566)	(41)
861011 MISCELLANEOUS REIMBURSEME	17,169.16-	29,209.80-	(12,041)	(41)
** 860000-REIMBURSEMENTS - OTHER	43,806.95-	74,413.51-	(30,607)	(41)
899910 PRIOR YEAR ADJUSTMENTS -		196,328.21-	(196,328)	(100)
** 890000-PRIOR YEAR REVENUE		196,328.21-	(196,328)	(100)

To determine whether the Court is properly accounting for its financial resources and expenditures in separate funds, we reviewed the trial balance of each fund at a high level and certain detailed transactions if necessary. Furthermore, we reviewed local fee and non-fee revenue sources earned in FY 2008-2009 to determine whether restricted revenue sources were appropriately accounted for. We also reviewed the Court's fiscal year-end fund balance reserves to determine whether they conform to the Judicial Council approved policy and supported by the Court's financial statements.

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

### 3.1 Some of the Court's Fund Balance Categories Did Not Comply with the AOC Fund Balance Policy

#### Background

The Administrative Office of the Courts (AOC) established a Fund Balance Policy (policy) in response to legislation passed in 2006 requiring the Judicial Council to report Court reserves and other Court financial information to the Legislature. The policy, which was revised on April 24, 2009, establishes uniform standards for the reporting of fund balance by trial courts and to maintain accountability over the public resources used to finance trial court operations. Specifically, the policy requires trial courts to allocate fund balances under the following categories:

- Restricted – Statutory
- Restricted – Contractual
- Unrestricted – Designated
- Unrestricted – Undesignated

The policy also provides various sub-categories trial courts may use under the Unrestricted – Undesignated category. Furthermore, trial courts are to follow the prioritization of fund balance categories and subcategories specified in the policy.

### **Issues**

Although the Court properly categorized its statutorily restricted fund balances for fiscal year-end 2008-2009, it did not properly categorize or provide sufficient information for the following fund balance categories:

1. The Court incorrectly categorized traffic and EZLegal web application fees revenue of \$575,674 as contractually restricted funds. The Court informed us that web application fees are paid by parties who used the Court's online traffic ticket payment and case-filing services. Since the Court is not contractually obligated to use fees revenue for a specific purpose, it shall not categorize these amounts as contractually restricted funds.
2. The Court's actual amount categorized as operating and emergency of \$1,555,501 is less than the minimum operating and emergency fund required by the policy. We calculated the minimum operating and emergency fund to be \$2,178,407.
  - The Court also did not provide an explanation for the shortfall as required by the policy.
  - Furthermore, the Court did not follow the prioritization provided in the policy, which requires trial courts to allocate a minimum operating and emergency fund balance before allocating funds to other Unrestricted – Designated categories.
3. The Court did not provide any explanations of the methodology used to compute the amounts categorized under One-Time Employee Compensation-Leave Payments and Health Care Liability Unrestricted – Designated subcategories. The policy requires trial courts to provide such detail for designated fund balances that are based on estimates, including the two subcategorized listed above.
4. The Court's One-Time Employee Compensation-Leave Payments fund category of \$1.2 million represents total vacation owed to all employees at fiscal year-end, but the policy only requires trial courts to include estimated one-time payouts for vacation or annual leave to employees planning to separate from employment within the next fiscal year.

### **Recommendations**

We recommend that the Court do the following to comply with the Fund Balance Policy:

1. Treat traffic and EZLegal web application fees revenue as unrestricted funds for use in unrestricted fund designation subcategories.

2. Prioritize the operating and emergency designation before other designated fund balance categories to ensure the minimum operating and emergency is met. If the Court cannot meet the minimum operating and emergency fund amount, it must provide an explanation for the shortfall.
3. Provide a brief explanation of the methodology used to compute designations that are based on estimates.
4. Only include under the One-Time Employee Compensation-Leave Payments subcategory estimated one-time payouts for vacation or annual leave to employees planning to separate from employment within the next fiscal year. The Court may compute this estimate as an average of payouts during the last three years plus any anticipated non-normal or usually high payouts. The Court should also include in a footnote the amount of its employees' currently earned leave balance that is more than the established designated fund balance.

### **Superior Court Responses**

1. The Court agrees with this recommendation and will treat traffic and EZLegal web application fee revenue as unrestricted funds by October 2010.
2. The Court is (and was) aware of the fund balance policy approved by the Judicial Council in October 2006 and agrees with this recommendation in concept. The Court believes that dedicating funds at the amount suggested in the Court's actuarial study to cover retiree health costs is a high priority – even as ongoing and deepening State cuts to Court funding have necessitated the use of fund balance reserves and reduced the amount available for operating and emergency fund amounts. The Court also maintains a position that in these times of unprecedented cuts to Court funding, it is appropriate to utilize a prudent portion of our emergency reserves to minimize further lay offs or other severe measures. Therefore, we have provided this as an explanation as to why the Court has temporarily chosen not to meet minimum emergency fund amounts. When adequate State funding for the Trial Courts returns, we fully intend to bring our emergency fund amounts to the minimum amount required by the Fund Balance Policy.
3. The Court agrees with this recommendation and has already taken steps to respond, as indicated. Although the Court did not provide an explanation of the methodology that it used to designate one time employee compensation in the footnotes of the 4<sup>th</sup> quarter QFS in FY08-09, the documents were provided during the course of this audit. Going forward, the Court will be providing these explanations for all future designations as recommended by October 2010.
4. The Court agrees with this recommendation and has already taken steps to implement a similar process. The computation will reflect an estimate, as we will not be able to determine how many employees plan to separate during the year. We will utilize the suggested methodology outlined above by October 2010.

### 3.2 The Court Did Not Properly Record Certain Investments by Fund and Certain Local Fee Revenues as Special Revenues

#### Background

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

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

#### Issues

1. The operations cash account in the general fund had a credit balance of \$8,263,361 at fiscal year-end 2008-2009 because the entire amount transferred into Local Agency Investment Fund (LAIF) was credited against the operations cash account in the general fund rather than spread out amongst the different fund sources.
2. The Court received various local fee revenue posted to the Non-Trial Court Trust General Fund (120001). We identified five sources of local fee revenue, listed below, with restricted uses per statute. Since these local fee revenue sources may only be expended for specific purposes, they should be recorded in special revenue funds in the Phoenix Financial System. See table below for more detail:

General Ledger Account	Total FY 2008-2009 Revenue	Statutory Code	Restricted Use
821183	153,425.98	PC §1463.22a	To defray the costs of administering the proof of insurance/ financial responsibility program. Remaining balance is distributed in accordance with PC §1463.
821193	38,986.92	VC §42006a	For transferred facilities, deposited into Court Facilities Trust Fund and used pursuant to GC §70352. For non-transferred facilities, deposited into county night court session fund.
821170	20,665.00	GC §26840.3	To support family conciliation court or conciliation and mediation services.
821123	5,278.62	PC §1463.14	This amount represents the portion of PC §1463.14 fees retained to cover administrative costs.
821124	5,315.32	PC §1463.16	This amount represents the portion of PC §1463.16 fees retained to offset the administrative costs of collection and disbursement.

**Recommendations**

1. IAS will advise PSSC to avoid posting transactions that result in negative cash balances at fiscal year-end. Specifically, when recording cash transfers into LAIF, credit to cash should be posted to the respective funds rather than crediting the entire cash transfer to the Trial Court Trust General Fund.
2. Local fee revenue sources that may only be used for specific purposes must be restricted in the Phoenix Financial System. The most appropriate way to restrict funds is to post them into a special revenue account. IAS will advise PSSC to set up a “miscellaneous” special revenue fund to be used for this purpose. In the mean time, the Court may set up unique WBS element codes to separately track local fee sources and related expenditures restricted by statute or Rule of Court, and report any unspent funds at year-end as statutorily restricted.

**Superior Court Responses**

1. The Court agrees with this recommendation and is now in compliance as of August 2010.
2. The Court agrees with this recommendation and has created WBS element codes to track revenues and expenditures posted to this general ledger account as of August 2010. Please note that the chart of accounts was created by PSSC staff and it appears that our Court was not informed of this issue until now.

#### 4. Accounting Principles and Practices

##### Background

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

Since migrating onto the Phoenix Financial System in 2007, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the PSSC. Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Revenues – Grants</b>				
838010 AB1058 GRANTS	697,671.00-	731,525.72-	(33,855)	(5)
838020 OTHER STATE GRANTS	20,000.00-	24,634.99-	(4,635)	(19)
** 838000-STATE GRANTS - REIMBURSEME	717,671.00-	756,160.71-	(38,490)	(5)
<b>Assets</b>				
130001 A/R-ACCRUED REVENUE	39,651.20	58,360.01	(18,709)	(32)
131601 A/R - DUE FROM EMPLOYEE	729.12		729	n/a
134001 A/R -CIVIL JURY FEES	747.94	3,299.74	(2,552)	(77)
140001 A/R - DUE FROM OTHER FUND	248,724.14	14,569.76	234,154	1,607
150001 A/R - DUE FROM OTHER GOVE	241,827.66	190,927.21	50,900	27
152000 A/R-DUE FROM STATE	1,036,384.11	821,283.88	215,100	26
** Receivables	1,568,064.17	1,088,440.60	479,624	44
<b>Liabilities</b>				
301001 A/P - GENERAL	28,786.76-	9,081.75-	19,705	(217)
301002 A/P - CLEARING GR/IR ACCT	499.22-		499	n/a
311401 A/P - DUE TO OTHER FUNDS	248,724.14-	14,569.76-	234,154	(1,607)
321501 A/P DUE TO STATE	13,773.00-		13,773	n/a
321600 A/P - TC145 LIABILITY	788,758.38-	698,005.25-	90,753	(13)
322001 A/P - DUE TO OTHER GOVERN	2,969,948.43-	212,841.90-	2,757,107	(1,295)
323001 A/P - SALES & USE TAX	126.89-		127	n/a
323002 A/P - 1099 WITHHOLDING TA	9.34-		9	n/a
330001 A/P - ACCRUED LIABILITIES	342,736.84-	3,164,655.36-	(2,821,919)	89
*** Accounts Payable	4,393,363.00-	4,099,154.02-	294,209	(7)

We performed a comparison of year-end general ledger account balances between the prior two fiscal year trial balances and identified material accounts with significant variances for review. Additionally, we reviewed various FY 2008-2009 adjusting and accrual entries for compliance with FIN Manual and to determine whether entries were supported by sufficient documentation. We also reviewed a sample of large dollar amount grants received in the

fiscal year audited. For these grants, we determined whether the Court properly accounted for grant activity, complied with specific grant requirements, and claimed reimbursement for allowable expenditures if it's a reimbursement grant.

There were no significant issues to report to Court management.

## 5. Cash Collections

### Background

The FIN Manual Policy Number FIN 10.02 was established to provide uniform guidelines for trial court employees to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders. Additionally, Policy Number FIN 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts should institute procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments.

The Court operates five locations that collect court-ordered payments. Clerks rely on three separate CMS for different case types: ICMS for civil case types, Judicial Data System (JDS) for traffic infractions, and Criminal Justice Information System (CJIS) for criminal cases. The Court refers delinquent and some non-delinquent cases to County Revenue Services for collection.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Assets</b>				
117000 CASH DISTRIBUTION ACCOUNT	3,631,677.82	2,783,961.50	847,716	30
117002 CASH DISTRIBUTION IN-TRAN	368,899.02	293,543.09	75,356	26
117500 CASH CIVIL FILING FEES	788,758.38	698,005.25	90,753	13
119001 CASH ON HAND	4,580.00	4,146.10	434	10
<b>Liabilities</b>				
373001 UNCLEARED COLLECTIONS		43.37	43	100
<b>Expenditures</b>				
952599 CASH DIFFERENCES	2,454.27-	2,379.30-	(75)	3
* 952500 - CASH DIFFERENCES	2,454.27-	2,379.30-	(75)	3

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

- End-of-day closeout and reconciliation.
- Bank deposit preparation.
- Segregation of cash handling duties.
- Accounting safe access, keys, and security over other court assets.
- Physical and logical access security of cashiering areas and systems.

We also reviewed sample monetary and non-monetary systems transactions, and validated these transactions to supporting receipts, case file, and other documentation. We also examined controls related to manual receipts in detail to ensure proper physical controls

existed, numerical reconciliation was periodically performed, and other requisite controls were being followed.

To determine whether the Court distributed its collections in accordance with relevant statute and State Controller's Office (SCO) guidance, we reviewed distributions for a sample of criminal and traffic convictions. We also reviewed sample delinquent and non-delinquent cases that were referred to County Revenue Services to assess what actions the Court took prior to the referral, and the Court's process for updating and tracking payments received through County Revenue Services.

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

### **5.1 The Court Did Not Limit Void Capabilities to Authorized Individuals and Lacked Adequate Documentation of Voided Transactions**

#### **Background**

Procedure No. FIN 10.02, section 6.3.8 specifies that transactions that must be voided require the approval of a supervisor. When notified by a cashier, the supervisor is responsible for reviewing and approving the void transaction. All void receipts should be retained, not destroyed.

We reviewed the void process in ICMS and JDS, the Court's internal desktop void procedures, and a sample of 30 voided transaction in ICMS and 49 voided transactions in JDS performed in August 2009. Consistent with the FIN Manual, the Court's internal desktop procedures require voids to be approved by either the supervisor or lead clerk. Fiscal staff also has the ability to void transactions.

Individual ICMS users may be set up to void transactions based on their position titles and job duties. For JDS, a user is prompted to enter a password before he may void a transaction. The Court informed us that this is a shared password, and only certain individuals have knowledge of the password, including lead clerks, supervisors, fiscal staff, and IS staff. The same password also allows the user to backdate a transaction (e.g. enter a transaction for a previous day), including payments, corrections, and other adjustments. However, these backdated transactions are not captured in the current day's closeout reports because they affect the prior day's totals.

#### **Issues**

1. During our review of void procedures set up on JDS as well as a sample of 49 voids performed in JDS in August 2009, we identified certain systems limitations and insufficient segregation of duties and documentation that need to be addressed:
  - The Court informed us that the shared password prompted by JDS to void or backdate transactions is not changed periodically or when individuals with knowledge of the password no longer need it.

- Individuals who have knowledge of the password may enter backdated transactions. These individuals also have access to one or more of the following that poses a potential for abuse: access to cash collections; involved in closeout, balancing, and bank deposit procedures; and access to the Phoenix Financial System.
  - Our testing of sample void transactions revealed that void approvals and void reasons were not always well documented (**issue repeated from prior audit**):
    - Only eight void samples reviewed were performed by traffic or criminal divisions, while the majority was performed by fiscal staff. For five of eight voids, the supervisor or lead clerk approval was not documented. Since JDS does not capture the operator who performed the void, the Court informed us that the supervisor or lead clerk would sign the traffic case envelope or criminal case ring slip. A envelope is a letter-sized envelope used to store traffic case documentation.
    - For eight transactions performed by fiscal staff at the Northern Branch (e.g. advice of payment from County Revenue Services, bail trust), the individual may have voided her own transaction due to lack of documentation indicating that the void was approved by a fiscal supervisor.
    - For 19 transactions reviewed, a void reason was not documented in JDS, on the envelope, or on the ring slip. The Court informed us that fiscal staff input a void reason in a text field when they need to void and re-ring a transaction that was incorrectly entered. On the other hand, lead clerks or supervisors who void transactions may document the void reason on the traffic case envelope or criminal case ring slip.
  - For 30 transactions reviewed, the voided receipts were not retained. We located voided receipts for almost all sampled transactions in Southern Traffic and Southern Criminal Divisions, whereas all but one void receipt could not be located for voids performed by the Northern and Central Branches. The majority of these voids were performed by Northern and Central Branch fiscal staff, who informed us that they do not print the void receipts.
2. During our review of individuals set up on ICMS with void capabilities as of September 2009 and a sample of 30 voids performs in August 2009 in ICMS, we identified the following issues:
- We identified 55 unique users who should not have void capabilities, including deputy court clerks, individuals with no cash collection or fiscal responsibilities, former court employees or officers, and one county employee. A detailed listing

of these individuals has been provided to the Court during the cash handling exit meeting on October 27, 2009.

- For five transactions reviewed, the lead clerk or supervisor who entered the original transaction also voided his own transaction. Appropriate segregation of duties prohibits an individual from authorizing or approving his own transactions or requests.
- For three of these transactions in which the lead clerk voided his own transaction, he also deleted the case from the system. Procedure FIN 10.01, section 6.2, paragraph 4 states that for control purposes, court employees assigned to set up new cases in the CMS shall not perform cash collection functions and/or accounts receivable functions. Procedure No. FIN 2.02, section 6.4.8, paragraph 2.b. also requires trial courts to separate the duties of employees who enter cases into the CMS from those who receive payments. Although not specifically stated, case set up would also encompass case deletion. Any one individual having the ability to set up a case and ring in payment, and then subsequently voiding the payment and deleting the case are incompatible duties.
- Three transactions reviewed were voided by a former Fiscal Division temporary employee. Temporary employees should not be allowed to void transactions.
- For six transactions reviewed, there were no void reasons entered in the ICMS or the reason provided was not sufficiently detailed.
- For 23 transactions reviewed that were voided by various lead clerks, supervisors, and fiscal staff, the voided receipt could not be found or the Court informed us that the voided receipt was not retained.

### **Recommendations**

1. To ensure that only authorized individuals may void transactions on JDS, we recommend the following:
  - The Court must change the JDS password required to void or backdate transactions on a periodic basis, and when individuals with knowledge of the password no longer requires it due to changes in job functions or termination of employment with the Court.
  - The Court should discontinue the ability to backdate transactions on JDS. If the Court sees the need to backdate transactions as an operation necessity, the Court should request its CMS vendor to program JDS to generate daily reports of backdated transactions entered during that day. Reports should be reviewed daily to ensure that backdated transactions are only entered by authorized individuals, for legitimate reasons, and supported by appropriate documents.

- The Court should establish a Void Authorization Form for use by traffic and criminal divisions to clearly document a reason for the void as well as a void approval signature by an authorized individual. Fiscal staff should also use the void form when processing monetary transactions in JDS.
  - Printed void receipts should be retained. If the Void Authorization Form is instituted, void receipts should be attached to the form and submitted with the daily closeout reports.
2. To ensure that voids are only performed by authorized individuals on ICMS, we recommend the following:
- The Court must review its existing ICMS user set-ups and discontinue access to void screens for individuals who should not have them in accordance with local cash handling procedures. The Court shall also discontinue user accounts for individuals who are no longer employed with the Court.
  - The Court shall require lead clerks or supervisors who cashier to obtain void approval from another authorized individual.
  - As required by the FIN Manual, the case set up and payment processing in the CMS shall be performed by separate individuals. If the Court determines that it is necessary for an individual to perform both functions, the Court should submit a request for alternative procedures to the AOC for approval. However, in no instance shall an individual who process payments into the CMS have the ability to delete cases in the CMS.
  - The Court should not allow temporary employees the ability to void transactions.
  - Since the ICMS void screen provides a data entry field for documenting the void reason in the system, the Court must require a justifiable reason to be entered for all voided transactions.
  - Printed void receipts should be retained. We recommend that void receipts be submitted with the daily closeout reports.

### **Superior Court Response**

The Court agrees with the recommendations under #1 & #2 in concept and has already taken steps to implement some of the recommended changes. However, given reduced staffing levels of approximately 20% court-wide due to continued and significant reductions in state-wide court funding, some of these recommendations may not be feasible at this time. The Court implemented a new traffic case management system in July 2010 and, as a result, some of the JDS-specific issues have been resolved or minimized for traffic-related transactions. Given the scope of issues identified regarding void capabilities/transactions and the number of recommendations, the Court will continue to review the issues and assess the feasibility of

change and/or improvements in each of the identified areas. Key discussions will continue now and through the end of 2010 with any appropriate and feasible changes being implemented by June 2011.

## **5.2 Certain Opening, Cashiering, Closing, and Bank Deposit Procedures Lacked Proper Review and Approval, Segregation of Duties, Chain of Custody, or Other Controls**

### **Background**

Procedure No. FIN 10.02 of the FIN Manual provides various procedures for opening, payment processing, and closeout and balancing. Specifically, section 6.3.1 requires that during opening, cashiers should verify receipt of their beginning cash funds with their supervisor. Any beginning cash drawer/bag cash discrepancies should be resolved before the cashier starts their daily cash collection duties. In regards to processing of counter payments, section 6.3.7 requires that all payments to the court must be acknowledged by a sequentially numbered receipt. Furthermore, section 6.3.10 provides for the following closeout and balancing procedures:

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

### **Issues**

#### Opening

1. We observed the following instances where cash handling opening procedures lacked supervisory oversight and chain of custody:
  - The supervisor or lead clerk at the Southern Civil and Southern Criminal Divisions did not verify the beginning cash fund in the presence of the cashier.
  - The supervisor or lead clerk assigned to cashier that day verified his own beginning cash fund at the Southern Small Claims, Northern Small Claims, and Northern Family Law Divisions.

#### Cashiering

2. The traffic divisions within each of the three branches had one or two cashiers stationed throughout the day. Due to high volume of counter payments, additional clerks were stationed at the counter to assist customers and prepare documents for processing, and submit payments to the cashier for processing. This arrangement

posed some control deficiencies as follows:

- We observed at the Northern Traffic Division that customers paying by checks or credit cards were not issued CMS-generated or manual receipts. Only cash payments were processed into the CMS upon receipt while check and credit card payments were processed into the CMS at a later time (**issue repeated from prior audit**).
- The Northern Traffic Division had two cashiers, but cashiers were stationed away from the counter (**issue repeated from prior audit**).

#### Closeout

3. We observed the following instances where end-of-day closeout and verification procedures lacked proper segregation of duties and supervisory oversight:
  - The supervisor or lead clerk assigned to cashier that day verified his own collections and closeout reports at the Southern Small Claims, Northern Small Claims, and Northern Family Law Divisions.
  - The supervisor or lead clerk who verified the cashier's collections and closeout reports did not do so in the presence of the cashier at the Central Branch (Traffic and Small Claims), Southern Criminal, and Southern Civil Divisions. Within the Southern Civil Division, the supervisor and lead clerk were cashiering that day, so they verified each other's closeout reports simultaneously.
  - At the Northern Traffic Division, the lead clerk who verified the cashier's collections and closeout reports did not recount the checks processed by the cashier.

#### Balancing

4. During our observations of daily balancing and bank deposit preparation procedures performed by the Fiscal Division, we identified the following instances that require the Court's attention:
  - The Northern Fiscal Division did not secure bank deposit bags in the safe while awaiting pick up by the courier.
  - Since there is only one fiscal staff at the Central Branch, there is no secondary review and approval of balancing and bank deposit procedures. Although a secondary verification is not required by the FIN Manual, we believe it is necessary given that fiscal staff may void and backdate transactions on JDS after closeout has been performed.

## **Recommendations**

1. To ensure that there is proper oversight and chain of custody in opening procedures, we recommend the following:
  - The supervisor or lead clerk who distributes the beginning cash funds to cashiers should count the funds in the presence of the cashiers so that discrepancies may be resolved prior to collection activities.
  - When a lead clerk or supervisor performs cashiering functions and there is no one at a higher or equivalent position within the division to verify their beginning cash funds, they should have a lead clerk or supervisor from another division verify their beginning cash funds.
2. To ensure compliance with the FIN Manual and better serve customers, we recommend the following changes to traffic cashiering procedures:
  - The Court should station multiple cashiers at traffic collection counters since it receives a high volume of traffic payments daily to prevent backlogs in payment processing. Pursuant to Procedure No. FIN 10.02, section 6.3.7, the Court shall issue receipts to customers paying at the counter for all forms of payment. A manual receipt may be issued to the customer in place of a CMS-generated receipt.
  - Traffic cashiers should be stationed at the counter in order to better service the customers.
3. To ensure closeout procedures are appropriately segregated and approved, we recommend the following:
  - All cashier's closeout reports and collections must be verified by a separate and authorized individual. When a lead clerk or supervisor performs cashiering functions and there is no one at a higher or equivalent position within the division to verify their beginning cash funds, they should have a lead clerk or supervisor from another division verify their closeout reports.
  - Lead clerks and supervisors must verify closeout reports and collections in the presence of the cashier so that discrepancies may be resolved at that time.
  - The supervisory review of closeout reports and collections should include a count and reconciliation of checks received to the attached calculator tape that supports the total check amount on the closeout report.
4. We recommend the following changes to the Court's bank deposit procedures:

- Bank deposits awaiting courier pick up must be secured (e.g. fiscal safe).
- Another division such as the Southern Division should verify the Central Division's collections to the bank deposit reports and supporting CMS reports.

### **Superior Court Responses**

1. *The Court's responses are as follows:*

- The Court agrees with the recommendation and already follows this process. While these examples were isolated incidents, the court managers have addressed this with the supervisors to ensure that all divisions are following the correct procedure.
- The Court agrees with the recommendation. However, given the physical locations and logistics of some of the divisions combined with reduced staffing levels of approximately 20% court wide-due to continued and significant reductions in state-wide court funding, this may not always be feasible. The majority of this issue has been resolved due to the Court's recent consolidation of the three Small Claims Divisions with Civil in Redwood City. Regarding the Family Law Satellite Office in South San Francisco, the Court will continue to analyze the issue and make the appropriate changes based on what is determined to be most essential.

2. The Court agrees with these recommendations and at the time of the audit had at least one cashier stationed at the counter in each branch location. Given the current physical logistics of the traffic offices/counters; certain processing limitations within the JDS traffic case management system; an increase in traffic filings due to the photo red light programs implemented by the various cities; and reduced staffing levels of approximately 20% court-wide due to continued and significant reductions in state-wide court funding, having multiple cashiers stationed at the counter was not feasible at the time. However, the Court implemented a new traffic case management system in July 2010, which has resolved much of this issue as all counter clerks are now able to process payments. Additionally, the Court does issue receipts at the counters for all forms of payment unless the customer declines a receipt.

3. *The Court's responses are as follows:*

- The Court agrees with the recommendation. However, given the physical locations and logistics of some of the divisions combined with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, this may not always be feasible. The majority of this issue has been resolved due to the Court's recent consolidation of the three Small Claims Divisions with Civil in Redwood City. Regarding the Family Law Satellite Office in South San Francisco, the Court will continue to analyze the issue and make the appropriate changes based on what is determined to be most essential.

- The Court agrees with these recommendations and already follows this process. While these examples were isolated incidents, the court managers have addressed this with the supervisors to ensure that all divisions are following the correct procedure.
4. *The Court's responses are as follows:*
- The Court agrees with the recommendation and began securing the deposits effective Oct 2009
  - The Court understands and agrees with the recommendation in concept and during normal business times this would be considered best practice. However, with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, this is not feasible at this time. Furthermore, we currently have a system set in place to verify that the collections in the Central division match the deposit sent to the bank.

### **5.3 Manual Receipts Were Not Always Timely Entered Into the Case Management System**

#### **Background**

The FIN Manual prescribes procedures for use of manual receipts during automated system down time. Specifically, Procedure No. FIN 10.02, section 6.3.9, paragraph 3 specifies that handwritten receipt transactions must be processed as soon as possible after the automated system is restored. The FIN Manual does not prohibit the use of manual receipts in instances other than during automated system down time, but section 6.3.9 requirements must still be followed.

Each operating division has at least one manual receipt book available. The operating divisions check out new books from and return used books to the Fiscal Division. The Fiscal Division appears to have adequate controls over the issuance and retrieval of manual receipt books, and operating divisions are safeguarding books when not in use. With the exception of two operating divisions, the primary use for manual receipts is during automated system down time. The Family Court Services and Juvenile Division issue manual receipts for all payments received, and forward collections and related receipts to the Fiscal Division for processing into the CMS.

#### **Issues**

We reviewed a judgmental sample of 98 manual receipts used by each operating division and identified the following issues:

- Twenty-two manual receipts sampled were not timely processed into the CMS (within two business days). These receipts took between 3 to 21 business days to be processed into the CMS, with the delays being concentrated in the Juvenile and Family Law Divisions. The Juvenile Division Supervisor informed us that collections

and manual receipt copies were not sent to the Fiscal Division on the same day they were received, but were only sent weekly.

- For one manual receipt issued by the Probate Division (receipt no 7212) for a payment of \$320 for case PRO116980, we did not find evidence in the CMS that payment was received. According to the Probate Supervisor, the payment was applied to the wrong case in the CMS and was never corrected.
- Unlike the Juvenile Division, Family Court Services does not receive copies of CMS-generated receipts from the Fiscal Division to track when manual receipts have been processed into the CMS.

### **Recommendations**

We recommend the following changes to the Court's manual receipt procedures:

- Supervisors or lead clerks shall review manual receipt books to ensure that manual receipts are entered into the CMS as soon as possible. Additionally, the Juvenile Division shall forward collections and manual receipt copies to the Fiscal Division on the same day they were received to ensure timely processing and deposit.
- During their review of manual receipt books for timely entry into the CMS, supervisors and lead clerks must also ensure that payments are applied to the correct case.
- The Fiscal Division should forward copies of CMS-generated receipts to Family Court Services so that it may have a mechanism to track when manual receipt payments have been processed into the CMS. As an alternative, Family Court Services supervisors could look up the case in the CMS and note the date of entry on the division's copy of the manual receipt.

### **Superior Court Responses**

- The Court agrees with the recommendation and has already taken steps to ensure that manual receipts are entered into the CMS as soon as possible. The Juvenile Division is now forwarding their collections and manual receipt copies to Fiscal on a daily basis.
- The Court agrees with the recommendation and already follows this process. This was an isolated incident.
- The Court agrees with the recommendation and has implemented the alternative process effective April 2010.

## 5.4 Certain Enhanced Collections Procedures Need Improvement

### Background

PC §1463.010(b) requires courts and counties to maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the court and county. The program may wholly or partially be staffed and operated within the court itself, may be wholly or partially staffed and operated by the county, or may be wholly or partially contracted with a third party. In carrying out this collection program, each superior court and county shall develop a cooperative plan to implement the Judicial Council guidelines. PC §1463.007 allows any county or court that implements or has implemented a comprehensive program to identify and collect delinquent fees, fines, forfeitures, penalties, and assessments to deduct the cost of operating that program, excluding capital expenditures, from any revenues collected thereby prior to distributing revenues to other governmental entities. A comprehensive collection program is a separate and distinct revenue collection activity and shall include at least 10 of 17 components listed in PC §1463.007(a) through (q).

According to Attachment A of the Judicial Council's *Guidelines and Standards for Cost Recovery*, enhanced collections are non-forthwith collections where costs are incurred and either paid directly by or reimbursed by the county. Forthwith collections involve payments on the same day as the court order. An account is considered to be delinquent the day after the payment is due. However, from strictly an operational perspective, accounts may not be transferred to a collections program until possibly 30 to 45 days after the account has been deemed delinquent.

The Court refers court-ordered fines and fees to County Revenue Services for collection, including delinquent accounts and non-delinquent accounts where the judicial officer granted an individual to make installment payments. County Revenue Services may also use Franchise Tax Board's Tax Intercept and Court-Ordered Debt programs.

### Issues

During our review of the Court's procedures for handling delinquent traffic cases and for referring delinquent and non-delinquent cases to County Revenue Services, we identified certain areas that may be improved:

1. The Court and County do not have a separate agreement to cover its comprehensive collection program, and the terms and conditions for Revenue Services specified in an existing agreement are either too broad or are outdated. The Court and County Department of Employee and Public Services entered into a service level agreement (SLA) in July 2004 that specifies services to be performed by Revenue Services under Attachment A, section 2.0, subsection 2.4; but the services listed are too broad. For instance, this subsection does not identify the responsibilities of the Court and the County, such as the types of accounts the Court may refer to the County, the methods the Court may use to refer accounts to the County, the method and frequency the County is to submit collections to the Court, and the types and frequency of reports to be provided by the County. Furthermore, Attachment B, section 2.0, subsection 2.9 specifies that Revenue Services retains a percentage of collections as commission

- based on case type, but Revenue Services' current practice is to obtain monthly reimbursement of enhanced collections costs from delinquent collections.
2. The Court waited too long to send delinquent traffic cases to Revenue Services for collection. We reviewed a sample of 10 delinquent traffic cases sent to Revenue Services via the Civil Collect process, and found that the Court took between 415 days to 457 days since the violation date to refer cases to Revenue Services. This is because the Court goes through a lengthy process before referring delinquent cases to Revenue Services. Specifically, after the first appearance or pay date has passed and cases become delinquent, the Court allows defendants two more opportunities to pay or appear. Moreover, when defendants did not pay or appear by the second due date, the Court held the cases for an average of almost 300 days before the third due date. Although there are no requirements that delinquent cases be referred to the County or third party collection agency within a certain timeframe, it is understood that as accounts get older they become harder to collect. Additionally, the Senior Manager of the Enhanced Collections Unit at the AOC Southern Regional Office advised us that even waiting 180 days to refer cases to the County would be considered too long.
  3. For the 10 sample delinquent traffic cases above, the Court did not notify the Department of Motor Vehicle (DMV) of a failure to pay pursuant to VC §40509(b). According to the Court Services Manager, the traffic CMS electronically abstracts the failure to pay notice to the DMV. However, the Supervisor of the Central Branch Traffic Division informed us that the CMS does not display when this event has occurred, so clerks have no way of knowing whether the DMV has been notified unless they look up the individual's DMV record. He confirmed for us that the DMV records for the 10 traffic cases did not show an existing failure to pay. According to VC §40509(b), courts may only notify the DMV to release the failure to pay hold after the fine is fully paid. Therefore, if a failure to pay notice had been sent to the DMV for any of the sample cases, the hold should still be in place because none of the sample cases had been fully paid.

### **Recommendations**

We recommend that the Court perform the following to improve the effectiveness of the comprehensive collection program it has in place with the County:

1. Enter into a memorandum of understanding (MOU) with the County that clearly identifies the responsibilities of both parties in carrying out the comprehensive collection program.
2. Re-examine its procedures for handling accounts that have become delinquent in order to shorten the length of time it takes to refer delinquent accounts to Revenue Services. The Court may consider seeking assistance from the Enhanced Collections Unit to review its procedures.

3. Notify the DMV when defendants fail to pay their court-ordered fines for applicable vehicle code convictions so that the DMV may prohibit individuals with overdue fines from renewing their driver's licenses.

### **Superior Court Responses**

1. The Court agrees with this recommendation and is taking steps to work with the County to initiate the recommended practice by December 2010.
2. The court agrees with this recommendation and has changed its case aging process for cases in the new traffic CMS implemented in July 2010 to significantly reduce the amount of time it takes for delinquent accounts to be referred to Revenue Services for collection.
3. The court agrees with this recommendation and currently notifies the DMV of eligible failure to pay fine cases (through its traffic case management system) so that a hold may be placed on the affected individual's driver's license. The court implemented a new traffic case management system in July 2010 and as a result now has better internal monitoring controls to ensure that information is reported in a timely manner to the DMV.

## **5.5 The Court Did Not Always Calculate Correct Assessments or Comply with Certain Statutes and Guidelines Governing Distribution**

### **Background**

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

The Court uses JDS as its primary traffic CMS but also uses the same CMS to process felony and misdemeanor payments because CJIS, the primary criminal CMS does not have fiscal functionality. JDS automatically performs distribution calculations and is capable of both base-up and top-down methodologies. However, minor manual intervention is necessary, such as traffic clerks assigning revenue codes to the case payment before the system performs detailed calculation and distribution.

Starting FY 2010 – 2011, the Court will transition from JDS to the new traffic module on ICMS that will be capable of automated distribution calculations using both base-up and top-down methodologies with lesser manual intervention. JDS, however, will continue to exist to close existing traffic cases and to serve as the fiscal system for criminal cases.

### **Issues**

We selected a sample of cases with violations occurring within calendar year 2009. The samples included a combination of high-volume cases and complex distribution cases, and included additional cases as necessary to validate initial findings. In total, we reviewed 22 cases of the following types:

- **Traffic Infraction (17 total)** – Red light (6), Speeding (4), Child Seat (3), Railroad (2), Unattended Child (1), and Proof of Insurance (1)
- **Non-Traffic Infraction (2 total)** – all Fish & Game
- **Misdemeanor (3 total)** –DUI (1), Health & Safety (1), and Reckless Driving (1)

We tested the samples using testing requirements for the applicable fiscal year in review. We also communicated to the Court our initial findings and were able to finalize the following calculation and distribution errors noted during our review of the above 22 cases:

1. The Court incorrectly and inconsistently assessed PC §1465.8 – Court Security Fee (CSF) and GC §70373 – Criminal Conviction Assessment (CCA) for misdemeanor test cases.
  - In one misdemeanor case with two convictions (NM384277), the judge only imposed one CSF and one CCA. These amounts should be assessed per conviction rather than per case.
  - In the only case tested (NM387014) involving a violation of the Health & Safety Code, both the CSF and CCA were not assessed. According to the Court, the judge did not impose these two amounts, so related distributions were not performed.
2. The Court did not perform special base fine and penalty distributions for three test cases. According to the Court, these were a result of clerical errors made by deputy court clerks when entering payment into the CMS. The clerks assigned incorrect revenue codes to payments and fiscal staff did not subsequently catch the errors during their routine review. Refer to the following for specific base fine distribution errors:

CASE INFORMATION	SPECIAL BASE FINE DISTRIBUTION	
	ACTUAL	CORRECT
<u>Case No.:</u> NM387014 <u>Violation:</u> Health & Safety - HS 11357(b)	Revenue Code assigned was "PA (GF)" <ul style="list-style-type: none"> <li>• 84% to the City</li> <li>• 16% to the County</li> </ul>	Revenue Code should be "PA (H&S)" <ul style="list-style-type: none"> <li>• 75% to the State</li> <li>• 25% to the City or County (City in this case)</li> </ul>
<u>Case No.:</u> NI382015 <u>Violation:</u> Fish & Game - FG 7145(b)	Revenue Code assigned was "PA (GF)" <ul style="list-style-type: none"> <li>• 100% to the County</li> </ul>	Revenue Code should be "FG13003" <ul style="list-style-type: none"> <li>• 50% to the State</li> <li>• 50% to the County</li> </ul>
<u>Case No.:</u> N708124 <u>Violation:</u> Vehicle Code - VC 15620(a)(2)	Set-up as a <u>Child Seat</u> violation - VC 27360 distribution <ul style="list-style-type: none"> <li>• 70% to the County Education</li> <li>• 15% to the County Admin</li> <li>• 15% to the City or County (City in this case)</li> </ul>	Set-up should be for an <u>Unattended Child</u> violation - VC 15630 distribution <ul style="list-style-type: none"> <li>• 70% to the County Education</li> <li>• 15% to the County Admin</li> <li>• 15% to the City or County (City in this case)</li> </ul>

In addition to the above base fine distribution errors, the Court did not assess a \$15 penalty to be distributed to the State Fish & Game Preservation Fund pursuant to FG §12021 for case NI382015.

3. The Court incorrectly assessed the \$10 Priors Base Fine Enhancement (priors enhancement). In one test case (N705229) with two convictions where the defendant also had two prior offenses on record, the Court should have added a \$10 priors enhancement for each prior conviction for a total base fine enhancement of \$20 to a single conviction only. However, the Court enhanced the base fine by \$40, applying the \$20 priors enhancement on both convictions, thus overstating all distribution components driven by the base fine.
4. The Court incorrectly allocated or prorated judge-ordered fine reductions. In two test cases (N695434 and N708124), total fines were reduced by \$10, but the \$10 reductions were only allocated to the base fines and 20 Percent State Surcharges. The reduction should have also been allocated to other applicable penalty assessments. This overstates certain penalty assessment distributions and understates base fine and 20 Percent State Surcharge distributions.
5. The Court incorrectly distributed GC §76000.5 – Emergency Medical Services (EMS) Additional Penalty Assessments to the Traffic Violator School (TVS) Fund for Red Light Traffic School dispositions. For a Red Light Traffic School disposition, 30 percent of the base fine and certain penalty assessments are distributed to a Red Light Fund and the remaining base fine and penalty assessment amounts are distributed to the TVS Fund. For three test cases reviewed, the Court incorrectly distributed the GC §76000.5 penalty assessment to the TVS Fund. According to VC §42007(b)(2) and guidance from the SCO, beginning on January 1, 2009, GC §76000.5 penalty assessments should no longer be distributed to the TVS Fund. If

included, it overstates TVS Fund distribution and subsequent 50/50 Maintenance of Effort (MOE) reporting per GC §77205.

- Some of the Court’s base fine assessments are inconsistent with the base fines indicated in the UBS. In a high-level review of the Court’s *Traffic Violations Fine Calculation Chart* used by judicial officers, we identified seven instances where the Court’s base fine differs from the current UBS base fine. The table below specifies the violation codes.

**Table II. UBS Base Fine Inconsistencies**

APPLICABLE VIOLATIONS TO FINES	COURT BASE FINE (Infr OR Misd)	UBS BASE FINE (Infractions)	UBS BASE FINE (Misdemeanors)
VC 14601.1 - Driving with Suspended License	315	150	300
VC 14601.2 - Driving with Suspended License with DUI	315	NA	500
VC 23152 - DUI	400	NA	390
VC 23153 - DUI	400	NA	500
VC 23536 - DUI	400	NA	390
VC 12500(a) - Driving w/o Valid Driver's License	75	75	100
VC 12951(a) - Driving w/o Possession of Valid Driver's License	75	35	NA

NA = Not Indicated in the UBS

UBS amount differs from Court's base fine

### Recommendations

For reliability and consistency, the aforementioned issues resulted from testing using testing requirements applicable to the time of the test cases (calendar year 2009). We evaluated these issues and determined that they are still relevant to the current revenue calculation and distribution environment.

To ensure these issues are resolved and do not persist when the Court transitions from JDS to the ICMS traffic module, we recommend the following:

- Communicate to judicial officers the requirements on assessing Court Security Fees and Criminal Conviction Assessments. The Court may consider a “refresher” training on the *Criminal and Traffic Violations Fine Calculation Chart* with emphasis on the CSF and CCA requirements. CSF is currently \$30 and may revert to \$20 on July 1, 2011 unless a later enacted statute extends the sunset date, while CCA is \$30 for misdemeanor and felony convictions and \$35 for each infraction. Both shall be imposed for every conviction within a case and not per case or citation.
- Ensure distribution errors are minimized by relying less on manual assignment of revenue codes when the Court transitions to the ICMS traffic module. Clerical assignment of revenue codes upon payment is not necessary in an entirely automated system. Traffic clerks are normally not expected to review a defendant’s violation and assign the correct revenue code for proper distribution upon payment. Court should evaluate its current ICMS distribution business process and system configuration to ascertain that any manual entry into the system, if necessary, such as

- corrections to distributions or updates to distribution tables, are limited to appropriate fiscal and IT personnel only.
3. Ensure that priors enhancements are correctly assessed in correspondence to the UBS. Specifically, a priors enhancement is applied once per case or citation and on a single current violation, if the case has multiple violations. A priors enhancement is calculated when the both current and “prior” offense are moving violations with “points”. According to section VII of the UBS, regardless of the number of moving violation convictions on a case, only one “prior” per citation shall be counted for determining the enhancement or, in other terms, a priors enhancement applies only to one current violation. This is consistent with how DMV imposes points. The points recorded by DMV for multiple violations on a single citation are limited to the violation that carries the highest points.
  4. Determine if the calculation inaccuracies in the base fine and 20 Percent State Surcharge is systemic or isolated to the cases tested. More importantly, evaluate the top-down distribution and allocation of fine reductions in JDS for judge-ordered amounts to ensure that ICMS is properly configured to perform these operations. Unless the judge reduces the fine due to community service, the Court should ensure that any judge-ordered fines that differ from UBS fine amounts follow the proper distribution proration applicable to the base fine, penalty assessments, and surcharge distributions, and excludes statutorily fixed amounts such as Court Security Fees and Criminal Conviction Assessments.
  5. For Red Light Traffic School dispositions, determine whether TVS distributions as reported to the County are further refined to ensure appropriate distribution to the Maddy Emergency Services Fund. If not, the Court must discontinue distributing the GC §76000.5 EMS Additional Penalty Assessment into the TVS Fund. The Court should consider configuring ICMS to have a specific distribution code for GC §76000.5 regardless of disposition to promote calculation and distribution efficiency, and to avoid potential reporting inaccuracies to the County and subsequently in the *50/50 MOE Excess Split Form* and *TC-31 Form*.
  6. Ensure that Vehicle Code infraction base fines set in the Judicial Council’s UBS are appropriately communicated to judicial officers. The Court should also review its bail and penalty amounts for misdemeanor and non-vehicle infraction offenses for consistency with the UBS. If the Court adopts different amounts in its local bail and penalty schedule, per PC§1269b, a copy of the schedule must be provided to the Judicial Council with a report stating how the revised schedule differs from the UBS.

### **Superior Court Responses**

1. The court agrees with this recommendation and has already taken steps to update our existing bench schedule and promote its use to all judiciary (both the PJ and CEO did this at recent Judge's Meetings).

2. The Court agrees with this recommendation and the suggested processes. Regarding traffic issues, the Court has configured its new traffic case management system to correctly distribute fines collected and apply the appropriate amount to the corresponding violation.
3. The Court agrees with this recommendation and has verified that the new ICMS Traffic Management System is correctly programmed to assess only 1 (one) prior per citation.
4. The Court agrees with this recommendation. In cases of fine reductions, ICMS is programmed to exclude Court Security Fees, Criminal Conviction Assessment and Night Court Fees before distributing the fines and penalty assessments proportionately.
5. The Court agrees with this recommendation and has verified that the new ICMS Traffic Management System is correctly programmed to distribute fines to the Maddy Emergency Services Fund per GC 76000.5.
6. The court agrees with the recommendation and has already taken steps to update our existing bench schedule and promote its use to all judiciary (both the PJ and CEO did this at recent Judge's Meetings).

## **5.6 Court Lacks Sufficient Controls Over Opening and Processing of Mail Payments**

### **Background**

Procedure No. FIN 2.02, section 6.4.6, paragraph 2 provides requirements for processing payments received through the mail. Trial courts shall (a) Use a two-person team to open the mail, (b) Only process mail when both team members are present, (c) Regularly rotate two-person team combinations, (d) Deliver the payments received through the mail to a designated cashier for entry into the accounting system, (e) Process payments received in the mail on the day they are received or as soon as possible. Checks that are not processed on the day they are received must be secured until the next business day. Procedure No. FIN 10.02, section 6.4 also prescribes a two-person team approach to opening mail, and further recommends the use of a cash receipts log to account for mail payments received that day and used for reconciliation purposes when those payments have been processed into the CMS.

### **Issues**

1. The Probate Division informed us that unprocessed mail payments were not secured. The division supervisor informed us that it receives payments for certified copies of upcoming hearings through the mail that are not processed until immediately after the hearing.

- The volume and extent of unprocessed mail payments is not reported up the chain of command on monthly workload monitor reports prepared by division lead clerks or supervisors.
2. None of the operating divisions use a two-person team approach as required by the FIN Manual to open mail (**issue repeated from prior audit**).
  3. With the exception of the Records Division, none of the operating divisions log mail payments into a cash receipts log as recommended by the FIN Manual (**issue repeated from prior audit**).
    - Although the Records Division maintains a log of mail payments received, the log does not contain all information recommended by the FIN Manual, and is not used to reconcile payments once they have been processed into the CMS.
  4. Cashiers in the Civil, Family Law, and Small Claims Divisions may process counter and mail payments simultaneously. Due to inadequate controls over mail payments as identified above, co-mingling of counter and mail payments poses a risk for lapping (e.g. using a payment received in the mail to replace a counter cash payment of the same amount and then pocketing the cash). Although Traffic Division cashiers may also process mail payments simultaneously, the lapping risk is somewhat mitigated because a separate clerk who opened the mail payment writes the check amount and date received on the envelope.

### **Recommendations**

1. The Probate Division lead clerk or supervisor shall store any mail payments that could not be processed during the day in a secure drawer, vault, safe, or locked cabinet until it they may be prioritized for processing on the following business day.
  - Additionally, the lead clerk or supervisor should report the volume and extent of unprocessed mail payments up the chain of command to the Court Services Manager and Deputy Court Executive Officer, respectively, on monthly workload monitor reports.
2. Operations divisions shall use a two-person team approach as required by the FIN Manual to open mail. Otherwise, the Court must submit a request for alternative procedure, and offer mitigating controls in place of the two-person team.
3. Operating divisions should log mail payments onto a cash receipt log, and use the log to reconcile those payments once they have been processed into the CMS as recommended by the FIN Manual.
4. The Court should either separate mail payment processing from counter payment processing, or institute mitigating controls, such as the two-member team approach and mail log provided in the FIN Manual.

### **Superior Court Responses**

1. The Court agrees with these recommendations and has already taken steps to address this issue. The Probate Division is now securing the unprocessed payments in the vault. Additionally, the division already reports any backlogged unprocessed work up the chain of command on the monthly workload/backlog monitor reports. The example provided of payments received for certified copies of orders cannot be processed until the order has been signed by the judicial officer and certified copies made. Therefore, those unprocessed payments would not necessarily be considered or reported as backlog.
2. The Court agrees with the rest of these recommendations (#2- #4) in concept. However given reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding combined with the large volume of mail received in the various divisions, some of these recommendations are not feasible at this time. Additionally, the Court receives very little currency if any through the mail. The Court would like to meet and discuss these issues and recommendations in more detail with the appropriate AOC audit member for clarification and assistance in developing alternative solutions/procedures.

## **5.7 Court Has Safe Access Control Weaknesses and Other Security Concerns**

### **Background**

During our review of cash handling procedures, we reviewed access controls over sensitive or valuable items such as cash collections, manual receipt books, unprocessed mail payments, and judicial signature stamps. Since combination safes are used to secure many of these items, we assessed controls over safe access. We also evaluated other security concerns related to cash handling.

### *Safe Access and Security*

Court operations and fiscal divisions utilize combination safes to store cash collections, change funds, and other valuable or sensitive items. We identified 12 safes in various court locations. Within the Southern Branch, the Fiscal and Criminal Divisions have their individual safes, while the Civil, Probate, and Family Law Divisions share a safe. The Small Claims and Traffic Divisions at the Southern Annex building also share a safe. Within the Northern and Central Branches, each fiscal and operating division has its individual safe. To limit access to safe contents, knowledge to the safe combination is typically limited to lead clerks and above. The respective divisions maintain a Safe Combination Changes Tracking Log to track when the combination was changed and by whom.

### **Issues**

1. During our review of safe access procedures, we identified the following issues:
  - Although the divisions informed us that safe combinations are changed when an individual who knew the combination leaves the division, combinations are not

also changed on a periodic basis. As a result, the combination to the safe used by the Civil Division has not been changed for over five years.

- The combination to the Northern Family Law Division safe is known by a deputy court clerk who is not in a lead capacity.
  - The Central Traffic Division safe contained items that should be cleared out, such as old microfiche, old envelopes, and videotapes.
2. The Civil Division counter clerks use the PJ's signature stamp, but the stamp may be left unattended at the public counter. The Records Supervisor has the CEO's signature stamp at her desk that is used by her staff, but the stamp is not secured overnight. Additionally, both the Probate and Records Divisions have old signature stamps, including signature stamps of two former PJs. One judge is still with the Court, while the other judge is no longer with the Court.
  3. There is no secure barrier separating counter clerks from the public at the first floor Civil/Probate/Records room and in the Family Law Division in the Southern Branch, and the Northern Family Law Division. Specifically, the counters at these locations are not equipped with locking doors and glass or plastic partitions. (**Issue repeated from prior audit**)
  4. There are no cameras placed at any of the cashier counters.

### **Recommendations**

1. To ensure that access to safe is limited to authorized individuals and safe is only used to secure valuables and sensitive items, we recommend the following:
  - The Court should change safe combinations on a periodic basis (e.g. annually, bi-annually) in addition to when individuals with knowledge of the combination no longer requires it to perform their duties, leaves the division, or leaves court employment. Over time, the possibility the combination has been compromised increases. Changing the combination frequently will prevent the combination from being known by an excessive number of people or by unauthorized individuals.
  - The Court must limit knowledge of the combination to supervisors, or to lead clerks in divisions where the supervisor is located at a different branch. In the supervisor's or lead clerk's absence, the supervisors or lead clerks from a different division may be given access to the safe combination.
  - The Central Traffic Division safe should be cleared out of old items that no longer need to be kept so that the safe is only used to store cash and other valuable or sensitive items.

2. Signature stamps used at the counter must be secured when not in use, and all signature stamps must be secured overnight. Additionally, the Court should destroy old signature stamps no longer in use.
3. The Court should consider submitting a request to the AOC to install partitions and locking doors at cashier counters that lack them.
4. The Court should consider submitting a request to the AOC to install security cameras at cash collection points to monitor cash collection activity and deter crime or fraud.

### **Superior Court Responses**

1. *The Court's responses are as follows:*
  - The Court agrees with the recommendation and currently does change the safe combinations when individuals with knowledge of the combination no longer require it, leave the division, or leave court employment. There is a financial cost involved in changing the combination and given the continued and significant reductions in state wide court funding, the Court will further analyze this issue to determine the frequency in which to change the safe combinations outside of what is currently done.
  - The Court agrees with the recommendation and this is the current practice adopted by the Court. However given the physical locations and logistics of some of the divisions combined with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, this may not always be feasible. The issue in the Northern Family Law Satellite Office has been resolved as the deputy court clerk no longer has access to the safe combination.
  - The Court agrees with the recommendation and the "old items" were cleared out of this safe in November 2009.
2. The Court agrees with the recommendation and has already taken steps to address this issue. Signature stamps are now secured overnight and when not in use. Some retired judges are assigned back to work for the Court on a short term or temporary basis and their stamps are maintained for those instances. Additionally old un-used stamps are kept to recycle the mechanism for new stamps as it saves on court costs. However, these stamps are also now being secured.
3. The Court does not completely agree with the recommendation as the divisions mentioned do have locking doors that create a barrier between the clerks and the public. Adding glass or partitions may adversely impact the quality and level of service provided to the customers. The Court does however agree that the safety and security of court staff is critical. Therefore the Court will explore this issue with the AOC to determine what appropriate options and/or funding is available to make any

necessary changes.

4. Although this is not a requirement, the Court is open to exploring this recommendation with the AOC to determine essential needs and available funding options.

## **5.8 The Court Did Not Correctly Refund Overages or Record Overage Revenue in Accordance with Overage Policy**

### **Background**

An overage or shortage results when the amount of money taken in by a cashier does not reconcile to the amount of receipts entered into the CMS.

The FIN Manual allows trial courts to adopt the county's overage policy, provided that this policy document is submitted to the AOC for approval in the same manner as a request for alternative procedures. GC §29370 and §29371 authorizes the county board of supervisors to establish a cash difference fund and a cash overage fund by adopting a resolution setting forth the amounts of the funds. These funds may be used by any county officer, administrative head of any county department, or judicial district handling county funds. Once these funds are established, GC §29375.1 allows for overages not exceeding \$10 be deposited into the overage fund. GC §29380.1 specifies that at the end of the fiscal year, the board shall transfer any money in an overage fund to the county general fund. Furthermore, GC §29379 specifies that the board may at any time discontinue the cash difference fund (and by inference from GC §29371 the cash overage fund), at which point the county officer, administrative head of a county department, or judicial district shall immediately give an account thereof and deposit any balance in that fund in the county general fund. GC §29370.1 allows the board of supervisors, by resolution, to authorize the county auditor to establish, increase, reduce, or discontinue these funds. If the County did not establish an overage fund for the Court or the fund was discontinued, the Court must comply with the FIN Manual, or submit an alternative procedure request to the AOC Finance Director for approval.

Procedure No. FIN 10.02, section 6.3.11 requires that cashiers report all overages and shortages to their supervisors. Overages and shortages must be handled separately, never combined or netted together. Additionally, all unidentified overages over \$5 should be deposited into a separate account to maintain visibility of these amounts. The current FIN Manual policy states that these overages may be cleared after a waiting period of three years, which has not yet been updated to be consistent with the current escheatment statute for civil deposits codified at GC §68084.1. Specifically, GC §68084.1(g) states that the PJ may direct the transfer of any individual deposit of \$20 or less, or any amount if the name of the original depositor is unknown that remains unclaimed for one year to the Trial Court Operations Fund without the need for publication of notice.

### **Issues**

1. During our review of overages between March and August 2009, 13 transactions totaling \$280 were identified by the Court as overages or overpayments retained as

- revenue. Since these transactions were over \$10 and were check payments, they should have been refunded to the party per the Court's internal overage policy.
2. The Court posted all overage revenue, along with shortages, to the Cash Difference expenditure general ledger account (952599). This practice does not comply with the FIN Manual, which requires that overages and shortages must be handled separately and never combined or netted together.
  3. The Court's overage threshold in determining whether overages are to be refunded is \$10, which differs from the \$5 threshold provided in the FIN Manual. The Court informed us that the \$10 threshold was in accordance with County policy, but has not provided documentation showing that the County set up a cash overage fund for the Court.
  4. During our review of closeout procedures at the Southern Criminal Division, we observed that a miscellaneous overage was discovered during closeout, but the clerk did not sign off on the Overage/(Shortage) Form because he had already left for the day when the overage was discovered during lead/supervisor closeout verification.

### **Recommendations**

1. The Court should investigate these overage transactions to determine why they were not refunded, and refund overages greater than \$10 in accordance with their policy.
2. The Court shall set up a non-local fees revenue general ledger account to post overages recognized as court revenue so that overages and shortages are separately identified and accounted for.
3. The Court must provide evidence that the County has set up an overage fund with the \$10 threshold for the Court. Absent that, the Court shall comply with FIN Manual overage requirements, or submit a request for alternative procedures.
4. Cashiers must be required to be present during lead clerk or supervisor review of closeout reports so that discrepancies such as overages and shortages may be resolved at that time.

### **Superior Court Responses**

1. The Court agrees with the recommendation and has investigated these overages to determine why they were not refunded and took appropriate action to address the issue in June 2010.
2. The Court agrees with the recommendation and with the assistance of the Trial Court Administrative Services Division has already set up general ledger account 823004 to record overages. Shortages are still reported in expenditure GL 952599.
3. The Court agrees with this recommendation. However, with the impending change in the 7th edition of the FIN Manual this issue should be resolved effective September

2010.

4. The Court agrees with the recommendation and the issue has been addressed with the appropriate Criminal Division staff.

## 6. Information Systems

### Background

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
943201 IT MAINTENANCE	4,372.00	4,398.75	(27)	(1)
943202 IT MAINTENANCE - HARDWARE		22,259.58	(22,260)	(100)
943203 IT MAINTENANCE - SOFTWARE		39,602.78	(39,603)	(100)
* 943200 - IT MAINTENANCE	4,372.00	66,261.11	(61,889)	(93)
943301 IT COMMERCIAL CONTRACTS	1,571,955.64	1,371,442.28	200,513	15
* 943300 - IT COMMERCIAL CONTRACT	1,571,955.64	1,371,442.28	200,513	15
943501 IT REPAIRS & SUPPLIES	1,887.65	396.03	1,492	377
943502 IT SOFTWARE & LICENSING F	81,110.76	87,098.02	(5,987)	(7)
943503 COMPUTER SOFTWARE	5,254.42	2,826.28	2,428	86
943505 SERVER SOFTWARE	1,667.36	10,736.00	(9,069)	(84)
* 943500 - IT REPAIRS/SUPPLIES/LICE	89,920.19	101,056.33	(11,136)	(11)
** INFORMATION TECHNOLOGY (IT) TOTAL	1,666,247.83	1,538,759.72	127,488	8

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

- Systems backup and data storage procedures.
- Continuity and recovery procedures in case of natural disasters and other disruptions to Court operations.
- Logical access controls, such as controls over user accounts and passwords.
- Physical security controls, such as controls over access to computer rooms and the physical conditions of the computer rooms
- Controls over Court staff access to DMV records.

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

### 6.1 Court Has Not Completed Its Comprehensive Business Continuity and Disaster Recovery Plans

#### Background

The Business Continuity Plan (BCP) is the plan used by courts to re-establish core operational functions and technological systems during and after a disaster (e.g., flood, fire, earthquake, loss of power). A key component of the BCP is the Disaster Recovery Plan (DRP) where the technical aspects of recovering IT processes, systems, applications, databases and network assets are addressed to support continuity of core business functions and critical systems.

The AOC Office of Emergency Response and Security Unit (ERS) developed a *Continuity of Operations Plan* (COOP) program to ensure courts are able to recover and provide vital services to their constituents following a major disruption. However, COOP is independent and not a replacement of either the BCP or the DRP. According to the National Institute of Standards and Technology's *Special Publication 800-34 – Contingency Planning Guide for Information Technology Systems* chapter 2.2, an effective information systems contingency planning has a broad spectrum of interrelated plans that focuses on continuity strategies (COOP and BCP) and contingency strategies (DRP).

Sections 2.2.2, 2.2.1 and 2.2.6 describe the purpose of the COOP, BCP and DRP respectively. COOP is not technically-focused and provides procedures and capabilities to sustain an organization's essential, strategic functions at an alternate site for the long-term. On the other hand, BCP focuses on sustaining core business functions during and after a disruption and may address both short-term and long-term disruptions. DRP details technical procedures to facilitate recovery of capabilities at an alternate site that will support the core business functions identified in both the BCP and COOP.

### **Issues**

1. In the 2006 Audit Report, IAS identified that the Court does not have a comprehensive BCP outlining the core operational functions that must continue in cases of emergency and does not have a clear and reliable DRP that specifies critical systems to be recovered. IAS recommended developing a comprehensive BCP/DRP, testing the BCP/DRP annually, and documenting the test results. The Court agreed with these recommendations and expected completion by March 1, 2008.

However, this issue persists and is still under development. According to the Court, a *Disaster Recovery-Business Continuity (DRBC) Run Book* will be completed by December 2010. Court is also currently developing its COOP and expects completion by the same date.

2. Though the Court has its own disaster recovery (DR) site located at the Youth Services Center in San Mateo, only limited functional tests have been performed on the Court's DR process. Full testing on the whole BCP/DRP is yet to be performed.

### **Recommendations**

To ensure the Court establishes a resilient business and technology infrastructure that can minimize or even prevent disruptions on mission-critical functions, we recommend the following:

1. Complete the development of a comprehensive BCP, DRP and COOP. The Court should ensure the BCP addresses all mission-critical business functions or processes needed to be sustained during and after an emergency while the DRP identifies and details the critical IT systems, applications and/or programs to be recovered, normally at an alternative site, necessary to support mission-critical business functions in the

- BCP. These plans should be used in conjunction with the COOP to implement an effective court-wide continuity and contingency plan.
2. Perform annual testing of the BCP/DRP, document the results, and make adjustments to the plans as necessary. Full testing should address both short-term and long-term emergency or disruption scenarios.

### **Superior Court Responses**

1. The Court agrees with this recommendation and will complete the BCP, DRP and COOP plans by June 2011. It should be noted that the Court has created, migrated and currently maintains a full copy of our core, mission-critical applications with current data backups at our Youth Services Center. This will allow the Court to continue to function in the advent of a physical disaster, such as an earthquake or flood that affects the existing production data center located in Redwood City.
2. The Court agrees with this recommendation and will complete the annual testing of the BCP/DRP within six months of the completion of the BCP/DRP plans.

## **6.2 The Court's Procedures for Monitoring and Controlling Access to DMV Information is Inadequate**

### **Background**

The DMV and the Court entered into an On-Line Access MOU to provide inquiry and update access to DMV information. Specifically, the MOU provides court users on-line inquiry access to DMV's Automated Name Index System and remote update capabilities to Vehicle Registration and Driver License files. DMV required the Court to agree to the following conditions in an MOU to control and monitor access to sensitive and confidential DMV information:

- Maintain a current list of individuals who are authorized to access DMV files.
- Allow audits or inspections by DMV authorized employees at court premises for purposes of determining compliance with the terms of the MOU.
- Establish security procedures to protect DMV access information, including ensuring that each employee having access to DMV records sign an *Information Security Statement* that must be re-certified annually.
- Electronically log and store all DMV record access information for a period of two-years from the date of the transaction. The log information must be preserved for audit purposes and must include, at a minimum, the following: (a) transaction and information codes, (b) court code, (c) record identifiers, (d) individual user identifiers, and (e) date and time of transaction. DMV has informed us that it has allowed manual logging since some agencies are unable to log electronically.

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

### **Issues**

During our review of Court procedures to control and monitor access to DMV data, we identified the following instances where the Court did not comply with requirements stated in the MOU between the Court and DMV:

1. The Court's current process for compiling Information Security Statements is inadequate. Specifically, the HR Manager informed us that only individuals with access to DMV Direct were required to sign *Information Security Statements*, but the MOU between the Court and DMV requires employees and non-employees having direct or incidental access to DMV records to sign an *Information Security Statement*. For instance, individuals who have access to printouts from DMV Direct would also have to complete *Individual Security Statement*. Filers were allowed to annually re-certify via e-mail to the Court staff responsible for maintaining the forms, but this does not appear to be appropriate as DMV requires a written signature for the annual re-certification.
2. The Court does not electronically log DMV record access information as required by the MOU between the Court and DMV. According to the IT Director, the Court is looking into implementing electronic logging through its DMV Direct connectivity, but this is a low priority. There are complexities with the project, specifically with finding a way to produce useful reports from the tracking activity.
3. As an alternative to electronic logging, the Court requires staff with access to DMV Direct to manually log their access activity, but the manual logs are missing record identifiers, including the name or driver's license numbers that was entered.

### **Recommendations**

To ensure it takes responsible steps to secure and protect the sensitive DMV data it accesses, the Court should consider the following:

1. Identify and compile a list of employees and non-employees who have direct or incidental access to electronic or hardcopy DMV records and require these individuals to complete the *Information Security Statement* and re-certify annually. The list should be updated annually to reflect who has access and maintained with the forms.
2. Continue working to establish electronic logging capabilities in DMV Direct so that the Court may effectively monitor DMV access activity.
3. While manual logging is being used in the interim, the Court should require individuals to log the record identifiers, including driver's license numbers and names

that were looked up. Without this information, the Court cannot verify the manual logs to determine whether information queried was appropriate.

### **Superior Court Responses**

1. The Court agrees with the recommendation. All court employees, interns and volunteers are now being asked to sign a DMV Form INS 1128 to ensure that anyone who may have access to electronic or hardcopy DMV records, even if incidentally, will be aware of their responsibilities. HR has sent the form to all current court employees for completion. In addition, all new employees, interns and other volunteers will be required to complete the form on their first day. Going forward, every March 1<sup>st</sup> HR will notify all court supervisors of the need to have all their staff re-certify. Proof of certification and re-certification will be maintained in HR for auditing purposes.
2. The Court agrees with the recommendation. The Court will continue to explore options and search for a tool that will log all DMV transaction automatically. Estimated completion by March 2011.
3. The Court agrees with the recommendation. Logging of DMV record access is done by entry into excel spreadsheets. It should be noted that DMV had indicated to the Court in 2009 that they would produce access logs upon demand but when asked to do so for this audit reversed itself and said it would not. The Court had been acting on the belief that the electronic reports would be available. Now that it is known that they are not, employees will continue to log entries using the spreadsheet and are asked to include all record identifiers including drivers' license numbers and names.

## 7. Banking and Treasury

### Background

GC §77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. Policy Number FIN 13.01 establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. The Court currently deposits its operating funds in an AOC-established account. It also deposits daily collections, AB 145 monies, and majority of trust monies in AOC-established accounts. A portion of its trust funds is still on deposit with the County Treasury, along with a minimum balance to cover payroll costs.

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. It also has a portion of its operations funds in the Local Agency Investment Fund (LAIF) managed by the State Treasurer's Office. Once a trial court elects to participate in LAIF, the Court in consultation with the AOC determines the amount of cash to be invested in the fund, and these assets are categorized as short term investments on the court's general ledger.

In the table below are balances from the Court's general ledger that are associated with this section.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Assets - Trust</b>				
118000 CASH-TRUST ACCOUNT	7,475,545.43	6,311,230.64	1,164,315	18
118002 CASH TRUST IN-TRANSIT	6,429.73	33,939.11	(27,509)	(81)
118100 CASH-TRUST CLEARING	126,776.45	145,249.77	(18,473)	(13)
<b>Liabilities - Trust</b>				
341001 REVENUE COLLECTED IN ADVA		6,796.02	(6,796)	100
351001 LIABILITIES FOR DEPOSITS-	6,299.24		6,299	n/a
353002 CIVIL TRUST-CONDEMNATION	2,361,908.39	542,097.00	1,819,811	(336)
353003 CIVIL TRUST-OTHER( RPRTR	59,025.34	58,191.92	833	(1)
353004 JURY FEES- NON-INTEREST B	372,298.09	323,987.51	48,311	(15)
353005 TRAFFIC	50,603.74	56,044.00	(5,440)	10
353006 CRIMINAL - GENERAL	2,737,253.60	3,437,470.37	(700,217)	20
353007 CRIMINAL TRUST - VICTIM R		10,038.89	(10,039)	100
353023 CIVIL TRUST - APPEAL TRAN	110,766.68	112,130.51	(1,364)	1
353024 CIVIL TRUST - SMALL CLAIM	38,838.58	45,601.91	(6,763)	15
353025 CIVIL TRUST - EVICTION DE	8,710.41		8,710	n/a
353030 PARTIAL PAYMENT OF FEES	6,843.49	6,037.00	806	(13)
353031 OVERPAYMENT OF FEES	11.50	372.50	(361)	97
353040 CIVIL UNRECONCILED TRUST	1,518,501.90	1,528,973.47	(10,472)	1
353070 DUE TO OTHER GOVERNMENT A	4,000,576.84	3,077,547.96	923,029	(30)
353090 FUNDS HELD OUTSIDE OF THE	608,048.88	1,061,387.87	(453,339)	43
353999 TRUST INTEREST PAYABLE	81,412.63	82,022.93	(610)	1
<b>Assets</b>				
111000 CASH-OPERATIONS ACCOUNT	3,189,340.90	16,956,953.37	(13,767,612)	(81)
111002 CASH OPERATIONS IN-TRANSI	2,765.60	2,900.89	(135)	(5)
111100 CASH-OPERATIONS CLEARING	3,158,673.38	2,500,364.11	658,309	26
114000 CASH-REVOLVING	25,000.00	25,000.00	0	0
120001 CASH WITH COUNTY	3,245,586.63	3,841,824.87	(596,238)	(16)
120050 SHORT TERM INVESTMENTS	10,548,703.31		10,548,703	n/a

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Revenues</b>				
825010 INTEREST INCOME	294,591.28	920,136.53	(625,545)	(68)
<b>** 825000-INTEREST INCOME</b>	<b>294,591.28</b>	<b>920,136.53</b>	<b>(625,545)</b>	<b>(68)</b>
<b>Expenditures</b>				
920301 MERCHANT FEES	1,095.04		(1,095)	n/a
920302 BANK FEES	27,257.22	232.60	27,025	11,618
920303 LATE FEES		0.41	(0)	(100)
<b>* 920300 - FEES/PERMITS</b>	<b>26,162.18</b>	<b>233.01</b>	<b>25,929</b>	<b>11,128</b>
971003 LOSS ON INVESTMENT	116,690.91		116,691	n/a
* 971000 - OTHER-SPECIAL ITEMS OF E	116,690.91		116,691	n/a
<b>** DEBT SERVICE TOTAL</b>	<b>116,690.91</b>		<b>116,691</b>	<b>n/a</b>

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

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

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

## 8. Court Security

### Background

Appropriate law enforcement services are essential to trial court operations and public safety. GC §69921 et. seq. authorizes the PJ to contract with the sheriff, subject to available funding, for the level of law enforcement services that are necessary for the court. Beginning July 1, 2003 and thereafter, the PJ and the sheriff are required to develop a Comprehensive Court Security Plan to be utilized by the court. The AOC Emergency Response and Security (ERS) unit provides courts with guidance in developing a sound court security plan, including a court security plan template and a court security best practices document.

The Court contracts with the County Sheriff's Office for security services at all courthouse locations, including providing bailiffs in courtrooms and other coverage such as jury deliberation and judicial protection, and providing deputies and contract security personnel for entrance screening and other perimeter security needs.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
934503 PERIMETER SECURITY-SHERIF	1,105,682.00	934,960.00	170,722	18
934504 PERIMETER SEC-CONTRCT (OT	961,042.51	908,418.14	52,624	6
934510 COURTROOM SECURITY-SHERIF	6,437,827.17	6,125,442.56	312,385	5
934512 ALARM SERVICE	3,495.97	3,527.18	(31)	(1)
* <b>934500 - SECURITY</b>	<b>8,508,047.65</b>	<b>7,972,347.88</b>	<b>535,700</b>	<b>7</b>
941101 SHERIFF - REIMBURSEMENTS	20,608.00	21,120.00	(512)	(2)
* <b>941100 - SHERIFF</b>	<b>20,608.00</b>	<b>21,120.00</b>	<b>(512)</b>	<b>(2)</b>

We reviewed the Court's SLA with the County Sheriff, compared FY 2008 – 2009 budgeted and actual security expenditures, and reviewed sample court security invoices and supporting documentation to determine whether these services were allowable. We also reviewed the Court's security controls through interviews with Court management, observation of security conditions, and review of documents. Controls reviewed include but are not limited to security over entrances, fire safety, emergency planning, and key control.

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

### 8.1 The Court Paid for Unallowable Court Security Costs and Did Not Comply with GC §69926(b)

#### Background

The Superior Court Law Enforcement Act of 2002 codified in GC §69920 et. seq. provides requirements on court security services for superior courts and the sheriff or marshal of each

county. Specifically, GC §69926(b) requires the superior court and the sheriff or marshal to enter into an annual or multiyear MOU (Court Security MOU) specifying the agreed upon level of court security services, cost of services, and terms of payment. GC §69927 identifies the types of law enforcement security costs provided within the court security function that are allowable for courts to pay. However, any new court security costs permitted by this article shall not be operative unless the funding is provided by the Legislature. For instance, GC §69927(a)(3) specifies that when mutually agreed to by the courts, county, and the sheriff or marshal in any county, the costs of perimeter security in any building that the court shares with any county agency, excluding the sheriff or marshal's department, shall be apportioned based on the amount of the total non-common square feet of space occupied by the court and any county agency. GC §69927(a)(6) specifies that allowable costs for court security personnel include salary and benefits of supervisory security personnel through the rank of captain, line personnel inclusive of deputies, court attendants, contractual law enforcement services, prisoner escorts within the courts, and weapons screening personnel; court required training; and overtime and related benefits of law enforcement supervisory and line personnel.

The Regional Administrative Director of the Northern/Central Region issued a memorandum on July 10, 2003 to executive officers and county sheriffs that provided responses developed by the AOC and the California State Sheriff's Association to court security questions submitted by sheriff and court staff. This question and answer document provided information on allowable and unallowable court security costs. For instance, concerning overtime hours for replacement security staff, the memorandum stated that if the sheriff replaces regularly assigned staff with staff paid at an overtime rate, the court is responsible for payment of the replacement staff at the regular rate only. The court can pay for vacation time [of the regularly assigned security staff] or replacement staff, not both. Concerning what premium pay is allowable, the memorandum specifies that examples of premium pay include SWAT, canine, compensated time off, and military pay. All agreements for premium pay must be locally negotiated and mutually agreed upon by both the court and the sheriff.

SBx4 13 (Stats. 2009, ch. 22) was an urgency bill that took effect immediately in July 2009 that, among other things, amended GC §69926 and GC §69927. Specifically, GC §69926(b) was amended to require the cost of services specified in the Court Security MOU be based on the estimated average cost of salary and benefits for equivalent personnel classifications in that county, not including overtime pay. The calculation of average cost of benefits shall exclude any items not expressly listed in GC §69927(a)(6), including but not limited to any costs associated with retiree health benefits. GC §69927(a)(6)(A) was also amended to require the AOC to use the average salary and benefits costs approved for court law enforcement personnel as of June 30 of each year in determining the funding request that will be presented to the Department of Finance.

## **Issues**

1. We reviewed the FY 2008 – 2009 court security budget, quarterly invoices, and sample supporting documentation obtained from the Sheriff to determine whether the costs were allowable and reasonable. The Court and Sheriff achieved cost savings by using extra help deputies to cover for vacant permanent bailiff positions, and by

staffing the majority of perimeter security positions with contract security personnel. According to the CEO, in both 2006 and 2009 Court administration worked collaboratively with Sheriff's Office leadership to identify efficiencies and cost reduction efforts while maintaining essential security at all branch locations. Additionally, the Sheriff did not bill for certain allowable court security costs such as professional support staff for court security operation, various equipment and supplies such as ammunition and batons, and vehicle use for court security needs. However, we identified certain security costs billed to the Court that were either unallowable or inequitable:

- a. The Court may be overpaying for overtime charges. The Sheriff may use deputies not assigned to court security to fill in for permanently assigned deputies who were on leave, in addition to using extra help staff. When this occurs, replacement deputies may be billed at the overtime rate. The County's payroll system cost-distributes an individual's total benefits costs in a pay period to regular, overtime, and other earnings categories as a proportion of total earnings. Therefore, benefits charges distributed to overtime earnings include benefits paid on overtime as well as a portion of benefits paid on regular time. For the two sample biweekly March 2009 payroll reports reviewed, benefits costs allocated to overtime hours charged to court security departments range from 30 to 56 percent of overtime earnings. When deputies assigned to court security work overtime in the Probation YSC Security department (a County department), benefits costs in excess of 11.72 percent of overtime earnings were billed back to the Court. (The remaining 11.72 percent benefits costs include workers compensation, Medicare, and unemployment insurance costs associated with overtime hours worked.) According to the County, this was a special arrangement agreed to by the former Court and County Fiscal managers, but a similar arrangement was not made to charge portions of benefits back to the County for overtime hours worked by non-court security deputies.
- b. When the Sheriff uses deputies not assigned to court security and extra help staff as replacement staff as explained above, the Sheriff charges for both the replacement deputy and the vacation or sick time of the permanently assigned deputy. Since the Court is only obligated to pay for actual court security services provided, paying for both the replacement staff and the staff on leave does not appear to be reasonable, especially when the absence is no fault of the Court's.
- c. The Court paid all perimeter security costs for facilities that the Court shares with the County. According to the Deputy Court Executive Officer of Support, these shared facilities include the Hall of Justice, Youth Services Center, and Northern Branch. The Court also informed us that the County offices located in the Hall of Justice building do not need security services since members of the public required to go through entrance screening are court visitors. However, it seems reasonable that the County benefits from the availability of on-site law enforcement personnel, who would be able to respond to security incidents occurring in county

offices located within the shared facilities. Unless the amount is immaterial, the County should bear a portion of the cost.

- d. The Sheriff provided payroll reports as support for quarterly invoices that did not reconcile to County general ledger reports and were therefore not being reviewed by the Court. As an alternative, we asked the Court to request from the County personnel expense distribution reports to review individual deputies' salary and benefit costs within each pay period.
2. The FY 2008 – 2009 court security costs were covered by an outdated SLA between the Court and the Sheriff that had been established in 2004. The SLA contained as an attachment, a Direct Costs Schedule for FY 2004 – 2005, that has not been updated since then with the annual approved budgeted costs and related rates. The Court entered into a revised MOU with the Sheriff in April 2010 to cover FY 2009 – 2010 court security services. Based on a review of the revised MOU and conversations with Court personnel, we identified the following issues:
    - a. The Court informed us that the Sheriff did not calculate the FY 2009 – 2010 court security budget based on the estimated average cost of salary and benefits for equivalent personnel classifications in that county, but budgeted personnel costs were based on top step levels. Specifically, the Sheriff prepared and submitted the budget to the Court in April 2009 prior to the passage of SBx4 13, but had never revised the budget to be in compliance with GC §69926(b).
    - b. Neither the 2004 SLA nor the revised 2010 MOU specify what types of premium pay may be charged. We were only able to learn after review of budget and invoice documentation that experience pay, POST officer pay, and compensatory time off were billed to the Court, but bilingual pay was not. Since premium pay may be locally negotiated, mutually agreed upon premium pay should be itemized on the Court Security MOU. Having negotiated premium pay explicitly stated in the MOU will also aid in calculating the annual security cost budget based on the methodology required by GC §69926(b).

### **Recommendations**

1. To ensure that the Court only pays for court security costs that are allowable and reasonable, we recommend the following:
  - a. The Court should require the County to make necessary adjustments to charges for overtime worked by deputies not assigned to court security so that the Court is only billed those benefits associated with overtime and not with regular time.
  - b. The Court should negotiate with the Sheriff to either bill for hours worked by replacement staff, or vacation or sick hours of the permanently assigned deputy.
  - c. The Court should negotiate with the Sheriff to split perimeter security costs in shared facilities based on the square footage of court and county offices,

excluding sheriff offices, as a proportion of total non-common square feet of space occupied by the court and county in order to create a more equitable distribution of court security costs.

- d. Court should request the County to provide payroll reports that reconcile to the County general ledger, such as the personnel expense distribution reports we reviewed, and periodically review these reports to ensure that personnel services costs billed to the Court are appropriate.
2. To ensure that the Court complies with the Superior Court Law Enforcement Act of 2002 as amended by SBx4 13, we recommend the following:
    - a. The Court should work with the Sheriff to develop a revised FY 2009 – 2010 court security budget based on the estimated average cost of salary and benefits for equivalent personnel classifications in that county, excluding overtime. This requirement should also be incorporated into the Court Security MOU.
    - b. The Court and Sheriff should itemize in the Court Security MOU the types of premium pay that may be charged. This may be included as an addendum to the executed Court Security MOU.

### **Superior Court Responses**

1. *The Court's responses are as follows:*
  - a. The Court agrees with the recommendation and will work with the Sheriff to rectify this issue.
  - b. The Court agrees with the recommendation and will work with the Sheriff to rectify this issue.
  - c. The Court has been attempting to negotiate shared security costs in shared facilities for a number of years. It should be noted that GC 69927(a)(3) specifies that these shared costs must be mutually agreed to by the Court, County and Sheriff and our County and Sheriff have taken the position that they would not choose to have checkpoint perimeter security in these shared facilities if the Court was not present. We are open to any guidance the AOC may provide to most effectively negotiate this issue to the betterment of the Court's position.
  - d. The Court agrees with the recommendation and started receiving these reports beginning in the second quarter of FY09-10.
2. *The Court's responses are as follows:*
  - a. The Court agrees with the recommendation and has taken steps to initiate the recommended practice by December 2010 when amendments to the current MOU with the Sheriff will be negotiated.

- b. The Court agrees with the recommendation and has taken steps to initiate the recommended practice by December 2010 when amendments to the current MOU with the Sheriff will be negotiated.

## **8.2 Deficiencies in Certain Court Facilities may pose Security Risks to the Court**

### **Background**

The AOC ERS unit issued a *Court Security Best Practices* document to assist courts with the development of a sound court security plan. For instance, to properly control access to court facilities, ERS recommended that a single point entry to the courthouse is the most effective and cost efficient method of entrance screening. Simply stated, the more entrances there are to the building, the greater the opportunity for unscreened contraband to enter the courthouse. As such, emergency exits are typically not guarded, and can offer a means of unauthorized entrance. An audible alarm is a deterrent against unauthorized use of emergency exits. Furthermore, the installation of an intrusion alarm helps protect the court from burglary or the introduction of contraband into the building. A trial court should promote appropriate physical security of court assets and sensitive or confidential court documents by limiting access to court employees and by monitoring such access. In fact, FIN Manual Procedure No. 2.02, paragraph 6.3 (2) identifies controlled access to assets as one of the key components to an effective system of internal controls.

The ERS also provided best practices for fire safety in the document. It noted that appropriately placed fire extinguishers, fire alarms with pull stations, smoke detectors, and a fire sprinkler system are ideal features of any building. While many older courts are not equipped with all of these features, future construction consideration should be given to upgrade existing fire life safety systems as much as practical.

ERS also conducts security reviews at the request of courts. ERS conducted such a review at the San Mateo Youth Services Center in 2006 at the Court's request to examine additional options for accommodating visitors and address potential court security vulnerabilities presented by all options.

### **Issues**

We visited the Hall of Justice, Southern Annex, Northern Branch, Central Branch, and Youth Services Center facilities to access various physical attributes and control procedures in place to ensure adequate security for court officials and employees as well as the public. The Court has established various procedures to ensure public safety, such as requiring individuals at public entrances to undergo security screening. We noted some structural deficiencies that cannot be readily corrected, such as lack of a fire sprinkler system and restricted passageways for inmate escort in older facilities. However, we also identified the following deficiencies that require the Court's attention<sup>5</sup>:

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1. Not all of the emergency exits located at the Court facilities are alarmed, so the Court runs the risk that inappropriate entry and exit through the emergency doors go undetected.
2. The Court has not installed smoke detectors throughout the Central Branch facility, and there is no smoke detection in the basement location of the Northern Branch facility where various court records are stored.
3. One facility does not have a fire alarm notification system to quickly alert building occupants and visitors that a fire alarm has been triggered and of the need for evacuation.
4. There is no burglar alarm system installed at the Hall of Justice facility to prevent unauthorized access.

### **Recommendations**

The Court should consider the following improvements to its court facilities to ensure that they provide adequate security measures for court officers, employees, and visitors:

1. Equip emergency exits with alarms that will sound when doors are opened to prevent unauthorized entry and exit.
2. Install smoke detections throughout a central facility. A smoke detector should also be installed in the vicinity of records storage areas since paper records may pose a fire risk.
3. Install a fire alarm notification system that may be used to quickly notify building occupants and visitors to evacuate the facility in case fire emergency.
4. Install a burglar alarms system in one facility, since cash collections, exhibits, and other valuable and sensitive items are stored overnight.

### **Superior Court Responses**

1. The Court agrees with the recommendation and already follows this process. There are emergency exit alarms at the Juvenile Hall, Annex, Central and Northern Court facilities. The only exceptions are two public accessible stairwell doors in the Hall of Justice in Redwood City. The Court is currently working in partnership with the Sheriff's security officers, staff from County Manager's office and representatives from the Office of Courthouse Construction and Management Team to install the exit alarm systems by June 2011.
2. The Court agrees with the recommendation and has taken steps to implement the recommended practice. Through the Office of the Courthouse Construction and Management the smoke detection systems were installed at the Central Courthouse

3. The Court agrees with the recommendation and has taken steps to implement the recommended practice. Through the Office of Courthouse Construction and Management the fire alarm systems were installed at the Central Courthouse location in 2010. The fire alarm systems for the Northern Branch Courthouse are scheduled to be installed by December 2010.
4. The Court understands and agrees with the recommendation in concept and during normal business times this would be considered best practice. However, due to continued and significant reductions in State wide court funding, this may not be feasible if additional funding is not provided. The court will work with AOC and County Security professionals to see if additional funding for this can be obtained.

Note: The above document was discussed with M.R. Gafill, Supervising Facilities Management Administrator of the Office of Court Construction and Management, as well as Ed Ellestad of the same office. It is their belief that the aforementioned comments are adequate and no further action is needed on our part. They further believe that some of the items in the audit are not accurate and are therefore not things the Court is required to do, or are required by code.

## 9. Procurement

### Background

The FIN Manual Policy Number 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. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases.

We obtained an understanding of the Court's practices through interviews with Fiscal Division staff, review of procurement user functions set up on the Phoenix Financial System, and review of internal procurement policies and procedures. We also performed substantive testing on sample purchases to determine whether the Court obtained approval from authorized individuals, followed open and competitive procurement practices, and complied with other FIN Manual procurement requirements.

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

### 9.1 Court Did Not Comply with FIN Manual Requirements on Purchase Approval, Procurement Methods, and Procurement File Documentation

#### Background

Procedure No. FIN 6.01, section 6.3, provides a matrix of individuals responsible for approving purchases and their suggested approval thresholds. These individuals approve written or electronic purchase requisition forms, verify that the correct account code(s) are specified, and verify that funding is available.

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

Alternative procedures (e.g., approval levels that are different from those suggested above) must be documented, incorporated into the local trial court procurement manual, and distributed to court personnel. Any alternative procedure that is different from what is

included in the FIN Manual or the county's policy document must be approved by the AOC prior to its implementation.

Section 6.5 provides the following suggested purchasing thresholds and methods for procurements. As with the purchase approval matrix identified in section 6.3, differences must be approved by the AOC prior to its implementation, documented, incorporated into local procurement procedures, and distributed to court personnel.

<b>Suggested Purchase Value</b>	<b>Procurement Type</b>	<b>Procurement Method</b>
Less than \$500	Mini Purchase	Good purchasing practice
\$500 to \$2,500	Micro Purchase	At least three documented telephone or internet offers
\$2,501 to \$10,000	Small Purchase	At least three written offers
Greater than \$10,000	Competitive Procurement	Formal written offers

Although courts should strive to practice full and open competitive procurement, there may be instances when noncompetitive procurements are appropriate. Section 6.11 provides specific circumstances when sole source procurements may be used. Additionally, the justification of the rationale for sole source procurements must be documented. This section also provides guidelines on documentation of sole source procurements.

Section 6.4, paragraph 1 defines a purchase order as a document that is issued to authorize an offeror to provide goods. In most cases, a contract is used to procure services. Section 6.12 specifies that blanket purchase orders (BPO) may be used to streamline the process of filling repetitive needs for goods and services. A BPO may be established if there is a broad class of goods that is purchased (e.g., office supplies) but the exact items, quantities, and delivery requirements are not known, and/or the administrative cost of issuing numerous purchase orders can be avoided through the use of this one-time procedure. The FIN Manual also provides for when purchase orders are to be executed. Specifically, Section 6.5.1 specifies a purchase order may be used for purchases less than \$500 but is not required, while section 6.5.2 specifies that purchases up to \$2,500 should be executed with a purchase order. For small purchases and competitive procurements that are greater than \$2,500, section 6.5.3, paragraph 3 requires that these procurements shall be executed with a purchase order or contract. The Phoenix Financial System allows courts to execute standard and blanket purchase orders for the procurement of goods, and contract purchase orders for the procurement of services that are supported by executed contracts.

Section 6.7 states no procurement shall be divided in order to circumvent requirements based on purchase value thresholds. All procurements shall be made in a manner that will afford the trial court the maximum value or benefit through competitive procedures and consolidation of purchases.

When the Court was using the services of the County Auditor-Controller, the Court also procured most of its goods and services through the County's centralized procurement unit. When the Court migrated onto the Phoenix Financial System, it procured its own goods and services. Although the Phoenix Financial System allows courts to set up purchase

authorizations electronically, the Court still relies on hardcopy purchase requisitions. According to the Court's internal procurement procedures titled *Procedures Memorandum No. 06-005*, the procurement process begins when a requestor completes and submits a New Office Furniture/ Equipment Request (FEPR), which undergoes a series of approvals by the supervisor, court services manager, executive team member, and Finance Director, and is then routed to the purchasing senior accountant to obtain offers. On the other hand, office supply purchases are initiated by completion of the Request for Supplies form. The Court purchases office supplies from Office Depot and Staples under a vendor agreement.

### Issues

During our review of the Court's internally-established written procurement procedures and sample FY 2008 – 2009 purchases, we identified the following areas of concern:

1. The Court's purchase approval thresholds do not comply with the FIN Manual and have not been incorporated into its current procurement policy document.
  - The Court's Approval Matrix as documented in *Procedures Memorandum No. 06-005* exceed the suggested approval thresholds specified in Procedure No. FIN 6.01, section 6.3, paragraph 1, but the Court did not submit these higher alternative thresholds to the AOC for approval. Specifically, the Court's purchase approval thresholds are as follows:

Position	Approval Threshold
Presiding Judge	\$50,000 and above
Court Executive Officer/ Finance Director	Up to \$49,999
Deputy CEO/ Technology Director	Up to \$24,999
Court Facilities Manager	Up to \$10,000

- The Court has not updated the above Approval Matrix since October 25, 2005 and did not include the Approval Matrix in its current Procedures Memorandum that was revised on August 28, 2009. The Court informed us that the Court Facilities Manager no longer has any purchase approval authority, but the matrix has not been updated to reflect this change.
2. The Court's purchases were not always supported by an approved purchase requisition. During our review of sample FY 2008 – 2009 expenditures, we identified the following exceptions:
    - For 8 of 16 sample expenditures reviewed, a purchase requisition was not attached to the invoice and associated payment documentation.
    - Five of eight requisition forms identified were incomplete. Specifically, three Supply Requisition Forms and one Existing Form Reorder Request did not contain signatures of the authorized approvers, appropriate general ledger account coding, and signatures of the individual who verified that budgeted funds were available for the purchase. Only the printed names of the approving unit manager

and finance director were on the forms. Additionally, one FEPR did not contain a signature of the individual who verified that budgeted funds were available for purchase.

3. The Court's Purchasing Thresholds and Methods for Court Procurements matrix as documented in *Procedures Memorandum No. 06-005* provide purchase thresholds that exceed the suggested purchasing thresholds specified in Procedure No. FIN 6.01, section 6.5, but the Court did not submit these higher alternative procurement thresholds to the AOC for approval. Specifically, the Court's procurement thresholds and related methods are as follows:

Purchase Value	Procurement Type	Procurement Method
Less than \$500	Mini Purchase	Good purchasing practice
\$500 - \$4,999	Low Value Purchase	At least three documented telephone or internet offers
\$5,000 - \$24,999	Small Purchase	At least three written offers
Greater than \$25,000	Competitive Procurement	Formal written offers

4. The Court did not always comply with the procurement methods required in the FIN Manual, or documented sole source justifications.
  - For two of seven sample vendor agreements reviewed that exceeded \$10,000, we did not find documentation to show that the Court used a competitive procurement process for these purchases. In one instance, the Court entered into a three-year agreement not to exceed \$75,000 for carpentry, wallpapering, and painting services. The Court had been procuring services from the vendor since 2001, but could not provide documentation to support that it sought competitive bids before renewing the agreement for three years. In another instance, the Court entered into a three-year agreement not to exceed \$15,000 for record destruction services. Although the Court selected this vendor through an open bid process for a three-year agreement, the Court could not provide documentation to support that it sought competitive bids before renewing the agreement for another three years.
  - Another four of seven sample vendor agreements reviewed that exceeded \$10,000 appear to be sole source procurements, but the Court did not sufficiently document sole source justifications.
  - For one three-year agreement totaling \$4,500 for internet access, we did not find documentation to support that the Court obtained at least three written offers.
5. The Court did not execute purchase orders for all purchases over \$2,500, and executed multiple purchase orders for one agreement.
  - Although the Court executed various contract and standard purchase orders in FY 2008 – 2009, it only executed BPOs for County services and IT software and license expenses. For 13 of 30 sample expenditures reviewed that were tied to 10

vendors, the Court did not execute BPOs even though total fiscal year expenditures exceeded \$2,500 for each of these vendors.

- The Court executed multiple purchase orders associated with one multi-year copier lease agreement, one purchase order per copier. Breaking down one vendor agreement into multiple purchase orders appears to be out of compliance with Procurement No. FIN 6.01, section 6.7.

### **Recommendations**

We recommend the following changes to the Court's procurement practices to ensure that it complies with procurement policies and procedures prescribed in the FIN Manual and demonstrate it used public funds economically to procure goods and services in a fair and reasonable manner:

1. Revise its Approval Matrix to comply with suggested approval thresholds provided in the FIN Manual, or submit a request for alternative procedures to the AOC for approval. It should also update its matrix by deleting authorization levels for individuals who no longer have purchase approval authority and incorporate into its current procurement procedures.
2. Require departments to submit purchase requisitions, such as an FEPR or Request for Supplies form, that have been approved by authorized individuals to the Court procurement officer before purchases are made. The requisition should also include the appropriate general ledger account coding and approval signature by the individual who verified that budgeted funds were available for the purchase. Documentation of approval via e-mail may be used in place of an approval signature. A copy of the approved purchase requisition must be routed to Accounts Payable staff so that the requisition may be verified prior to invoice payment and retained in the invoice file for documentation.
3. Revise its Purchasing Thresholds and Methods for Court Procurements matrix to comply with the suggested purchasing thresholds provided in the FIN Manual, or submit a request for alternative procedures to the AOC for approval.
4. Demonstrate open and competitive procurement practices by obtaining competitive bids for purchases greater than \$10,000 and documenting these efforts in its procurement files. Rather than automatically renewing or extending existing multi-year agreements, the Court should periodically rebid for goods and services, such as every five years. For purchases where competitive procurement procedures are deemed infeasible due to at least one of the reasons specified in Procurement No. FIN 6.01, section 6.11, the Court must document its rationale for sole source purchases in its procurement files. The Court may use the *Trial Court Sole Source Justification Form* established by PSSC to document its sole source justifications.
5. Execute purchase orders for all purchases over \$2,500 as required by the FIN Manual. For instance, it should establish blanket purchase orders for reoccurring purchases of

goods and services made from the same vendor so that it can encumber funds at the beginning of the fiscal year and streamline the process of filling repetitive needs for goods and services. It should also set up one contract purchase order per agreement to avoid the appearance that it is dividing purchase orders to circumvent procurement requirements. In the case of its copier lease, it may set up one purchase order with multiple line items, and assign one line item per copier.

### **Superior Court Responses**

1. The Court agrees with the recommendations and has revised its Approval Matrix and current procedures and policies in light of the guidelines in FIN 6.01. Further, the Court will comply with the reporting requirement in FIN 6.01 for alternative procedures.
2. The Court agrees with this recommendation. The Court already requires departments to submit purchase requisitions [FEPR or Request for Supplies] for approval before purchase is made. Furthermore, the Court will revise its current procedures and policies for FEPR and Request for Supplies approvals to include the budgetary funds available certification and ensure the general ledger code is included in the process.
3. The Court agrees with this recommendation and will assess its current procedures and policies in light of the guidelines in FIN 6.01. The Court will comply with the reporting requirement in FIN 6.01 for alternative procedures as necessary.
4. The Court agrees with this recommendation to include documentation of the procurement process in selecting a contractor. The Court will review the FIN memos on these requirements and comply. Further, the Court agrees with the recommendation that documentation for sole source is required. The Court does currently place sole source justification in its files for its more current files. The contracts reviewed were with vendors with whom the Court has had long standing agreements and who provide services to the Court and to the County – and therefore the original documentation of the procurement process was not available in all instances. The Court will ensure that required documentation is in all contract files and that the PSSC Sole Source Justification form will be used for such documentation.
5. The Court agrees with this recommendation in principal. Based on our information and documentation, we believe the Court is not out of compliance with FIN 6.01, section 6.7 with respect to the copier contracts. The agreement with the copier vendor(s) is in the form of a Master Agreement, that each individual copier has its own separate agreement with its own “not-to-exceed” amount, contract number, and general ledger coding. Therefore, each copier has its own purchase order that ties to the individual agreement.

## 10. Contracts

### Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
938201 CONSULTING SERVICES-TEMP	57.06	12,000.00	(11,943)	(100)
* 938200 - CONSULTING SERVICES - TE	57.06	12,000.00	(11,943)	(100)
938401 GENERAL CONSULTANTS & PRO	361,792.76	243,210.99	118,582	49
938403 PAYROLL SERVICE	405.00	15,000.00	(14,595)	(97)
938404 ADMINISTRATIVE SERVICE	214,547.00	17,879.00	196,668	1,100
938406 ARCHITECTURAL SERVICES	696.04	8,838.71	(8,143)	(92)
938407 PUBLIC WORKS PLANNING & E		8,863.98	(8,864)	(100)
938408 LABORATORY SERVICES FOREN		250.00	(250)	(100)
938410 TELECOMMUNICATIONS-CONSUL	1,350.00	15,527.15	(14,177)	(91)
938411 TRAFFIC SCHOOL MONITORING	206,684.63	315,566.44	(108,882)	(35)
* 938300 - GENERAL CONSULTANT AND P	785,475.43	625,136.27	160,339	26
938601 COURT REPORTERS SERVICES	349,670.12	288,926.45	60,744	21
* 938600 - COURT REPORTER SERVICES	349,670.12	288,926.45	60,744	21
938701 COURT TRANSCRIPTS	203,347.65	321,539.99	(118,192)	(37)
938702 CRT RPRTER TRANSCRIPTS-NO	7,749.81	382.75	7,367	1,925
938703 CRT RPRTER TRANSCRIPTS-FE	100,304.04	25,916.85	74,387	287
* 938700 - COURT TRANSCRIPTS	311,401.50	347,839.59	(36,438)	(10)
938801 DEPENDENCY COUNSEL CHRGS	130,733.90	176,149.60	(45,416)	(26)
938802 DEPENDENCY COUNSEL CHRGS	194,851.80	229,795.16	(34,943)	(15)
938803 COURT-APPOINTED COUNSEL C	30,449.34	13,005.55	17,444	134
938899 COURT APPOINTED COUNSEL C	13,311.50	1,710.00	11,602	678
* 938800 - COURT APPOINTED COUNSEL	369,346.54	420,660.31	(51,314)	(12)
938901 INVESTIGATIVE SERVICES	84.00	342.00	(258)	(75)
938905 FINGERPRINT PROCESSING	4,800.00	2,550.00	2,250	88
* 938900 - INVESTIGATIVE SERVICES	4,884.00	2,892.00	1,992	69
939002 PSYCHIATRIC EVALUATIONS	148,837.79	96,873.45	51,964	54
939003 COURT-ORDERED PROFESSIONA		1,725.00	(1,725)	(100)
939009 EXPERT WITNESS		729.05	(729)	(100)
939014 EXPERT WITNESS-FORENSIC	125.00	2,000.00	(1,875)	(94)
939020 PROBATE EVALUATIONS & REP		500.00	(500)	(100)
* 939000 - COURT ORDERED PROFESSION	148,962.79	101,827.50	47,135	46
939102 CIVIL ARBITRATION FEE	26,700.00	27,750.00	(1,050)	(4)
* 939100 - MEDIATORS/ARBITRATORS	26,700.00	27,750.00	(1,050)	(4)
939299 COLLECTION SERVICE		1,365.83	(1,366)	(100)
* 939200 - COLLECTION SERVICES		1,365.83	(1,366)	(100)
939401 LEGAL SERVICES	21,797.68		21,798	n/a
939413 ATTORNEY FAMILY LAW	106,114.00	76,832.04	29,282	38
939420 SMALL CLAIMS ADVISORY SER	21,920.42	20,125.00	1,795	9
* 939400 - LEGAL	149,832.10	96,957.04	52,875	55
939801 OTHER CONTRACT SERVICES		129,247.00	(129,247)	(100)
* 939800 - OTHER CONTRACT SERVICES		129,247.00	(129,247)	(100)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
942201 COUNTY - LEGAL SERVICES	7,162.55	13,487.10	(6,325)	(47)
942302 AUDITOR-CONTROLLER SERVIC	132,661.26	134,663.00	(2,002)	(1)
942501 COUNTY - HUMAN RESOURCES	252,765.94	273,558.39	(20,792)	(8)
942601 COUNTY - OFFICE SERVICES	28,279.47	31,061.00	(2,782)	(9)
942701 COUNTY - BUSINESS SERVICE	554,964.00	758,188.97	(203,225)	(27)
942801 COUNTY - EDP SERVICES	739,897.68	860,918.54	(121,021)	(14)
942901 COUNTY - OTHER SERVICES	96,969.68	155,219.78	(58,250)	(38)
* 942100 - COUNTY-PROVIDED SERVICES	1,812,700.58	2,227,096.78	(414,396)	(19)

We evaluated the Court's contract monitoring practices through interviews with various Court personnel and review of sample contract files. We also reviewed sample contracts entered into in FY 2008 – 2009 to determine whether they contain adequate terms and conditions to protect the Court's interest.

We reviewed agreements entered into with the County to determine whether they are current, comprehensive of all services currently received or provided, and contain all required terms and conditions. We also reviewed sample County invoices to determine whether services billed were reasonable, allowable, sufficiently documented and supported, and appropriately accounted for.

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

### 10.1 The Court Does Not Have Agreements for Some County Services While Some Existing Agreements Are Outdated

#### Background

GC §77212(d)(1) authorizes the court to enter into a contract for a service if the court desires to receive or continue to receive a specific service from a county or city and county, and the county or city and county desires to provide or continue to provide that service. The contract shall identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service. The court and the county or city and county shall cooperate in developing and implementing the contract. MOUs are often used to document agreements between government entities, either as a precursor to a contract or as a contract itself. Because of the historical relationship between the court and county, MOUs are commonly used to establish agreements between the two. Procedure No. FIN 7.02, section 6.1 provides the four major elements every MOU must contain, which are in line with GC §77212(d)(1). Each major element: **cost, schedule, scope of work, and terms and conditions** must be clearly defined in every MOU so the court's needs are met, and the MOU parties clearly understand their obligations.

The Court and the County entered into a memorandum of agreement (MOA) in February 2000 to outline the duties, rights, and obligations of both parties. Article III, section A of the MOA identifies the direct and indirect services that the County will continue to provide to the Court. Section B states that the parties may enter into specific SLAs for each of the

services provided by the County. At a minimum, SLAs shall include a description of services to be provided, service quality expectations, the method used to calculate actual costs, maximum reimbursement to the County for services provided, procedures for modifying terms established and the billing and payment cycles. During our review, the Court had existing SLAs with various County departments, including the Sheriff's Office, Information Services Department, Department of Employee and Public Services (EPS), and Office of the County Counsel.

### **Issues**

We reviewed nine FY 2008 – 2009 County services expenditures to determine whether the Court complied with applicable statutory, CRC, and FIN Manual requirements; and whether expenditures were Rule 10.810 allowable. The Court could not provide supporting documentation for one sample expenditure, which was a year-end accrual for FY 2007 – 2008 mail services totaling \$28,279, so we could not complete our review of that expenditure. During our review, we identified the following issues:

1. Two expenditures were not clearly defined in an existing agreement with the County, including custodial services totaling \$554,964 provided by the Department of Public Works and payroll services totaling \$132,661 provided by the Controller's Office. The County had provided budget worksheets and invoices with supporting schedules, and the methodology presented in these documents to calculate costs appear reasonable.
2. Although the remaining seven county services expenditures were detailed in existing agreements, the costs for most of these services were not sufficiently detailed in the agreements. Various county departments submit annual budgets to the Court for review and approval prior to the beginning of the fiscal year, but with the exception of the Court Security SLA, such cost information is not incorporated into SLAs with these respective county departments. For instance, the Court budgeted for and paid \$98,800 for recruitment services. While the SLA with EPS specified that the Court would be charged at the hourly rate charged to other county departments and public agencies, the SLA did not contain specific cost information that was presented in the budget worksheet. Procedure No. FIN 7.02, section 6.1, paragraph 2 states that if the court is contracting for labor, a schedule listing the hourly, daily, weekly, or monthly cost of each person or job classification must be incorporated into the MOU.
3. Some SLA terms used to describe billing or payment methodology are outdated. For example, Attachment B of the SLA with EPS specifies that all charges for services can be classified as either direct charges or A-87 charges, and describes several services billed to the Court based on the A-87 cost allocation methodology. However, the Court informed us that the County no longer bills for any of its services as an A-87 cost, and none of the sample expenditures we reviewed were billed using this methodology.
4. Some tuition reimbursement expenditures do not appear appropriate. Under the SLA with EPS, the County administers the tuition reimbursement program for Court

employees. Out of a total of \$13,362 in tuition reimbursements paid by the Court in FY 2008 – 2009, at least \$2,393 were for courses that did not appear to be work-related. For example, one Court Investigator was reimbursed a total of \$1,315 for five courses in cinema.

According to the MOU with labor unions, the Court may reimburse workers for tuition and related fees if the subject matter is closely related to the worker's present or probable future work assignment. Furthermore, there must be a reasonable expectation that the worker's work performance or value to the Court will be enhanced as a result of the course of study. Finally, the CEO shall recommend approval or disapproval of the request and forward to the County HR Director whose decision shall be final.

### **Recommendations**

To ensure that County-provided services are sufficiently detailed in current agreements and appropriately billed, we recommend the following:

1. Enter into agreements with County departments for services the Court currently receives but are not covered by existing agreements. These agreements must contain the minimum elements required by GC §77212 and Procedure No. FIN 7.02, section 6.0.
2. Update existing County SLAs with current cost information. Since the Court already receives current rate information and annual cost estimates from various County departments, this information may be annually incorporated as an attachment or addendum to the existing County SLA.
3. Update all County SLAs so that they provide an accurate description of County-provided services and corresponding billing methods.
4. Discontinue paying for tuition reimbursement charges for courses that are not work-related. For any reimbursement requests that do not appear to be appropriate, the Court should request for and review supporting documentation including employee reimbursement request and pre-approval forms before processing for payment. Additionally, the Court should modify its tuition reimbursement process so that the Court – not the County – makes the final decision to approve or disapprove such requests.

### **Superior Court Responses**

1. The Court agrees with this recommendation and is in the process of working with County agencies to develop the Service Level Agreements with those agencies who provide services to the Court.
2. The Court agrees with this recommendation and will update the pricing structures in existing Agreements that are outdated. The Court's Contracts Analyst will work with the Court's Fiscal division to update the Agreements to reflect current information.

3. See response to Item 2 above. Additionally, the Court is currently underway with updating the main umbrella Service Level Agreement with the County in which it authorizes the entry of individual agreements with each County department for services.
  
4. The Court agrees with this recommendation in concept. The Court also recognizes that there are occasions when courses that may not appear to be directly related to work are appropriate for reimbursement as they are necessary to achieve a BA or BS degree (i.e.; certain general ed. requirements) that will enhance the value and contributions of the court employee. The court agrees that these classes require appropriate documentation to ensure their necessity and application to the appropriate degree and that all supporting documentation should be reviewed and approved by the supervising manager and CEO in advance of the course being taken so that both Court management and the affected employee are clear that the course has been reviewed and approved well in advance of payment. The Court will modify its tuition reimbursement process and related forms so that the Court – not the County – makes the final decision to approve or disapprove such requests. Management has been informed that the CEO will have final authority to authorize tuition reimbursement prior to sending request to the County.

## 11. Accounts Payable

### Background

The FIN Manual provides various policies on payment processing. Specifically, Policy Number 8.01 provides uniform guidelines for processing vendor invoices, and Policy Number 8.02 covers the payment of claims submitted by individuals and businesses that provide various in-court services including, but not limited to, interpreters, reporter transcripts, and court-appointed counsel. Policy Number 8.03 defines the rules and limits on arranging, engaging in, or claiming reimbursement for business-related travel, while Policy Number 8.05 defines rules and limits over business meals.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures – Travel</b>				
929201 IN-STATE TRAVEL EXPENSE C	1,534.46	2,200.56	(666)	(30)
929202 IN-STATE AIR TRANSPORTATI	3,424.30	5,450.32	(2,026)	(37)
929203 IN-STATE RENTAL VEHICLES	200.32	778.45	(578)	(74)
929205 PER-DIEM - JUDICIAL - IN	843.00	1,436.90	(594)	(41)
929206 LODGING-IN STATE	9,125.85	11,843.64	(2,718)	(23)
929207 RAIL, BUS TAXI, FERRY-IN	1,162.75	766.55	396	52
929208 PRIVATE CAR MILEAGE-JUDIC	4,940.24	5,523.52	(583)	(11)
929209 PRIVATE CAR MILEAGE-EMPLO	45,292.77	43,655.19	1,638	4
929211 PARKING-IN STATE	2,313.63	2,338.84	(25)	(1)
* 929200 - TRAVEL- PER DIEM IN STAT	68,837.32	73,993.97	(5,157)	(7)
** TRAVEL IN STATE TOTAL	<b>68,837.32</b>	<b>73,993.97</b>	<b>(5,157)</b>	<b>(7)</b>
931101 OUT-OF-STATE TRAVEL EXPEN	366.95		367	n/a
931102 OUT-OF-STATE AIR TRANSPOR	835.70	2,091.05	(1,255)	(60)
931104 OTHER OUT-OF-STATE TRAVEL	48.00		48	n/a
931105 LODGING-OUT OF STATE	1,609.38	519.84	1,090	210
931106 RAIL, BUS, TAXI, FERRY-OU	40.00	50.00	(10)	(20)
931107 PRIVATE CAR MILEAGE-JUDIC	483.21		483	n/a
931108 PRIVATE CAR MILEAGE-EMPLO	5.85		6	n/a
931110 PARKING-OUT OF STATE	78.51		79	n/a
* 931100 - TRAVEL OUT OF STATE	3,467.60	2,660.89	807	30
** TRAVEL OUT OF STATE TOTAL	<b>3,467.60</b>	<b>2,660.89</b>	<b>807</b>	<b>30</b>

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
920601 MISCELLANEOUS OFFICE SUPP	75,457.08	103,805.00	(28,348)	(27)
920602 PAPER PRODUCTS		242.47	(242)	(100)
920603 FIRST AID/SAFETY SUPPLIES	82.22	614.00	(532)	(87)
920605 TONER-MICROFILM EQUIPMENT	269.54	3,043.64	(2,774)	(91)
920607 TONER - FAX	807.65	1,084.86	(277)	(26)
920608 TONER	46,280.72	39,736.40	6,544	16
920610 AUDIO CASSETTE TAPES	58.33	483.00	(425)	(88)
920611 CRTRM MICROPHONE & HEARIN	4,040.67		4,041	n/a
920612 STENO PAPER FOR COURT REP	5,850.53	7,986.83	(2,136)	(27)
920613 RUBBER STAMP	7,959.44	12,614.96	(4,656)	(37)
920614 BATTERIES	444.35	524.68	(80)	(15)
920615 BOTTLED WATER	14,144.68	30,573.19	(16,429)	(54)
920616 DESK ACCESSORIES		670.57	(671)	(100)
920618 NCR REGISTER PAPER/COPIER		224.08	(224)	(100)
920622 COPY PAPER	42,128.63	43,460.40	(1,332)	(3)
920625 STORAGE BOXES	5,145.73	4,422.56	723	16
920628 BADGES/ID CARDS SPLY	17.09	3.63	13	371
920699 OFFICE EXPENSE	1,350.96	318.47	1,032	324
* 920600 - OFFICE EXPENSE	204,037.62	249,808.74	(45,771)	(18)
920799 FREIGHT & DRAYAGE		5.00	(5)	(100)
* 920700 - FREIGHT AND DRAYAGE		5.00	(5)	(100)
921501 PERSONNEL ADS	4,827.44	3,258.16	1,569	48
921504 JOB BULLETINS		471.75	(472)	(100)
921599 ADVERTISING	441.00	5,842.96	(5,402)	(92)
* 921500 - ADVERTISING	5,268.44	9,572.87	(4,304)	(45)
921701 MEETING AND CONFERENCE -	6,223.25	13,997.50	(7,774)	(56)
921702 MEETING AND CONFERENCE -	3,645.41	4,990.86	(1,345)	(27)
921704 SPECIAL EVENTS	3,616.70	6,952.71	(3,336)	(48)
921799 MEETINGS, CONFERENCES, EX		103.58	(104)	(100)
* 921700 - MEETINGS, CONFERENCES, E	13,485.36	26,044.65	(12,559)	(48)
922301 SUBSCRIPTIONS/MAGAZINESIA	2,499.40	6,911.59	(4,412)	(64)
922303 LEGAL PUBLICATIONS-HARDCO	242,994.63	181,774.09	61,221	34
922304 LEGAL PUBLICATIONS-ON-LIN	42,227.40	42,338.43	(111)	(0)
922305 NEWSPAPER	12,754.84	14,443.39	(1,689)	(12)
922399 LIBRARY PURCHASES AND SUB	82.11		82	n/a
* 922300 - LIBRARY PURCHASES AND SU	300,558.38	245,467.50	55,091	22
922599 PHOTOGRAPHY	1,034.87	781.57	253	32
* 922500 - PHOTOGRAPHY	1,034.87	781.57	253	32
922614 SECURITY SURVEILLANCE - M		680.00	(680)	(100)
922699 MINOR EQUIPMENT - UNDER \$		1,662.76	(1,663)	(100)
922702 COPIERS-RENTAL-LEASE	60,384.50	62,968.21	(2,584)	(4)
922704 SHERIFF SECURITY EQUIPMEN	35,664.00	32,692.00	2,972	9
922705 POSTAGE MACHINE-RENTAL-LE	32,976.00	32,976.00	0	0
922799 EQUIPMENT RENTAL/LEASE	3,215.00	2,910.00	305	10
* 922700 - EQUIPMENT RENTAL/LEASE	132,239.50	131,546.21	693	1
922806 SECURITY SYSTEM MAINTENAN	3,250.00	45,868.82	(42,619)	(93)
922899 OFFICE EQUIPMENT MAINTENA	1,275.08	1,498.29	(223)	(15)
* 922800 - EQUIPMENT MAINTENANCE	4,525.08	47,367.11	(42,842)	(90)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
922902 COMMUNICATIONS SYSTEM		127.50	(128)	(100)
922903 FAX MACHINE	906.65	589.74	317	54
922904 AUDIO		1,185.15	(1,185)	(100)
922906 MICROFICHE/MICROFILM EQUI	749.03	2,482.32	(1,733)	(70)
922907 IT EQUIPMENT-REPAIRS	5,524.43	9,531.04	(4,007)	(42)
922908 FURNITURE REPAIR	3,016.81	1,633.80	1,383	85
922909 SECURITY EQUIPMENT REPAIR	9,609.76	1,877.00	7,733	412
922912 FORK LIFT REPAIR		1,035.58	(1,036)	(100)
922913 REUPHOLSTERING FURNITURE		12,973.33	(12,973)	(100)
922999 EQUIPMENT REPAIRS	510.08	173.25	337	194
<b>* 922900 - EQUIPMENT REPAIRS</b>	<b>20,316.76</b>	<b>31,608.71</b>	<b>(11,292)</b>	<b>(36)</b>
923905 COURIER SERVICE	7,661.75	6,969.60	692	10
923908 SHREDDING SERVICE	3,267.44	7,504.40	(4,237)	(56)
923914 MOVING/TRANSPORT SERVICE	8,142.79	10,002.79	(1,860)	(19)
923999 GENERAL EXPENSE-SERVICE	7,625.88	1,760.00	5,866	333
<b>* 923900 - GENERAL EXPENSE - SERVIC</b>	<b>26,697.86</b>	<b>26,236.79</b>	<b>461</b>	<b>2</b>
924501 PRINTED FORMS	803.22	13,351.52	(12,548)	(94)
924502 COURT FORMS	89,541.03	120,594.98	(31,054)	(26)
924503 ENVELOPES	13,352.65	8,623.21	4,729	55
924505 BUSINESS CARDS	1,700.73	2,019.49	(319)	(16)
924506 CASE FILE JACKETS	29,866.48		29,866	n/a
924507 LABELS	189.44		189	n/a
924510 LETTERHEAD/JUDICIAL STATI	1,789.20	7,492.22	(5,703)	(76)
924512 PAMPHLETS	413.52	478.47	(65)	(14)
924599 PRINTING	3,674.35	11,009.71	(7,335)	(67)
* 924500 - PRINTING	141,330.62	163,569.60	(22,239)	(14)
<b>** PRINTING TOTAL</b>	<b>141,330.62</b>	<b>163,569.60</b>	<b>(22,239)</b>	<b>(14)</b>
925101 TELECOMMUNICATIONS	895.76	189.55	706	373
925102 INTERNET ACCESS PROVIDER	1,440.00	540.00	900	167
925103 CELL PHONES/PAGERS	22,460.32	18,751.73	3,709	20
925105 RADIO SYSTEM PARTS	151.84	10,560.61	(10,409)	(99)
925106 LEASED LINES	116,179.22		116,179	n/a
925107 LAN/WAN	60,204.83		60,205	n/a
925113 TELEPHONE SYSTEMS	3,700.00		3,700	n/a
925117 TELEPHONE PARTS	41.66		42	n/a
925118 TELECOM SERVICE	386,940.45	432,387.51	(45,447)	(11)
925120 TELECOM WIRING		29,980.17	(29,980)	(100)
* 925100 - TELECOMMUNICATIONS	592,014.08	492,409.57	99,605	20
<b>** TELECOMMUNICATIONS TOTAL</b>	<b>592,014.08</b>	<b>492,409.57</b>	<b>99,605</b>	<b>20</b>
926101 POSTAGE	2,527.91	4,508.82	(1,981)	(44)
926102 EXPRESS DELIVERY	5,115.62	10,078.91	(4,963)	(49)
926199 STAMPS, STAMPED ENVELOPES	139,496.92	99,484.37	40,013	40
* 926100 - STAMPS, STAMPED ENVELOPE	147,140.45	114,072.10	33,068	29
926301 POSTAGE METER REFILL	55,247.89	49,986.14	5,262	11
926302 POSTAGE METER SUPPLIES	346.86	461.83	(115)	(25)
926399 POSTAGE METER	53,939.72	49,562.82	4,377	9
* 926300 - POSTAGE METER	109,534.47	100,010.79	9,524	10
<b>** POSTAGE TOTAL</b>	<b>256,674.92</b>	<b>214,082.89</b>	<b>42,592</b>	<b>20</b>
928801 INSURANCE	10,002.00	9,905.00	97	1
928802 VEHICLE INSURANCE		103.00	(103)	(100)
* 928800 - INSURANCE	10,002.00	10,008.00	(6)	(0)
<b>** INSURANCE TOTAL</b>	<b>10,002.00</b>	<b>10,008.00</b>	<b>(6)</b>	<b>(0)</b>
965101 JURORS - FEES	207,960.00	260,063.66	(52,104)	(20)
965102 JURORS - MILEAGE	86,734.68	93,874.82	(7,140)	(8)
* 965100 - JUROR COSTS	294,694.68	353,938.48	(59,244)	(17)
<b>** JURY COSTS TOTAL</b>	<b>294,694.68</b>	<b>353,938.48</b>	<b>(59,244)</b>	<b>(17)</b>
972299 GRAND JURY COSTS	3,175.71	441.00	2,735	620
* <b>972200 - GRAND JURY COSTS</b>	<b>3,175.71</b>	<b>441.00</b>	<b>2,735</b>	<b>620</b>

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Revenue - Interpreters</b>				
834010 PROGRAM 45.45-COURT INTER	1,465,622.00-	1,373,190.00-	92,432	7
** 834000-PROGRAM 45.45 - REIMBURSEM	1,465,622.00-	1,373,190.00-	92,432	7
<b>Expenditures - Interpreters</b>				
938502 COURT INTERPRETER TRAVEL		4.00	(4)	(100)
938503 COURT INTERPRETERS - REGI	41,082.81	29,152.13	11,931	41
938504 COURT INTERPRETERS - CERT	198,222.90	102,349.72	95,873	94
938505 COURT INTERPRETERS - NONR	19,156.42	22,790.00	(3,634)	(16)
938506 COURT INTERPRETERS - NONC	191,561.24	171,350.61	20,211	12
938507 COURT INTERPRETERS - AMER	5,282.28	4,765.11	517	11
938509 COURT INTERPRETER - MILEA	38,692.30	23,426.19	15,266	65
* 938500 - COURT INTERPRETER SERVIC	493,997.95	353,837.76	140,160	40

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

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

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

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

### 11.1 Court Did Not Comply with Various FIN Manual Travel Expenses Reimbursement Policies and Procedures

#### Background

Trial court judges and employees may be required to travel in the course of performing their official duties. The purpose of the FIN Manual, Policy 8.03 is to define the rules and limits that must be observed when arranging, engaging in, or claiming reimbursement for travel on court business. GC §69505(a) requires that the AOC's *Travel Rate Guidelines* must be used. A copy of the guidelines is provided as an attachment to Policy 8.03. All exceptions to the *Travel Rate Guidelines*, including any terms of an executed MOU by and between a recognized employee organization and a trial court, must be submitted in writing to the AOC and have prior approval in accordance with alternative procedures guidelines established in Procedure No. FIN 1.01, section 6.4, paragraph 2.

### Lodging

Procedure No. FIN 8.03, section 6.1.6 provides limits on reimbursement of lodging expenses, and conditions for when those limits may be exceeded. Specifically, the maximum lodging rate for in-state travel is \$110 per day in most counties, and \$140 per day for lodging within the counties of Alameda, San Francisco, San Mateo, and Santa Clara. These rates, which exclude taxes and surcharges, apply to state-sponsored and co-sponsored functions and for non-state sponsored functions if the participant does not stay at the conference, convention, or meeting site. For out-of-state travel, courts may reimburse up to the applicable maximum federal lodging rate for that location.

Because employees do not have control over where non-state-sponsored business is conducted, reimbursement of actual expenses may be authorized if the participant stays at the conference, convention, or meeting site for either in-state or out-of state travel if supported by receipts and substantiating documentation, such as a registration form or agenda showing the event location. In all other instances when lodging is above the maximum rate, a request for lodging exception must be used. Specifically, an *Exception Request for Lodging* form and supporting documentation must be submitted in advance of travel and must be approved by the PJ or designee. A copy of the *Exception Request for Lodging* form is provided as an attachment to Policy 8.03. The FIN Manual provides criteria for use in the consideration of exception requests and required substantiating documentation to be attached under paragraphs 3.a. through 3.e. It is the responsibility of the appropriate approval level to ensure reasonableness and completeness of the *Exception Request for Lodging* form. An incomplete form or form with inadequate justification shall be returned unprocessed. If advance approval is not obtained, the traveler shall be reimbursed only for the specified maximum rate plus tax and surcharges.

### Mileage

Section 6.3.2 provides the following requirements for reimbursement for personal vehicle mileage. Specifically, the travel expense claim must contain a description of the trip including the date of travel, destination, and total miles driven for business purposes. When travel commences from home, and the traveler is authorized to use his/her personal vehicle to travel to a business destination other than the traveler's regular place of work, reimbursed mileage will be calculated from the traveler's designated headquarters or home, whichever is the lesser distance to the business destination. Travel between home and a judge's or employee's regular place of work is not reimbursable, but travel between court locations is reimbursable.

Section 6.4.1 requires judges and employees who incur reimbursable business travel costs to submit a completed *Travel Expense Claim* form (TEC) that is approved by the traveler's appropriate approval level, includes only allowable expenses actually paid by the traveler, is supported by receipts for those expenses listed under section 6.3 of the policy, provides written justification for any unusual expenses, and notes the business purpose of the trip. A copy of the AOC-developed TEC is provided as an attachment to Policy 8.03.

### **Issues**

During our review of 10 sampled travel expense claim reimbursements and airfare purchases for in-state travel and all out-of-state travel expenses in FY 2008 – 2009, we identified various instances where the expenses did not comply with Policy 8.03 or lacked adequate supporting documentation:

1. Four of eight travel expense claims reviewed that included lodging expenses exceeded the maximum daily rate provided in the FIN Manual, and no *Exception Request for Lodging* form was attached to evidence prior approval for exceeding the maximum rate (**issue repeated from prior audit**).
  - For two in-state claims, the Court paid for lodging at \$381 and \$229 per night inclusive of taxes and fees. The travelers indicated that the purpose of the trip was to attend a non-State-sponsored conference, but there was no substantiating documentation provided as required by section 6.1.6, paragraph 2a.
  - The lodging expense in one in-state claim exceeded the maximum State rate, but since the traveler attended a State-sponsored training, the \$110 rate still applied.
  - For one out-of-state claim, lodging expenses exceeded the maximum federal lodging rate for that location and the traveler did not stay at the training site.
2. Nine of ten travel expense claims for participation in conferences and training classes were not substantiated by a proof of attendance or certificate of completion. Therefore, we could not validate whether the traveler had in fact attended the business function on the dates specified.
  - For two out-of-state claims, the Court paid for related expenses for travel that took place on Saturday, but no documentation was provided to support that the conference required Saturday travel or that Saturday travel was cost effective. Specifically, the Court paid for lodging, dinner, and business expenses for one traveler, and meals and business expense for a second traveler.
3. Six of 14 travel claims were approved by the Finance Director rather than the travelers' appropriate approval levels, including four claims submitted by judicial officers and two claims submitted by division heads. Judicial officers should route claims to the PJ for approval, or the CEO if designated in writing. Division heads, including deputy CEOs, directors, and program administrators, should route claims to the CEO for approval. Akin to timesheets, travel expenses should be approved by someone who is in the individual's chain of management.
4. The Court used a locally-developed *Expense Reimbursement Claim* form (local claim form) instead of the TEC provided in the FIN Manual, but the local claim form lacked adequate information to support that travel costs claimed were appropriate. Specifically, the local claim form did not have spaces for the traveler to provide his residential address and travel start and end times. Rather, the form instructed the

traveler to calculate mileage reimbursement based on the odometer reading on the traveler's vehicle. The Court also did not obtain approval from the AOC for using the local claim form. As a result, we could not verify whether the mileage reimbursement amounts in seven sample claims were calculated based on the lesser distance from headquarters or home to the business destination, unless the traveler departed or returned outside of normal business hours in which case mileage may be claimed from or to home.

### **Recommendations**

We recommend that the Court do the following to ensure that court judges and employees demonstrate compliance with travel expense reimbursement policies and procedures provided in the FIN Manual:

1. Require travelers to obtain necessary pre-approvals and/or attach substantiating documentation before reimbursing lodging expenses that exceed the maximum lodging rates for in-state and out-of-state travel. Absent required pre-approvals and supporting documentation, the Court shall only reimburse travelers up to the appropriate maximum lodging rates plus taxes and surcharges. Specifically, travelers seeking reimbursement for lodging that exceed the applicable State or federal maximum rate must attach substantiating documentation that he/she stayed at the non-state-sponsored conference, convention, or meeting site. Otherwise, travelers must submit an *Exception Request for Lodging* form and appropriate substantiating documentation for approval prior to the event. The traveler may submit this form and substantiating documentation with the *Travel Request* form.
2. Require travelers who participate in conferences, conventions, meetings, and training classes to attach to their claims a certificate of completion or proof of attendance. This documentation must be required even if the traveler does not request reimbursement for registration fees because the travel expenses claimed are related to the event, and may only be reimbursed if the traveler attended the event. The Court should also require additional documentation to support that weekend travel is permissible, such as a conference agenda showing events taking place on the weekend.
3. To ensure that TECs are approved by the traveler's appropriate approval level, the Court should require travelers to route claims up their chain of command for approval.
4. Either revise the locally developed TEC form to ensure it provides sufficient information for reviewers or approvers to determine compliance with the policies contained in the FIN Manual or use the AOC/State TEC which is contained in the FIN Manual.

### **Superior Court Responses**

1. The Court agrees with these recommendations and has revised and updated the procedures issued in October 2005 that cover this issue. Further, the Court's Fiscal

- Division has taken added steps to coordinate their review and ensure consistency of review and oversight of these expenses.
2. The Court agrees with these recommendations and has revised and updated the procedures issued in October 2005 that cover this issue.
  3. The Court agrees with this recommendation and has already implemented this process.
  4. The Court agrees with this recommendation and has already taken steps to utilize the AOC/State TEC form.

## **11.2 Business Meals Not Pre-Approved by Presiding Judge and Lacks Adequate Documentation**

### **Background**

It is occasionally necessary for trial court judges and employees to conduct official court business during a meal. The purpose of FIN Manual, Policy 8.05 is to define the rules and limits that court judges and employees must observe when arranging or claiming reimbursement for meals connected to official court business.

Procedure No. FIN 8.05, section 6.1 provides the following requirements for authorization of business meals:

The Presiding Judge – or, if delegated in writing by the Presiding Judge, the Court Executive Officer or another judge – must determine in each instance that there is a business purpose to permit the business meal expenditure. Once that determination is made, business meal expense documents, TECs, vendor invoices, etc. will be processed and approved within budgetary constraints by assigned trial court staff. *These guidelines do not create an entitlement for payment or reimbursement for any business meal expense incurred without the written advance approval of the Presiding Judge or his or her authorized written delegate.* These guidelines apply to all business meal expenses regardless of the source of funds used to pay the expenses.

The business function that includes a group meal must have a minimum duration of three hours, except for judges' business meetings and dinner meetings that cannot be conducted any time other than a meal period. Section 6.5 of this policy provides specific timeframe requirements for breakfast, morning break refreshment, lunch, afternoon break refreshment, and dinner.

When properly authorized, the actual cost of a reasonable business meal will be reimbursed or paid up to the maximum rate specified in section 6.6 of this policy. This section provides per person rates for breakfast, lunch, dinner, and break for group meetings provided at a court or other government facility, at a conference site, or at a restaurant. The specified rates are intended to cover all expenses related to business meals, such as food, beverages (including

water), service charge, tip, and taxes. However, hotel or conference site fees for room rental and/or set-up are permissible if properly itemized on the vendor invoice.

Section 6.2, paragraph 1 of this policy provides the following documentation requirements:

All business meal expenditures must be supported by an original receipt, reflecting the actual costs incurred and a completed, approved business-related meal expense form or a memo or e-mail authorizing the expenditure in advance. 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.

Section 6.7 allows for exceptions to certain business meal expense guidelines in extraordinary instances. When appropriate, exceptions may be granted for not fulfilling the three hour duration requirement, but will not be granted for missing receipts or for exceeding maximum meal rates. All exception requests must be fully documented and submitted in writing to the PJ or written delegate for review and approval.

### **Issues**

During our review of 10 sample business meal expenditures in FY 2008 – 2009, we identified lack of adequate documentation to support that expenditures meet the FIN Manual criteria of a business meal, and instances of non-compliance:

1. The Court used an *Authorization to Host* Form rather than the *Business-Related Meal* Form provided in the FIN Manual, but the Court's form lacks the following details:
  - The form only required an authorization by a division head, but the FIN Manual states that business meals may only be approved in advance by the PJ or, if delegated in writing, the CEO or another judge. As a result, five sample forms reviewed were approved by the CEO, two were approved by a Deputy CEO, one was approved by the Finance Director, and two were approved by the former HR Manager. Furthermore, four sample forms were approved after the event had taken place.
  - The form required the number of persons attending to be stated rather than a list of expected attendees, their titles and affiliations. As a result, only a count was provided on nine sample forms and the description "judiciary" in one form for a judge's meeting. Without a listing of expected attendees, we could not verify whether all participants were court officials or employees.

- The form does not require a scheduled start and end time for the meeting to be stated, so we could not verify whether the meals met the authorized business meal timeframes.
  - The form does not require a formal agenda to be attached to support that the event was for a business purpose, court business was discussed during the meal, and that there was a business need to keep participants together during the meal.
2. Two sample business meal expenditures reviewed appear to have exceeded the per person lunch rate of \$10 applicable for group lunch meals provided at a court facility. Specifically, the Court paid \$12.18 per person during the a Guardianship Training event for 12 attendees, and either \$12.57 or \$14.54 per person for a Landlord/ Tenant Training depending on whether you rely on the business meal form that indicated 14 people or the catering bill that indicated 12 place settings .

### **Recommendations**

To demonstrate that business meals were pre-approved by authorized individuals and comply with all other requirements provided in Policy 8.05 of the FIN Manual, the Court must do the following:

1. Revise its *Authorization to Host* Form so that it contains all the components listed under Procedure No. FIN 8.05, section 6.2, paragraph 1; or adopt the *Business-Related Meal* Form provided in the FIN Manual for Court use. Furthermore, the form must be approved by the PJ or written designee prior to the business meal.
2. Disallow meals that may exceed the applicable maximum per person meal rate provided in Procedure No. FIN 8.03, section 6.6, or do not reimburse for that portion of the business meal expense that exceed the applicable maximum per person meal rate if submitted as an employee reimbursement claim. As specified in section 6.7, no exceptions will be granted for exceeding maximum meal rates.

### **Superior Court Responses**

1. The Court agrees with the recommendation and has transitioned to the use of the Sample Business-Related Meal Form provided in the FIN Manual.
2. The Court agrees with the recommendation and will refer to the guidelines in the FIN manual to process claims submitted for meals.

## **11.3 Vendor Invoice Approval and Processing Procedures Did Not Comply with FIN Manual Requirements**

### **Background**

The FIN Manual, Policy 8.01 provides guidelines for trial courts to process vendor invoices for payment. The Account Payable staff shall process invoices in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices must be

matched to the proper supporting documentation and must be approved for payment by authorized court personnel acting within the scope of their authority.

To ensure that courts only pay for goods and services in accordance with agreed upon terms and conditions, the FIN Manual requires court accounts payable staff to use a three point match procedure that is described in detail in section 6.3.2. Specifically, accounts payable staff shall not process an invoice for payment until it has been matched to a purchase agreement and to proof of receipt and acceptance of goods or services. A purchase agreement may be a contract, purchase order, or other written documentation of the agreed upon terms and conditions of the purchase (e.g. quote, work directive, etc.). A proof of receipt may be a packing slip, receiving report, or signature by an authorized individual to acknowledge receipt of good or approval of service. If one element of the three point match is missing, the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

In order for accounts payable staff to perform the three point match, all pertinent documentation must be routed to them. Section 6.2.2 provides examples of such documentation, including but not limited to purchase orders, contracts, order forms, approved requisitions, receipts, and packing slips. The accounts payable department will maintain these documents in a central file in order to match them against the related vendor invoices and claims.

To assist accounts payable in verifying that invoices and claims were approved by authorized individuals, the court shall establish and maintain an authorization matrix in accordance with section 6.2.3. The authorization matrix lists those employees who are permitted to commit court resources and approve invoices or claims for payment, as well as the dollar limits and scope of their authority. Finally, this matrix shall be updated on an annual basis or with changes in personnel, and a copy of this matrix shall be provided to the court accounts payable department.

While the cost of various goods and services may be locally negotiated by courts and their vendors, rates for certain services are either established in statute or set by the Judicial Council. For example, the Budget Act requires the Judicial Council to set statewide or regional rates and policies for payment of court interpreters. Accordingly, the Judicial Council issued the *Payment Policies for Contract Court Interpreters* to establish comprehensive payment policies for contract interpreters. These payment policies provide daily payment rates for contract interpreters while continuing to allow for local flexibility, such as compensating above the established rate to obtain services in unique or unusual circumstances. Unusual circumstances are defined as limited or no available interpreters in the needed language and the alternative is to delay the proceeding. In addition, these payment policies state that actual mileage is reimbursed when the interpreter travels 60 miles or more roundtrip from his or her place of business.

### **Issues**

To determine whether the Court complied with FIN Manual invoice processing requirements, we reviewed the invoices, goods receipt documentation, and procurement documentation for

a sample of 30 randomly selected FY 2008 – 2009 expenditures for goods or services. In addition, we randomly selected five contract court interpreter claims and five court transcript claims for review to evaluate compliance with statewide payment requirements, but the Court could not provide one court interpreter and one court reporter claim. The results of our review of the remaining 38 sample invoices and claims follow:

1. The Court does not have a payment authorization matrix that lists those employees permitted to commit Court resources and approve invoices or claims for payment. As a result, we could not verify that invoices were approved by authorized individuals.
2. For 11 of 30 invoices reviewed, either the invoice or invoice coding strip was approved by a senior accountant who also has requisitioner and buyer roles on the Phoenix Financial System. Since purchasing and invoice approval procedures are conflicting duties, Procedure No. FIN 6.01, section 6.9, paragraph 2 specifies that unless the AOC has previously approved other procedures for trial courts, different employees must be responsible for procurement activities and payment approval.
3. The Court did not always perform a three point match to ensure that an invoice was supported by a purchase agreement and proof of receipt before processing the invoice for payment. Specifically, we identified the following exceptions:
  - Thirteen of 30 invoices reviewed were not supported by purchase agreements such as a purchase order, so we could not verify whether payment of these invoices were made in accordance with agreed upon terms and conditions.
  - Six of 30 invoices reviewed were not supported by a proof of receipt, such as a packing slip, receiving report, or signature to verify that goods were received or services were provided.
4. Two of 30 sample expenditures were supported by order forms but did not include invoices because they were prepayments. The first order form was for California Courts Directories and Fee Schedules, and the second order form was for California Vehicle Code Books. Procedure No. FIN 8.01, section 6.5, paragraph e specifies that advanced payments are only made in unusual circumstances and are not permitted for time and materials service contracts or for the purchase of goods.
5. The Court did not always comply with the Judicial Council's payment policy for contract court interpreters. Specifically, during our review of four contract court interpreter claims, we identified the following exceptions:
  - One interpreter claimed and was paid \$105.30 for mileage reimbursement, but we verified that the distance traveled between the contractor's residence and the court location was less than 60 miles roundtrip.

- Two non-certified court interpreters were paid \$105 for half-day services although the standard rate is \$92 for a half day.

### **Recommendations**

To ensure that the Court demonstrates sound invoice and claims processing procedures, we recommend that it does the following:

1. Establish a payment authorization matrix that lists those employees authorized to approve invoices or claims for payment, and their respective dollar limits and scope of authority. The Court must also update the matrix on an annual basis or as required by changes in personnel, and provide copies of the matrix to the court accounts payable staff for reference.
2. Require invoices or invoice coding strips to be approved by an authorized individual in accordance with the payment authorization matrix prior to payment processing. To ensure that duties are sufficiently segregated, prohibit individuals with purchasing responsibilities from having invoice approval authority. If the Court determines that this is not feasible, then submit a request for alternative procedures to the AOC.
3. Ensure invoices are supported by a purchase agreement and proof of receipt before processing for payment. If one element is missing, the accounts payable employee should obtain the appropriate documents or secure an approval signature from the responsible court employee. The accounts payable staff should maintain documents used in the three-point match process in its files.
4. Refrain from making advance payments for purchase of goods. The Court should instead set up a purchase order and authorize payment after the goods have been delivered.
5. Adhere to the Judicial Council's payment policy for contract court interpreters. The policy allows for an amount to be paid that is above the daily rate under unusual circumstances, such as when there are limited or no available interpreters in the needed language and the alternative is to continue the proceeding. However, the decision to compensate above the daily rate should be made on a case-by-case basis, and the justification should be made in writing and pre-approved by an authorized individual. The policy does not, however, allow for mileage reimbursement for roundtrip travel that is less than 60 miles. To comply with this policy, the Court should verify the mileage claimed to the residence address on file to ensure that mileage claimed is appropriate.

### **Superior Court Responses**

1. The Court agrees with this recommendation that a payment authorization matrix be established, and the Finance Division will work with court management and supervisors to establish said matrix [including samples of approvers' signatures and initials] for accounts payable reference.

2. The Court agrees with this recommendation and will require invoices and invoice coding strips to be approved by an authorized individual in accordance with the payment authorization matrix prior to payment processing. Further, the Court will prohibit the person who performed the purchasing functions for a particular contract or regular purchase order from approving the invoice(s) related to the contract or regular purchase order.
3. The Court agrees with this recommendation to ensure that invoices are supported adequately and will review its current procedures and policies in light of the guidelines in FIN 6.2.2 and FIN 6.3.2.
4. The Court agrees with this recommendation and our documentation verifies that in the vast majority of cases we comply. However, in some instances we have not been able to comply. In the two (2) examples mentioned above in Issue paragraph # 4, both forms require that payment be sent with the order form. To the best of our knowledge, neither agency will accept purchase orders. Therefore, the Court believes that it has no other option in these types of circumstances but to make an advance payment, provided that the order form/purchase has been adequately approved [including the certification of funds being available and the provision of the general ledger coding]. We are open to discussing best practice options in these instances.
5. The Court agrees with this recommendation and has discussed review with the Court Interpreter Supervisor and assessed its current procedures and policies and mileage calculations to ensure that:
  - (a) court interpreters are paid the correct daily and half-day rates
  - (b) court interpreters are paid the correct amount of mileage

## 12. Fixed Assets Management

### Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
945203 MAJOR EQUIPMENT-FURNITURE		9,688.38	(9,688)	(100)
946601 MAJOR EQUIPMENT - IT	534,858.22	195,721.68	339,137	n/a
* 945200 - MAJOR EQUIPMENT	534,858.22	205,410.06	329,448	160
922601 MINOR OFFICE EQUIPMENT/MA	9,829.21	9,698.51	131	1
922603 OFFICE FURNITURE - MINOR	30,208.57	48,286.92	(18,078)	(37)
922605 MODULAR FURNITURE-MINOR	95,592.55	69,380.44	26,212	38
922606 NON-OFFICE FURNITURE	6,943.42	4,045.58	2,898	72
922607 CARTS, PALLETS, HAND TRUC	1,747.23	261.52	1,486	568
922610 COMPUTER ACCESSORIES	29,656.98	9,654.48	20,003	207
922611 COMPUTER	97,043.38	55,063.87	41,980	76
922612 PRINTERS	7,670.28	16,898.00	(9,228)	(55)
922613 PRINTERS MULTI-FUNCTION D	4,037.73	28,434.78	(24,397)	(86)
* 922600 - MINOR EQUIPMENT - UNDER	282,729.35	244,066.86	38,662	16
952499 VEHICLE OPERATIONS	31,742.10	31,931.54	(189)	(1)
* 952400 - VEHICLE OPERATIONS	31,742.10	31,931.54	(189)	(1)

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

- Review of fixed asset, inventory, and software license listings and most recent fixed asset and inventory audit for completeness and accuracy. Traced items on listings to the physical item and vice versa.
- Evaluation of controls and procedures over disposal of fixed asset and inventory items.
- Determination of the accuracy of the Court's fixed asset reporting by reconciling the fixed asset information in the Comprehensive Annual Financial Report (CAFR) worksheet statements 18 and 19 to the general ledger and sub-ledgers.
- Validation of a sample of expenditures posted to major and minor equipment general ledger accounts to supporting invoices to ensure that expenditures were appropriately classified.

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

## **12.1 Court Needs to Improve Its Fixed Asset and Inventory Item Management Process**

### **Background**

The FIN Manual, Policy Number 9.01 requires the Court to establish and maintain a Fixed Asset Management System to capitalize individual items transferred from the county or purchased by the court with a value of \$5,000 or more and an anticipated useful life of more than one year. Additionally, subsection 6.2.2 requires courts to maintain a detailed and up-to-date listing of inventory items, which are individual items transferred from the county or purchased directly by the court with an individual value of more than \$1,000 and less than \$5,000 and an anticipated useful life of more than one year. Property less than \$1,000 that are particularly subject to loss or theft shall also be classified as inventory items.

Section 6.3 requires a unique identification (ID) number to be assigned to each fixed asset or inventory item. The tag or decal showing the ID number must be affixed to each asset item, should be serially numbered, and should be placed on the item that is readily legible during physical inventories. Unused tags or decals should be kept in a secure place and a tag register should be maintained for accountability of the assets.

To protect the integrity of the Fixed Asset Management System, section 6.7 requires that fixed asset and inventory item transfers be documented on a form approved by an authorized court official while the disposal of fixed assets and inventory items must be approved by the CEO and comply with CRC 10.830 requirements.

### **Issues**

The Court has implemented many of the fixed asset and inventory item controls required by the FIN Manual. For instance, the Court has current fixed asset and inventory item listings and uses *Track-IT* application to record and to track information technology (IT) assets such as laptops and printers. Additionally, the IT Division informed us that it performs an annual inventory of all IT assets and inventory items on *Track-IT*, and the Fiscal Division performed an inventory of the *Fixed Asset Equipment Inventory* list that the County transferred to the Court in FY 2006-2007. During our review and testing of the Court's procedures for tracking and monitoring fixed assets and inventory items and the Court's listings for fixed assets, inventory items, IT equipment and asset tags as of FY 2009 – 2010, we identified the following issues:

1. All fixed asset and inventory items disposed did not evidence the required CEO approval. At the time of review, the Court only disposed IT items via the County surplus property pick-up service. The disposal/transfer list maintained does not show a signature from the CEO or from any other authorized Court employee.

2. Court deletes the records of disposed IT assets in the *Track-IT* application thus a proper audit trail is not preserved. Additionally, any IT staff with access to the application may delete records.
3. Court does not comply with existing FIN Manual asset ID tagging requirements.
  - a) Asset tags are not assigned and affixed to all applicable asset items. Court did not tag six technology items (new receipt printers) stored in the warehouse, five fixed assets purchased in 2008 and 2009 due to placement difficulties, and Tech Refresh equipment.
  - b) Asset tags are not consistently placed in a readable location. The electronic docket displays in all court locations and the magnetometer in the Northern branch have tags assigned but the tags cannot be easily located.
  - c) Some asset tags are worn out and thus are rendered unreadable. An asset tag affixed to the X-ray machine at the Northern branch is partially detached and erased.
  - d) County-tagged asset items were not retagged with Court tags and tracked on the Court's listings. Chamber hallway shelves in Southern branch have county tags but not court tags.
  - e) Asset tags are not assigned sequentially. Court skipped four fixed asset tags (B010137-01040) and the reason is not documented in the asset ID tag register.

### **Recommendations**

To ensure that fixed assets and inventory items are appropriately accounted for, we recommend the following improvements to the Court's existing fixed assets and inventory item tracking, monitoring, and reporting procedures:

1. Require transfer of all (IT and non-IT) fixed asset and inventory items to be approved by authorized court officials while disposals must be approved by the CEO, and document these approvals on asset transfer/disposal forms. If a physical signature cannot be obtained, an email confirming the approval may be attached to the disposal/transfer form.
2. Preserve records of assets transferred or disposed to protect the integrity of the Court's Fixed Asset Management System. *Track-IT* asset records should not be deleted but should only be updated to promote a better audit trail and to allow for a more comprehensive physical inventory and validation process. Currently allowed to all IT staff, "Delete" capability should be limited (e.g. application manager and IT director).

- Once use of *Track-IT* is improved to record and to track IT assets, the Court should maximize its use and consider using it as a court-wide asset tracking application. The application is capable and scalable to manage increase in data volume but the Court should first address logical access, business process standardization and user training challenges among pertinent court units (Fiscal Services, Facilities, and IT) prior to implementation.
3. Periodically review its asset ID tag register to ensure that tags are sequentially issued and properly referenced in the other asset lists. To identify other asset ID tag issues, the Court should do the following during its physical inventory of all (IT and non-IT) existing fixed assets and inventory items:
    - a) Asset items without asset ID tags – affix necessary asset tags to all asset items on record. For asset items with multiple components, consider placing the tag on one component then note on the asset list the number of components. For small or oddly-shaped items, affix asset tags even if it is not easily readable. Tags should be assigned and affixed regardless of the funding source. For Tech Refresh equipment or technology equipment purchased by the Court through the AOC’s Asset Replacement Funding, equipment is purchased, controlled and owned by the Court and thus should be tagged, recorded and tracked.
    - b) Asset items with ID tags but placed in an unreadable location – consider relocating the ID tag, if possible, or affix a new ID tag then update the ID tag register.
    - c) Asset items with worn-out and unreadable ID tags – affix a new ID tag then update the ID tag register.
    - d) County-tagged asset items that are not tracked on Court’s listings – identify if these items have transferred to the Court and inquire if the County still has the applicable tracking list. If not, the Court should categorize the items (fixed asset or inventory items), replace the County tags with Court tags, record and update its asset listings, and track the items to facilitate appropriate custodial responsibility of the asset items especially if the items will be relocated.
    - e) Asset tags are not assigned sequentially – Document reasons on the asset ID tag register why tags are skipped so as to preserve the completeness of the records.

Rather than performing separate inventories, a coordinated effort between Fiscal Services and IT may facilitate a more efficient and effective physical inventory process. The IT Division informed us that it could take up to one week to complete its physical inventory of *Track-IT* items. Given the extensive nature of the inventory process, the Court should formally document the planning phase and results of the physical inventory process. Any necessary adjustments to asset records or lists

require a written approval from the Finance Director or designee as stated in Procedure No. FIN 9.01, section 6.6.

### **Superior Court Responses**

1. The Court agrees with this recommendation and will now obtain the CEO's signature before transferring any fixed assets. If physical signatures cannot be obtained, an email confirming approval may be attached to the disposal/transfer form maintained as an alternative. This new procedure was implemented in May 2010.
2. *The Court's responses are as follows:*
  - The Court agrees with this recommendation and will change the status of the asset to a surplused item. The Court will comply with this recommendation by September 30, 2010.
  - The Court agrees with this recommendation and will review this approach with the facilities division and all other impacted court units. Estimated completion by June 2011.
3. *The Court's responses are as follows:*
  - a. The Court agrees with this recommendation and has completed the tagging of all fixed asset that has more than one component. Assets purchased through the AOC's Asset Replacement Funding will also be tagged. Completed August 2010.
  - b. The Court agrees with this recommendation and has relocated tags or affixed labels where they can be visible.
  - c. The Court agrees with this recommendation and will replace and update the register to reflect any changes made to the worn-out or unreadable tags.
  - d. The Court agrees with this recommendation and will work with the County to resolve this issue by October 2010.
  - e. The Court agrees with this recommendation and will immediately document reason why tags are not assigned in a sequential order.
    - The Court agrees with this recommendation. Both Fiscal and IT will work together to have the inventory process completed by January 2011.

### 13. Audits

#### **Background**

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

IAS performed an audit of the Court in FY 2005—2006 to assess compliance with various requirements in the FIN Manual, statute, and Rule of Court; internal controls in financial reporting and various operational areas; and readiness for migration onto CARS/Phoenix. The report addressed issues and recommendations in reporting of fiscal information in the quarterly financial statements and other reports, cash handling practices, control over and handling of exhibits, contracting practices, and other operational areas. Some of these issues were resolved due to the Court migrating away from the County's financial system, while remaining issues were revisited during our current review. While the Court has corrected or resolved a number of issues, we identified some issues that has not been corrected or has resurfaced in the following areas:

- cash operations
- submitted case reporting and monitoring
- criminal domestic violence
- travel expense reimbursements,
- information systems
- contract monitoring processes

Refer to the applicable report sections or Appendix A sections for the specific repeat issues.

The State Controller's Office performed an audit to determine the propriety of court revenues remitted to the State of California by San Mateo County for the period July 1, 2001 through June 30, 2005. Since there were no findings and recommendations directed to the Court, we did not take into consideration the findings identified from the audit in our revenue calculation and distribution testing.

## 14. Records Retention

### Background

FIN Manual, Policy Number 12.01 requires courts to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, the trial court shall employ sound business practices that best serve the interests of the court. The trial court shall apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records. This policy applies to all court officials and employees who create, handle, file, and reproduce accounting and financial records in the course of their official responsibilities.

The Court has a leased facility to store its records. Our review of the lease and other facility expenditures is discussed in Section 17 of this report. We assessed the Court's compliance with the record retention requirements provided in statute and proceduralized in the FIN Manual through a self-assessment questionnaire. Furthermore, we observed and evaluated the Court's on-site and off-site records storage areas.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
935203 STORAGE	203,806.97	189,868.23	13,939	7

There were no significant issues to report to management.

## 15. Domestic Violence

### Background

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

We identified the statutory requirements for assessments of criminal domestic violence fines, fees, penalties, and assessments, and obtained an understanding of how the Court ensures compliance with these requirements. We also selected a sample of FY 2008—2009 criminal domestic violence convictions, and reviewed corresponding CMS and case file information to determine whether mandated fines and fees were assessed.

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

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

#### Background

The following are some of the mandated fines and fees to be assessed for criminal domestic violence offenses:

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

**PC §1202.4(b)** requires that in every case where a person is convicted of a crime, the court shall impose a separate and additional restitution fine, unless it finds compelling and extraordinary reasons for not doing so, and states those reasons on the record. The restitution fine shall not be less than \$100 and not more than \$1,000 if the person is convicted of a misdemeanor.

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

Senate Bill 1407 (Stats. 2008, ch. 311) added **GC §70373(a)(1)** requiring an assessment that shall be imposed on every conviction for a criminal offense in the amount of \$30 for each misdemeanor or felony and in the amount of \$35 for each infraction (criminal conviction assessment).

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

### **Issues**

During our review of 30 judgmentally sampled misdemeanor cases in which the defendant was convicted of a domestic violence charge code in FY 2008 – 2009, we identified the following exceptions:

- In 7 of 16 or 44 percent of cases reviewed where the defendant was sentenced to probation, the Court did not assess the \$400 domestic violence probation fine pursuant to PC §1203.097 (a). We also did not find evidence in the CMS criminal case docket that the fine was ordered but waived, or a determination was made that the defendant did not have the ability to pay (**issue repeated from prior audit**).
- In 8 of 30 or 27 percent of cases reviewed, the Court did not assess the State restitution fine pursuant to PC §1202.4(b), and we did not find evidence in the CMS criminal case docket that the fine was ordered but waived, or a determination was made that the defendant did not have the ability to pay (**issue repeated from prior audit**).
- In all 16 cases reviewed by IAS where the defendant was sentenced to probation, the Court did not assess the PC §1202.44 Probation Revocation Restitutions Fine (**issue repeated from prior audit**).
- In 12 of 30 or 40 percent of cases reviewed, the Court did not assess the \$30 criminal conviction assessment pursuant to GC §70373, or did not assess per conviction for cases with multiple criminal convictions.
- In 8 of 30 or 27 percent of cases reviewed, the Court did not assess the court security fee of \$20 pursuant to PC §1465.8(a)(1), did not assess in the correct amount, or did not assess per conviction for cases with multiple criminal convictions (**issue repeated from prior audit**).

### **Recommendation**

To ensure that statutorily required minimum criminal domestic violence fines and fees are assessed, the Court should develop and keep current a bench schedule which highlights domestic violence-related fines, fees and assessments and promote its use to judicial officers to better assist them in adjudicating required assessments for criminal domestic violence

cases. In addition, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why required minimum fines and fees are not assessed should be documented in minute orders or the CMS.

### **Superior Court Responses**

The court agrees with the recommendation to develop and keep current a bench schedule which highlights domestic violence related fines, fees and assessments. We have already taken steps to update our existing schedule and promote its use to all judiciary (both the PJ and CEO did this at recent Judge's Meetings). As appropriate, compelling reasons why fines and fees were not assessed will be documented in the minute orders or the case management system.

With the above agreement, it should be noted that of the thirty (30) cases cited in the audit, nine (9) of the defendants were released on detainers to the INS (Immigration and Naturalization Service), two (2) additional defendants had holds from the CDC (California Department of Corrections) and were returned to their custody, one (1) defendant was placed into the Pathways Mental Health Court and one (1) defendant had nine (9) open cases with no apparent financial ability to pay any of his outstanding fines or fees. (This equals 43% of the audit sample.)

With reference to the apparent inconsistent imposition of fines and fees pursuant to Penal Code §§ 1465.8, 1202.44, and Government Code § 70373, new sentencing scripts have been prepared and circulated to all members of the judiciary to more clearly explain the proper methods of assessing and imposing the court security fee and criminal conviction fee.

The Court respectfully disagrees with the aspect of the audit suggesting that certain domestic violence fines and fees should have been imposed pursuant to Penal Code § 1203.097(a)(1). Dependent upon the facts of the specific case, violations of Penal Code §§ 166 and 273.6(a) may not be viewed by the judicial officer as falling within the provisions of Family Code § 6211 which triggers the application of the statutory scheme set forth under Penal Code §1203.097.

## 16. Exhibits

### **Background**

Exhibits are oftentimes presented in both criminal and civil cases. Trial courts are responsible for properly handling, safeguarding, and transferring these exhibits. Trial court and security personnel with these responsibilities should exercise different levels of caution depending on the types of exhibits presented. Compared to paperwork and other documents, extra precautions should be taken when handling sensitive exhibits.

We evaluated controls over exhibit handling and storage by interviewing court management and staff with exhibit handling responsibilities, reviewing the Court's Exhibit Manual and other documents, and observing the physical conditions of exhibit storage areas. We also validated sample exhibit record listings to actual exhibit items and vice versa to determine whether all exhibit items have been accurately accounted for and to evaluate the efficacy of the exhibit tracking system used.

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

### **16.1 Although Sensitive Exhibits Appear to be Well-Controlled, the Court's Bifurcated Inventory System Does Not Sufficiently Track and Monitor Other Exhibit Items**

#### **Background**

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

- A physical inventory of exhibits to confirm their existence and status, which includes reconciling exhibit items to the records stored in an automated or manual exhibit inventory system,
- A periodic and independent inspection by Court employees not handling exhibits, and
- A methodology to timely purge exhibits in accordance with statute, such as PC §1417 et. seq.

The exhibit manual must provide procedures for courtroom clerks and exhibit custodians on handling certain sensitive exhibits.

Different statutes dictate retention and disposal procedures for specific types of exhibits. For instance, PC §1417.1 provides general time requirements for the retention and disposal of criminal case exhibits. PC §1417.5 (c)(2) specifies disposal requirements for exhibits of property. PC §1417.6 contains requirements for the disposition of certain exhibits that have properly been declared a nuisance by the court. PC §1417.8 addresses the handling of

photographs of minors that have been declared “harmful matter.” PC §1417.9 provides specific retention and disposition requirements for all biological material. Finally, PC §1420 addresses the process for disposal of other sensitive exhibits.

The Court has exhibit storage areas at each court location. The Southern branch has an exhibit vault that contains two exhibit rooms, another dedicated exhibit room, and various short-term exhibit storage cabinets located in the chamber hallways. The Northern branch has one dedicated exhibit room and three short-term exhibit storage cabinets. The Central branch and Youth Services Center only have short-term exhibit storage cabinets. The Court also has a dedicated exhibit room in its warehouse and eight safety deposit boxes for storing valuables and narcotics in a bank near the Southern court location.

The Court currently uses a manual exhibit tracking system but is considering an automated process. The Court informed us that since enhancements to the existing CMS to allow for exhibit tracking are not cost-effective, it is exploring alternatives such as database systems and software applications suitable for its exhibit tracking needs.

### **Issues**

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

1. The Court does not have a centralized exhibit handling process. The Court continues to have two separate exhibit handling processes originating from the pre-State Trial Court Funding era; one for superior court unlimited jurisdiction (unlimited) case exhibits and another for municipal court limited jurisdiction (limited) case exhibits. Historically, the superior court or unlimited jurisdiction court heard and decided on serious criminal cases such as murder and rape and some civil cases involving large sums of money. These cases are normally presided by a judge and a jury. The municipal court, on the other hand, dealt with other case types such as civil, small claims, probate, family law and criminal traffic offenses presided primarily by a single judge. In having two processes, the Court also has two exhibit custodians and two separate exhibit manuals.
2. Not all exhibit items have been inventoried, and certain inventory lists maintained for those exhibits that have been inventoried lack sufficient information and are not always updated.
  - The Court has not inventoried the exhibit warehouse, and has only partially inventoried the exhibit vault located in the Southern Branch. Although the Court has established an inventory list for the civil case exhibits in the vault, it has not inventoried the criminal case exhibits, including items stored in the locker.
  - Although the inventory lists for valuable exhibits stored in safe deposit boxes are sufficiently detailed, the other existing inventory lists lack a description and location of the exhibit.

- When exhibits are returned, the Court does not always update the CMS for unlimited case exhibits and inventory lists for both unlimited and limited case exhibits.
3. The Court's current exhibits tracking methodology is inadequate and evidences recording inconsistencies. As described earlier, the Court maintains inventory listings for certain exhibit rooms. It also maintains an exhibit record for each exhibit item. To evaluate the accuracy and completeness of the inventory listings and exhibit records, we validated 22 sample items listed in the inventory listings to the physical exhibit and corresponding exhibit record, and then validated 42 physical exhibit items to the inventory listings or exhibit records. We identified the following exceptions:
    - Two exhibits tested from the exhibit warehouse did not have exhibit records.
    - One item listed in the Northern branch inventory listing could not be located in the exhibit room and a copy of the exhibit record was not in the case file.
    - Five exhibits tested from the Northern branch were not labeled by their case numbers so we could not validate them to the inventory listing or exhibit record.
    - Two exhibits tested from the Northern branch were not listed in the criminal CMS, and one of these items was not on the inventory listings.
    - One civil case exhibit in the Southern branch exhibit room could not be validated to the inventory list.
    - For one civil case exhibit in the Southern branch exhibit room, the location of the item indicated on the inventory list was inaccurate.
  4. Although the Court performs periodic inventories of valuable exhibit items stored in safe deposit boxes, it does not do so for other exhibit storage areas. For instance, the last inventory performed on the Southern branch exhibit room for limited exhibits was between 2005 and 2006.
  5. Some exhibits were not adequately secured.
    - The Southern branch exhibit room for limited case exhibits contains certain sensitive items. Since this room is intended for civil case exhibits and does not contain a locker and other separate lockable compartments, sensitive criminal exhibits should not be stored there.
    - Sensitive items in the Northern branch exhibit room are not appropriately secured. Specifically, there is no locker or other locking compartment to secure sensitive items. Additionally, we identified dated vials of blood and urine that were not heat-sealed.
    - In the Youth Services Center, we identified exhibit items (paper and videotape) for one case that were stored in the case file rather than in an exhibit storage area. The Court was unsure if this was an isolated incident.
  6. The Court has not performed necessary purging and destruction of very old exhibits. For instance, we noted almost 50 percent of the 331 records in the safety deposit boxes inventory lists are at least 10 years old. Similarly, 485 of 685 records (about 71

percent) in the Northern branch inventory lists referenced trial or hearing dates that were at least 10 years old with the oldest dating back to 1958. Although we could not perform a similar analysis on the inventory list for Southern Branch civil case exhibits because the dates of the items were not identified, 5 of the 24 exhibit items sampled in the Southern branch exhibit room were at least 10 years old.

7. In the Central branch and Youth Services Center, short-term exhibit storage closets may be used for storing miscellaneous non-exhibit items such as staff party supplies and judges' items.

### **Recommendations**

To address the aforementioned issues and to initiate the development of a more effective and efficient exhibits handling process, we recommend the following:

1. Evaluate the current exhibits handling processes and consider streamlining it into a single process in which courtroom clerks are responsible for the taking in and temporary storage of exhibit items during trials, while exhibit custodians take over the long-term storage and disposal of exhibit items.
2. Perform physical inventories of exhibit areas that have not yet been inventoried and improve on existing inventory lists.
  - Specifically, revise the inventory lists for unlimited and limited case exhibits to include the general description and specific location of the exhibits. A final determination date, if applicable, is equally important to identify when to destroy exhibits. Also, the inventory lists must be updated to indicate transfer, destruction, or return of exhibits rather than deleting the exhibit record for proper exhibit tracking and accountability.
3. Resolve the recording inconsistencies among the inventory list, exhibit record, and the CMS for exhibit items identified from our testing.
4. Perform an inventory, at least annually, to prevent future recording inconsistencies. The inventory should include a reconciliation between the exhibit item, inventory list, exhibit record, and entries made in the CMS. The inventory should be performed by someone other than the exhibit custodian of that location, such as the court manager.
5. Perform an inspection of each exhibit room periodically, such as every 90 days. The inspection should document the addition, movement and destruction of exhibits from the last inspection, test any security features within and around the exhibit rooms, assess the condition of the exhibits with emphasis on sensitive exhibits (e.g. seals broken or damaged) and assess the overall condition of the exhibit rooms (e.g. water leaks, pest problems). During the inspection, transfer sensitive exhibits to a secured centralized area preferably the Exhibit Vault. Envelopes containing biological material such as urine and blood samples should be resealed if heat-sealing is not possible.

6. Identify all exhibit items to be purged during the periodic physical inventory and follow the appropriate statutorily required destruction procedures for each exhibit type.
  - For exhibits of currency and jewelry stored in the safety deposit boxes, the Court stated that it has not pursued purging because of perceived inequity of PC §1417.5 (c) and PC §1420 that generally states transfer or deposit to the County. The Court must still comply with the statutes but may engage in discussions with the County to arrive at an equitable solution in getting full or partial reimbursement of expenses incurred while storing the exhibits in the safety deposit boxes.
7. Disallow the use of all exhibit areas, including the exhibit storage cabinets, to store non-exhibit items to prevent excessive access and increased likelihood of unauthorized access.

### **Superior Court Responses**

1. The Court agrees with this recommendation in concept and during normal business times this would be considered best practice. However, with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, complying immediately with this recommendation may not be feasible at this time. This said, we are committed to taking appropriate and feasible steps to strengthen our processes and prioritize our responses based on what is most essential.
2. The court agrees with this recommendation and will take steps to implement the recommended practice as staffing levels permit. Regarding deleting the exhibit record, destruction records are kept and maintained in the court file. This provides for appropriate accountability and tracking.
3. The Court agrees with this recommendation and already follows this process. Based on our review, these appear to be isolated incidents. As inventories are completed any inconsistencies will be resolved.
4. The Court agrees with this recommendation in concept and during normal business times this would be considered best practice. However, with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, complying immediately with this recommendation may not be feasible at this time. This said, we are committed to taking appropriate and feasible steps to strengthen our processes and prioritize our responses based on what is most essential.
5. The Court agrees with this recommendation in concept and during normal business times this would be considered best practice. However, with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, complying immediately with this recommendation may not be

feasible at this time. This said, we are committed to taking appropriate and feasible steps to strengthen our processes and prioritize our responses based on what is most essential.

6. The Court agrees with this recommendation and already follows this process, exhibit items are in the process of being purged as staffing levels permit. Further, the court is in discussions with the County regarding the release of items from safe deposit boxes.
7. The Court agrees with this recommendation and already follows this process. Based on our review this appears to be an isolated incident.

## 17. Facilities

### Background

The Trial Court Facilities Act of 2002 (Senate Bill 1732) was enacted to transfer the responsibility for funding and operation of California's more than 450 courthouse facilities from the counties to the State. Uniting responsibility for operations and facilities increases the likelihood that operational costs will be considered when facility decisions are made, and enhances economical, efficient, and effective court operations. The Judicial Council has entered into agreements to transfer all courthouses and other court facilities from county management, with the final agreement to transfer in December 2009. After the transfer of each facility, the Judicial Council assumes full responsibility for the building, with ongoing input from county representatives.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
<b>Expenditures</b>				
935202 RENT-NON-STATE OWNED	139,597.00		139,597	n/a
935301 JANITORIAL SERVICES	89,632.97	70.00	89,563	127,947
935302 CARPET CLEANING AND FLOOR	2,238.00	6,273.03	(4,035)	(64)
935303 JANITORIAL CLEANING SUPPL	2,819.75		2,820	n/a
<b>* 935300 - JANITORIAL</b>	<b>94,690.72</b>	<b>6,343.03</b>	<b>88,348</b>	<b>1,393</b>
935401 REPAIRS	45,961.42	86,107.87	(40,146)	(47)
935402 AIR CONDITIONING/HEATING		6.50	(7)	(100)
935403 ELECTRICAL SUPPLIES AND A	5,644.06	4,166.70	1,477	35
935407 PAINT, PROTECTIVE COATING	111.74		112	n/a
935409 KEY CARD, REPAIR COUNTER,		670.55	(671)	(100)
935499 MAINTENANCE & SUPPLIES	548.63	1,534.52	(986)	(64)
<b>* 935400 - MAINTENANCE AND SUPPLIES</b>	<b>52,265.85</b>	<b>92,486.14</b>	<b>(40,220)</b>	<b>(43)</b>
935504 EXTERMINATION	1,800.00	1,800.00	0	0
<b>* 935500 - GROUNDS</b>	<b>1,800.00</b>	<b>1,800.00</b>	<b>0</b>	<b>0</b>
935601 ALTERATION & IMPROVEMENTS		114,223.95	(114,224)	(100)
<b>* 935600 - ALTERATION</b>		<b>114,223.95</b>	<b>(114,224)</b>	<b>(100)</b>
935701 SIGNS & RELATED SUPPLIES	2,583.59	3,055.88	(472)	(15)
935702 WINDOW COVERINGS	487.56		488	n/a
935704 FIRE FIGHTING SUPPLIES	160.00	160.00	0	0
935799 OTHER FACILITY COSTS - GO	1,744.42	204.00	1,540	755
<b>* 935700 - OTHER FACILITY COSTS - G</b>	<b>4,975.57</b>	<b>3,215.88</b>	<b>1,760</b>	<b>55</b>
935801 WASTE REMOVAL SERVICE	789.48	1,066.66	(277)	(26)
935802 FACILITY PLANNING	8.66		9	n/a
935899 OTHER FACILITY COSTS - SE	5,783.57		5,784	n/a
<b>* 935800 - OTHER FACILITY COSTS - S</b>	<b>6,581.71</b>	<b>1,270.66</b>	<b>5,311</b>	<b>418</b>
936102 ELECTRICITY	4,325.74	4,237.29	88	2
936103 NATURAL GAS	2,068.83	1,858.92	210	11
936104 WATER	307.47	327.27	(20)	(6)
<b>* 936100 -UTILITIES</b>	<b>6,702.04</b>	<b>6,423.48</b>	<b>279</b>	<b>4</b>

IAS is involved on an on-going basis in reviewing facility transfers and facility construction projects for all trial courts through coordination with OCCM. We utilized that work in this audit, and performed other reviews regarding allowability of costs under CRC 10.810 and capitalization of major expenditures at a high level. Expenditures reviewed include lease/rental agreements and facilities renovation and maintenance. Refer to Section 12 of this report on our review of how the Court accounted for and reported fixed asset expenditures. Additionally, we reviewed procurement documentation and invoices, if selected, as part of our procurement and accounts payable testing discussed in Sections 9 and 11, respectively.

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

### **17.1 Court Did Not Obtain AOC Approval for Unallowable Facilities-Related Expenses**

#### **Background**

CRC 10.810 defines court operations costs, as well as excludes certain costs from court operations that courts may not pay for (i.e. unallowable costs). Specifically, CRC 10.810(b)(2) excludes from the definition of "court operations" expenditures incurred for courthouse construction and site acquisition, including space rental (other than court records storage), alterations/remodeling, and relocating court facilities. CRC 10.810 (d) Function 11 (County General Services) provides examples of unallowable facility related cost items, such as but are not limited to building maintenance and repairs (except interior painting and to replace/repair floor) and alterations/remodeling.

#### **Court Funded Requests**

GC §68085 et. seq. authorizes the Judicial Council to directly pay or reimburse Trial Court Trust Fund or the Trial Court Improvement Fund monies used for costs of operating one or more trial courts upon the consent of participating courts. The AOC issued a memorandum to courts on May 16, 2006 that describes an interim approach to fund facilities-related improvements and acquisitions pending transfer of facilities. The memorandum specifies that the AOC has delegated to courts minor facility improvement activities including painting, furniture, and finish flooring replacement for existing facilities pending transfer, but will remain responsible for most facility improvement activities. If a court has pressing facilities needs for which the county is not responsible and for which the court has available funds, the court may submit a Court Funded Request (CFR) to the AOC for approval. The AOC works with the court and from the information provided, and makes a determination regarding the viability including the court's ability to absorb the cost impact of the proposed project or acquisition. Once the CFR is approved, the court would authorize the AOC to reduce the court's State allocation of trial court funds in an amount that corresponds to what the AOC would have expended for the facility acquisition or improvements. In addition, a MOU or other document between the court, the AOC, and/or the county would be prepared to document the transaction.

**Issue**

The Court did not follow the CFR process and thus used court operations funds to pay for various facilities-related costs that may be unallowable. A review of the Court's general ledger shows that the Court expended \$114,224 on facility alterations and improvements, and \$86,108 on repairs in FY 2007 – 2008, and another \$54,474 on repairs in FY 2008 – 2009. Some of these expenditures were for flooring and painting and may be allowable, but some other expenditures for electrical work, lighting, alarm installation, carpentry work, and sound-proofing may be unallowable. However, we did not review invoices and other supporting documentation to determine which facilities-related costs were unallowable.

**Recommendation**

The Court should determine whether facilities-related needs are allowable per CRC 10.810. If it is determined that a facilities-related need is unallowable, the Court may not pay for it but should instead submit a CFR to the AOC for consideration.

**Superior Court Response**

The Court agrees with this recommendation. Since the transfer of court facilities, the Court has been working with the AOC on addressing facility related needs.

## 18. Bail

### **Background**

In general, bail is used to ensure the presence of the defendant before the court, and bail may be forfeited if the defendant fails to appear. PC §1269b provides guidance on the setting of bail, and PC §1305 provides conditions and procedures for bail forfeiture. According to PC §1269b(b), the bail amount may be fixed by the judge at the time the defendant appeared before the judge, or fixed in the warrant of arrest if the appearance has not been made, or pursuant to the uniform countywide schedule of bail for the county in which the defendant is required to appear if no arrest warrant has been issued. PC §1269b(c) specifies that it is the duty of the superior court judges in each county to prepare, adopt, and annually revise a uniform countywide schedule of bail for all bailable felony offenses and for all misdemeanor and infraction offenses, except Vehicle Code infractions. As specified in CRC 4.102, the Judicial Council established and annually revises uniform bail and penalty schedules for traffic, boating, fish and game, forestry, public utilities, parks and recreation, and business licensing in order to achieve a standard of uniformity in the handling of these offenses. After a court adopts a countywide bail and penalty schedule, the court must, as soon as practicable, mail a copy of the schedule to the Judicial Council with a report stating how the revised schedule differs from the Judicial Council's uniform bail and penalty schedules.

We reviewed the Court's local bail schedules and a sample of bail bonds and cash bail posted from October through December 2009 to determine compliance with PC §1269b when setting bail amounts. We also evaluated the Court's controls for recording bail reported by the County Sheriff, and for monitoring and tracking bail.

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

## 19. Miscellaneous

### **Background**

#### *Gifts of Personal Property*

Courts may accept unsolicited gifts of personal property, either financial or non-financial, if doing so would neither create the appearance of partiality nor a conflict of interest for the court. The FIN Manual, Policy Number 16.01 provides guidelines for courts to use in deciding what gifts it may accept, and acknowledging, documenting, monitoring, accounting for, and reporting those gifts.

#### *Indirect Cost Rate Proposal*

Indirect costs are administrative and other expenses that benefit more than one organizational unit, program, or project and therefore cannot be readily associated with a particular unit, program, or project without effort disproportionate to the results achieved. As an alternative, courts may use an indirect cost rate to bill other entities for services provided to recover an appropriate share of indirect costs. Policy Number FIN 16.02 provides a method for developing an indirect cost rate proposal, and application and documentation of the indirect cost rate.

#### *Escheat*

The Uniform Civil Fees and Standard Fee Schedule Act of 2005 created a new escheat provision codified under GC §68064.1 that authorizes courts to escheat money, excluding restitution to victims, that is on deposit with them or that they are holding if the money remains unclaimed for three years after the associated case is closed or the money otherwise becomes eligible for distribution. This code section also provides procedures that courts must follow before they may escheat funds.

We assessed the Court's compliance with FIN Manual requirements for handing gifts of personal property and preparing an indirect cost rate proposal through a self-assessment questionnaire. We also reviewed the Court's trial balance to identify receipt of gifts and followed up on these gifts, if any. Furthermore, we determined whether the Court escheated funds through interviews and review of the Court's trial balance, and followed up on escheated funds, if any.

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

**APPENDIX A**

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

**Issue Control Log**

**Note:**

**The Issue Control Log contains all the issues identified in the audit. Any issues discussed in the body of the audit report are cross-referenced in the “Rpt No.” column.**

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

**Internal Audit Services will periodically contact the court to monitor the status of the correction efforts indicated by the court. Those issues with a “Log” in the Rpt No. column are only listed in this appendix. Additionally, there are issues that were not significant enough to be included in this report. They were discussed with court management as ‘informational’ issues.**

**April 2010**

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>1</b>	<b>Court Administration</b>							
		<b>1.1</b>	<b>12</b>	<b>The Court Does Not Use ICMS to Track and Report Submitted Matters</b>				
		<b>1.1.1</b>		I		The court agrees with this recommendation and will train courtroom clerks to use the system. ICMS will be used to produce reports. Training will be completed by June 2011.	Deputy CEO - Support	June 2011
		<b>1.1.2</b>		I		The court agrees with this recommendation generally; however some delete capability is necessary for leads and supervisors for quality control purposes. The Court is currently working with the Information Technology Department to review the feasibility of implementing this step as soon as practicable in FY 2010-2011.		
<b>2</b>	<b>Fiscal Management and Budgets</b>							
		<b>2.1</b>	<b>17</b>	<b>Some Court Users have Incompatible Phoenix User Security Roles</b>				
		<b>2.1.1</b>			C	The Court agrees with this recommendation and has revised the Accounts Payable matrix to separate parking and posting functions.  We would like to add that the Court did discuss the operational necessity for specific individuals to have both park and post roles to the implementation team when the Court transitioned from the County's accounting system to the AOC's Phoenix Financial System in 2007, and received the deployment team's approval for the same; due to (a) the limited number of staff available for certain tasks, (b) the necessity to have an adequate number of back-up personnel available to perform certain tasks in the event of personnel absences, and (c) the Court's offline procedures to ensure that the same person who parks a document in Phoenix does not also post that same document.	Management Analyst III - Fiscal	September 2010
		<b>2.1.2</b>			C	The Court agrees with the recommendation and has segregated the functions. This is included in the Accounts Payable matrix.  The Court has two individuals serving as primary goods receipts persons: one in the IT department, one in the Facilities department. The Court's buyers and one AP staffer have back-up roles for this function in order to not unduly delay processing of invoices due to an untimely (or prolonged) absence of one or both primary goods receipt persons.		

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court reported in the <i>FIN Manual Compliance Self-Assessment</i> that it does not have a formal process for abolishing vacant positions that comply with Procedure No. FIN 4.03, section 6.2. It also does not have a formal process for requesting, evaluating, and approving new and reclassified positions that comply with section 6.3.		C	The Court agrees with this log item. A Change in Position Authorization form and procedure that mirror the policies and procedures and sample form in the FIN manual have been created and will now be used going forward. While there has not been a formal written process previously, discussions have been had at the executive level to determine what vacant positions should be eliminated post-layoff. On May 17, 2010, the Presiding Judge authorized the elimination of 77 positions via a written resolution signed by the PJ and attested to by the CEO. A written procedure now reflects what has been done informally in the past - as a vacancy occurs there is a discussion between the CEO and the division regarding the necessity to fill, abolish or hold the vacancy. Further, prior to the completion of the 7A for each fiscal year, the CEO will work with the divisions to review any vacancies that have been held open to determine if they should continue to be held or if they should be abolished or reclassified prior to the completion of the 7A. If a reclassification is to be considered, Finance will give input regarding the availability of funds. All changes to positions will be reported on the QCAP.	HR Manager and Management Analyst III - Fiscal	Completed
<b>3</b>	<b>Fund Accounting</b>							
	3.1	15	<b>Some of the Court's Fund Balance Categories Did Not Comply with the AOC Fund Balance Policy</b>					
	3.1.1		The Court incorrectly categorized traffic and EZLegal web application fees revenue of \$575,674 as contractually restricted funds.	I		The Court agrees with this recommendation and will treat traffic and EZLegal web application fee revenue as unrestricted funds by October 2010.	Management Analyst III - Fiscal	October 2010
	3.1.2		The Court's actual amount categorized as operating and emergency was less than the minimum operating and emergency fund required by the policy. It also did not provide an explanation for the shortfall, and did not follow the prioritization provided in the policy.	I		The Court is (and was) aware of the fund balance policy approved by the Judicial Council in October 2006 and agrees with this recommendation in concept. The Court believes that dedicating funds at the amount suggested in the Court's actuarial study to cover retiree health costs is a high priority – even as ongoing and deepening State cuts to Court funding have necessitated the use of fund balance reserves and reduced the amount available for operating and emergency fund amounts. The Court also maintains a position that in these times of unprecedented cuts to Court funding, it is appropriate to utilize a prudent portion of our emergency reserves to minimize further lay offs or other severe measures. Therefore, we have provided this as an explanation as to why the Court has temporarily chosen not to meet minimum emergency fund amounts. When adequate State funding for the Trial Courts returns, we fully intend to bring our emergency fund amounts to the minimum amount required by the Fund Balance Policy.		
	3.1.3		The Court did not provide any explanations of the methodology used to compute the amounts categorized under One-Time Employee Compensation-Leave Payments and Health Care Liability Unrestricted – Designated subcategories.	I		The Court agrees with this recommendation and has already taken steps to respond, as indicated. Although the Court did not provide an explanation of the methodology that it used to designate one time employee compensation in the footnotes of the 4th quarter QFS in FY08-09, the documents were provided during the course of this audit. Going forward, the Court will be providing these explanations for all future designations as recommended by October 2010.		
	3.1.4		The Court's One-Time Employee Compensation-Leave Payments fund category of \$1.2 million represents total vacation owed to all employees at fiscal year-end.	I		The Court agrees with this recommendation and has already taken steps to implement a similar process. The computation will reflect an estimate, as we will not be able to determine how many employees plan to separate during the year. We will utilize the suggested methodology outlined above by October 2010.		
	3.2	16	<b>The Court Did Not Properly Record Certain Investments by Fund and Certain Local Fee Revenues as Special Revenues</b>					

Issues Control Log

FUNCTION		RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		3.2.1		The operations cash account in the general fund had a credit balance of \$8,263,361 at fiscal year-end 2008-2009.		C	The Court agrees with this recommendation and is now in compliance as of August 2010.	Management Analyst III - Fiscal	Completed
		3.2.2		The Court did not separately account for five local fee revenue sources that have restricted uses per statute.		C	The Court agrees with this recommendation and has created WBS element codes to track revenues and expenditures posted to this general ledger account as of August 2010. Please note that the chart of accounts was created by PSSC staff and it appears that our Court was not informed of this issue until now.		

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
4								
Accounting Principles and Practices								
5								
Cash Handling								
	5.1	3	<b>The Court Did Not Limit Void Capabilities to Authorized Individuals and Lacked Adequate Documentation of Voided Transactions</b>					
	5.1.1		JDS has certain systems limitations that prevent the Court from effectively controlling and monitoring void access and backdating of transactions. Additionally, void approvals and void reasons were not always well documented, and voided receipts were not always maintained.	I		The Court agrees with the recommendations under #1 & #2 in concept and has already taken steps to implement some of the recommended changes. However, given reduced staffing levels of approximately 20% court-wide due to continued and significant reductions in state-wide court funding, some of these recommendations may not be feasible at this time. The Court implemented a new traffic case management system in July 2010 and, as a result, some of the JDS-specific issues have been resolved or minimized for traffic-related transactions. Given the scope of issues identified regarding void capabilities/transactions and the number of recommendations, the Court will continue to review the issues and assess the feasibility of change and/or improvements in each of the identified areas. Key discussions will continue now and through the end of 2010 and with any appropriate and feasible changes being implemented by June 2011.	Deputy CEO - Operations and Management Analyst III - Fiscal	June 2011
	5.1.2		The Court assigned void capabilities to certain ICMS users who should not have them. We also identified instances where individuals voided their own transactions and where voids were performed by a temporary employee. Furthermore, voided receipts were not always maintained.					
	5.2	1	<b>Certain Opening, Cashiering, Closing, and Bank Deposit Procedures Lacked Proper Review and Approval, Segregation of Duties, Chain of Custody, or Other Controls</b>					
	5.2.1		The supervisor or lead clerk in some divisions did not verify the beginning cash fund in the presence of the cashier.		C	The Court agrees with the recommendation and already follows this process. While these examples were isolated incidents, the court managers have addressed this with the supervisors to ensure that all divisions are following the correct procedure.	Deputy CEO - Operations and Management Analyst III - Fiscal	Completed
			The supervisor or lead clerk assigned to cashier that day verified his own beginning cash fund in some divisions.	I		The Court agrees with the recommendation. However, given the physical locations and logistics of some of the divisions combined with reduced staffing levels of approximately 20% court wide-due to continued and significant reductions in state-wide court funding, this may not always be feasible. The majority of this issue has been resolved due to the Court's recent consolidation of the three Small Claims Divisions with Civil in Redwood City. Regarding the Family Law Satellite Office in South San Francisco, the Court will continue to analyze the issue and make the appropriate changes based on what is determined to be most essential.		Partially completed
	5.2.2		The arrangement of cashiers and counter clerks in the Traffic Division poses some control deficiencies, including cashiers not automatically issuing CMS-generated receipts for check and credit card payments in one branch location, and cashiers being stationed away from the counter in another location.		C	The Court agrees with these recommendations and at the time of the audit had at least one cashier stationed at the counter in each branch location. Given the current physical logistics of the traffic offices/counters; certain processing limitations within the JDS traffic case management system; an increase in traffic filings due to the photo red light programs implemented by the various cities; and reduced staffing levels of approximately 20% court-wide due to continued and significant reductions in state-wide court funding, having multiple cashiers stationed at the counter was not feasible at the time. However, the Court implemented a new traffic case management system in July 2010, which has resolved much of this issue as all counter clerks are now able to process payments. Additionally, the Court does issue receipts at the counters for all forms of payment unless the customer declines a receipt.		Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		5.2.3			I	The Court agrees with the recommendation. However, given the physical locations and logistics of some of the divisions combined with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, this may not always be feasible. The majority of this issue has been resolved due to the Court's recent consolidation of the three Small Claims Divisions with Civil in Redwood City. Regarding the Family Law Satellite Office in South San Francisco, the Court will continue to analyze the issue and make the appropriate changes based on what is determined to be most essential.	Deputy CEO - Operations and - Management Analyst III - Fiscal	Partially completed
					C	The Court agrees with these recommendations and already follows this process. While these examples were isolated incidents, the court managers have addressed this with the supervisors to ensure that all divisions are following the correct procedure.		Completed
		5.2.4			C	The Court agrees with the recommendation and began securing the deposits effective Oct 2009.		Completed
					I	The Court understands and agrees with the recommendation in concept and during normal business times this would be considered best practice. However, with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, this is not feasible at this time. Furthermore, we currently have a system set in place to verify that the collections in the Central division match the deposit sent to the bank.		December 2010
		5.3	2	<b>Manual Receipts Were Not Always Timely Entered Into the Case Management System</b>				
		5.3.1			C	The Court agrees with the recommendation and has already taken steps to ensure that manual receipts are entered into the CMS as soon as possible. The Juvenile Division is now forwarding their collections and manual receipt copies to Fiscal on a daily basis.	Deputy CEO - Operations and Management Analyst III - Fiscal	Completed
		5.3.2			C	The Court agrees with the recommendation and already follows this process. This was an isolated incident.		Completed
		5.3.3			C	The Court agrees with the recommendation and has implemented the alternative process effective April 2010.		Completed
		5.4	21	<b>Certain Enhanced Collections Procedures Need Improvement</b>				
		5.4.1			I	The Court agrees with this recommendation and is taking steps to work with the County to initiate the recommended practice by December 2010.	Management Analyst III - Leg, Contracts & Stats and Deputy CEO - Operations	December 2010
		5.4.2			C	The court agrees with this recommendation and has changed its case aging process for cases in the new traffic CMS implemented in July 2010 to significantly reduce the amount of time it takes for delinquent accounts to be referred to Revenue Services for collection.		Completed
		5.4.3			C	The court agrees with this recommendation and currently notifies the DMV of eligible failure to pay fine cases (through its traffic case management system) so that a hold may be placed on the affected individual's driver's license. The court implemented a new traffic case management system in July 2010 and as a result now has better internal monitoring controls to ensure that information is reported in a timely manner to the DMV.		Completed

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	5.5	26	<b>The Court Did Not Always Calculate Correct Assessments or Comply with Certain Statutes and Guidelines Governing Distribution</b>					
	5.5.1		The Court incorrectly and inconsistently assessed PC §1465.8 – Court Security Fee and GC §70373 – Criminal Conviction Assessment for misdemeanor test cases.		C	The court agrees with this recommendation and has already taken steps to update our existing bench schedule and promote its use to all judiciary (both the PJ and CEO did this at recent Judge's Meetings).	Management Analyst III - Fiscal	Completed
	5.5.2		The Court did not perform special base fine and penalty distributions for three test cases as a result of clerical errors made by deputy court clerks when entering payment into the CMS.		C	The Court agrees with this recommendation and the suggested processes. Regarding traffic issues, the Court has configured its new traffic case management system to correctly distribute fines collected and apply the appropriate amount to the corresponding violation.		
	5.5.3		The Court incorrectly assessed the \$10 Priors Base Fine Enhancement.		C	The Court agrees with this recommendation and has verified that the new ICMS Traffic Management System is correctly programmed to assess only 1 (one) prior per citation.		
	5.5.4		The Court incorrectly allocated or prorated judge-ordered fine reductions.		C	The Court agrees with this recommendation. In cases of fine reductions, ICMS is programmed to exclude Court Security Fees, Criminal Conviction Assessment and Night Court Fees before distributing the fines and penalty assessments proportionately.		
	5.5.5		The Court incorrectly distributed GC §76000.5 – Emergency Medical Services Additional Penalty Assessments to the Traffic Violator School Fund for Red Light Traffic School dispositions.		C	The Court agrees with this recommendation and has verified that the new ICMS Traffic Management System is correctly programmed to distribute fines to the Maddy Emergency Services Fund per GC 76000.5.		
	5.5.6		Some of the Court's base fine assessments are inconsistent with the base fines indicated in the UBS.		C	The court agrees with the recommendation and has already taken steps to update our existing bench schedule and promote its use to all judiciary (both the PJ and CEO did this at recent Judges' Meetings).		
	5.6	4	<b>Court Lacks Sufficient Controls Over Opening and Processing of Mail Payments</b>					
	5.6.1		The Probate Division did not secure unprocessed mail payments, and did not report the volume and extent of unprocessed mail payments up the chain of command on monthly workload monitor reports.		C	The Court agrees with these recommendations and has already taken steps to address this issue. The Probate Division is now securing the unprocessed payments in the vault. Additionally, the division already reports any backlogged unprocessed work up the chain of command on the monthly workload/backlog monitor reports. The example provided of payments received for certified copies of orders cannot be processed until the order has been signed by the judicial officer and certified copies made. Therefore, those unprocessed payments would not necessarily be considered or reported as backlog.	Deputy CEO - Operations	Completed
	5.6.2		None of the operating divisions use a two-person team approach as required by the FIN Manual to open mail.	I		The Court agrees with the rest of these recommendations (#2- #4) in concept. However given reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding combined with the large volume of mail received in the various divisions, some of these recommendations are not feasible at this time. Additionally, the Court receives very little currency if any through the mail. The Court would like to meet and discuss these issues and recommendations in more detail with the appropriate AOC audit member by December 2010 for clarification and assistance in developing alternative solutions/procedures.		March 2011
	5.6.3	With the exception of the Records Division, none of the operating divisions log mail payments into a cash receipts log as recommended by the FIN Manual, and Records Division's log does not contain all information recommended by the FIN Manual and is not used to reconcile payments once they have been processed into the CMS.						
	5.6.4	Cashiers in some divisions may process counter and mail payments simultaneously.						
	5.7	7	<b>Court has Safe Access Control Weaknesses and Other Security Concerns</b>					
	5.7.1		Although the divisions informed us that safe combinations are changed when an individual who knew the combination leaves the division, combinations are not also changed on a periodic basis.	I		The Court agrees with the recommendation and currently does change the safe combinations when individuals with knowledge of the combination no longer require it, leave the division, or leave court employment. There is a financial cost involved in changing the combination and given the continued and significant reductions in state wide court funding, the Court will further analyze this issue to determine the frequency in which to change the safe combinations outside of what is currently done.	Deputy CEO - Operations and Management Analyst III - Fiscal	

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The combination to the Northern Family Law Division safe is known by a deputy court clerk who is not in a lead capacity.		C	The Court agrees with the recommendation and this is the current practice adopted by the Court. However given the physical locations and logistics of some of the divisions combined with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, this may not always be feasible. The issue in the Northern Family Law Satellite Office has been resolved as the deputy court clerk no longer has access to the safe combination.		Completed
			The Central Traffic Division safe contained items that should be cleared out, such as old microfiche, old envelopes, and videotapes.		C	The Court agrees with the recommendation and the "old items" were cleared out of this safe in November 2009.		Completed
	5.7.2		Removed due to CRC 10.500 exemption.		C			Completed
	5.7.3		Judicial signature stamps used by some divisions were not properly secured when not in use. One division still maintains judicial signature stamps for two former PJs.		C	The Court agrees with the recommendation and has already taken steps to address this issue. Signature stamps are now secured overnight and when not in use. Some retired judges are assigned back to work for the Court on a short term or temporary basis and their stamps are maintained for those instances. Additionally old un-used stamps are kept to recycle the mechanism for new stamps as it saves on court costs. However, these stamps are also now being secured.		Completed
	5.7.4		There are no secure barriers separating counter clerks from the public in some divisions.	I		The Court does not completely agree with the recommendation as the divisions mentioned do have locking doors that create a barrier between the clerks and the public. Adding glass or partitions may adversely impact the quality and level of service provided to the customers. The Court does however agree that the safety and security of court staff is critical. Therefore the Court will explore this issue with the AOC to determine what appropriate options and/or funding is available to make any necessary changes.		
	5.7.5		There are no cameras placed at any of the cashier counters.	I		Although this is not a requirement, the Court is open to exploring this recommendation with the AOC to determine essential needs and available funding options.		
	5.8	6	<b>The Court Did Not Correctly Refund Overages or Record Overage Revenue in Accordance with Overage Policy</b>					
	5.8.1		The Court did not refund overpayments totaling \$280 received between March and August 2009 as required by the Court's internal overage policy.		C	1. The Court agrees with the recommendation and has investigated these overages to determine why they were not refunded and took appropriate action to address the issue in June 2010.	Deputy CEO - Operations and Management Analyst III - Fiscal	Completed
	5.8.2		The Court posted all overage revenue, along with shortages, to the Cash Difference expenditure general ledger account (952599), which does not comply with the FIN Manual.		C	The Court agrees with the recommendation and with the assistance of the Trial Court Administrative Services Division has already set up general ledger account 823004 to record overages. Shortages are still reported in expenditure GL 952599.		
	5.8.3		The Court's overage threshold in determining whether overages are to be refunded is \$10, which differs from the \$5 threshold provided in the FIN Manual.		C	The Court agrees with this recommendation. However, with the impending change in the 7th edition of the FIN Manual this issue should be resolved effective September 2010.		
	5.8.4		We observed that a miscellaneous overage was discovered during lead/supervisor closeout verification, but the clerk did not sign off on the Overage/(Shortage) Form because he had already left for the day.		C	The Court agrees with the recommendation and the issue has been addressed with the appropriate Criminal Division staff.		
	Log	1	Two Fiscal Branch Divisions did not maintain a Collection Turn Over Checklist as required by the Court's internal End of Day Balancing and Batching Out Procedures.		C	The Court agrees with the recommendation. Each Fiscal Division has its own internal collection checklist in all locations. The form used in the process is titled "Daily Collection Batch Out" and is used in Northern Court. Southern and Central has its own and will revise its procedures so that all 3 locations use the same form.	Management Analyst III - Fiscal	Completed
	Log	1	The fiscal clerk and courier at the Central Branch did not sign the Deposit Control Sheet as required by local cash handling desktop procedures.		C	The Court agrees with the recommendation and has consistently used the "Deposit Control Sheet". This issue has been reviewed with staff and determined to be an isolated incident.	Management Analyst III - Fiscal	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	Log	2	Seventy-one of 98 manual receipts sampled were not completely or correctly filled out. Some manual receipts were missing one or more fields (e.g. address, case name, payment reason, etc.). On a number of receipts, part of the address was incorrectly filled in the space where a numeric payment amount should have been provided.	I		The Court agrees with the recommendation and will ensure that staff is re-trained by December 2010. It's important to note that in some divisions such as Family Court Services, a customer's address is kept confidential and therefore would intentionally be omitted from the manual receipt.	Deputy CEO - Operations and Management Analyst III - Fiscal	December 2010
	Log	2	The Southern Traffic Division had a completely used manual receipt book in its possession that should have been returned to the Fiscal Division.		C	The Court agrees with the recommendation and already follows this process. This was an isolated incident and the one used manual receipt book in the Southern Traffic Division has been returned to the Fiscal Division.	Deputy CEO - Operations	Completed
	Log	4	Although JDS has the capability of separately identifying counter versus mail payments by payment medium (cash, check, and other), the divisions are not correctly inputting the payments as received over the counter or through the mail.		C	The Court implemented a new traffic case management system in July 2010 and as a result, this issue is resolved for the traffic payments processed in the new system. Since the criminal payments will still be processed through JDS for now, the criminal clerks at both branches are now reflecting in the system whether the payment was received over the counter or through the mail.	Deputy CEO - Operations	Completed
	Log	5	Six of 30 sample fee waivers reviewed were not approved by authorized individuals. Four were approved by a family law facilitator or staff attorney, and two that should have been forwarded to a judicial officer were approved by deputy court clerks.		C	The Court agrees with the recommendation and already follows established procedures for the approval and processing of fee waivers in accordance with GC 68630 et seq. Once specific case numbers were provided from the audit team and cases in question were reviewed, it has been determined that the orders signed by the family law facilitator or staff attorney were orders that could have been signed by the clerk and did not require signature by a judicial officer. Therefore, the court believes these were approved appropriately. However, since the family law facilitator's office does have deputy court clerks assigned to the division, those clerks will now approve the fee waivers pursuant to GC section 68634(d). This issue has been addressed with the Family Law Facilitator's Office and Clerk's Office and those fee waivers needing judicial review will be submitted to a judicial officer for signature.	Deputy CEO - Operations	Completed
	Log	5	For one case (CIV476191), the party filed a name change petition but there is no record that the filing fee was paid, and no justified reason could be found for why the first filing fee was not paid.		C	The Court agrees with this recommendation and currently has a process in place for tracking cases and following-up with parties whose fee waiver applications were denied and payment of the filing fee were not timely made. The example provided for the one case without a filing fee or fee waiver application was an isolated incident and the issue has been addressed with the staff.	Deputy CEO - Operations	Completed
	Log	5	For two cases (SCS120341 and CLJ198092), each party did actually receive an order granting a fee waiver but this event was not noted in the ICMS case history.		C	The Court agrees with the recommendation. A reminder will be provided to the Civil and Small Claims staff regarding the requirement to document this information in the CMS.	Deputy CEO - Operations	Completed
	Log		The Court could not provide documentation of Court or County approval that authorized various local assessments, including the Additional Emergency Medical Services Assessment pursuant to GC 76000.5, Administrative Assessment pursuant to VC 40508.6, and Traffic School Monitoring Fee pursuant to VC 11205m.	I		The Court agrees with this log item and is contacting the County to obtain the resolutions setting the assessments. The Court has already provided documentation re: the Additional Emergency Medical Services Assessment pursuant to GC 76000.5. It is also obtaining documentation of the Court's decision to increase the Traffic School Fee and will forward all of the documentation to the AOC once they are obtained.	Deputy CEO - Operations and - Management Analyst III - Leg, Contracts & Stats	October 2010
	Log		Operations staff does not use ICMS to track partial payments and there are no alternative procedures in place, so Court does not accept them. Some divisions informed us that no one makes partial payments, while other divisions are not aware of ICMS procedures available to post and track partial payments.		C	The Court does not agree with this log item issue. We developed and implemented written procedures for accepting partial payments in February 2006. The procedures include how to track the partial payments in the ICMS system. All appropriate staff were made aware of the procedures; however the court has not had to use them since we haven't received requests from parties/litigants to make partial payments. We will redistribute the procedures again to all appropriate division supervisors and staff as a reminder.	Deputy CEO - Operations	Completed
<b>6</b>	<b>Information Services</b>							
	6.1	25	<b>Court Has Not Completed Its Comprehensive Business Continuity and Disaster Recovery Plans</b>					

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	6.1.1		In our 2006 Audit Report, IAS identified that the Court does not have a comprehensive BCP. This issue persists and is still under development.	I		The Court agrees with this recommendation and will complete the BCP, DRP and COOP plans by June 2011. It should be noted that the Court has created, migrated and currently maintains a full copy of our core, mission-critical applications with current data backups at our Youth Services Center. This will allow the Court to continue to function in the advent of a physical disaster, such as an earthquake or flood that affects the existing production data center located in Redwood City.	IT Manager and Deputy CEO - Support	June 2011
	6.1.2		Though the Court has its own disaster recovery site located at the Youth Services Center in San Mateo, only limited functional tests have been performed on the Court's disaster recovery process.	I		The Court agrees with this recommendation and will complete the annual testing of the BCP/DRP within six months of the completion of the BCP/DRP plans.		December 2011
	6.2	19	<b>The Court's Procedures for Monitoring and Controlling Access to DMV Information is Inadequate</b>					
	6.2.1		Only Court users with access to DMV Direct were required to sign <i>Information Security Statements</i> , and filers were allowed to annually re-certify via e-mail to the Court staff responsible for maintaining the forms.		C	The Court agrees with the recommendation. All court employees, interns and volunteers are now being asked to sign a DMV Form INS 1128 to ensure that anyone who may have access to electronic or hardcopy DMV records, even if incidentally, will be aware of their responsibilities. HR has sent the form to all current court employees for completion. In addition, all new employees, interns and other volunteers will be required to complete the form on their first day. Going forward, every March 1st HR will notify all court supervisors of the need to have all their staff re-certify. Proof of certification and re-certification will be maintained in HR for auditing purposes. Going forward, every March 1st HR will notify all court supervisors of the need to have all their staff re-certify. Proof of certification and re-certification will be maintained in HR for auditing purposes.	HR Manager, IT Director, and Deputy CEO - Operations	Completed
	6.2.2		The Court does not electronically log DMV record access information as required by the MOU between the Court and DMV.	I		The Court agrees with the recommendation. The Court will continue to explore options and search for a tool that will log all DMV transaction automatically. Estimated completion by March 2011.		March 2011
	6.2.3		The manual logs maintained by Court users with DMV Direct access are missing record identifiers, including the name or driver's license numbers that was entered.		C	The Court agrees with the recommendation. Logging of DMV record access is done by entry into excel spreadsheets. It should be noted that DMV had indicated to the Court in 2009 that they would produce access logs upon demand but when asked to do so for this audit reversed itself and said it would not. The Court had been acting on the belief that the electronic reports would be available. Now that it is known that they are not employees will continue to log entries using the spreadsheet and are asked to include all record identifiers including drivers' license numbers and names.		Completed
	Log		The Court's <i>Information Technology Security Policy</i> dated August 2009 only addresses some user ID controls such as user account deletion, but lacks other user account management controls, including procedures for creation and modification of user IDs. Additionally, the policy does not address privileged and special user accounts. The IT Director informed us that a user account management section will be added to the policy.	I		The Court agrees with this log item and will work with all court units in developing this policy.	IT Director	June 30, 2011
	Log		Although the <i>Information Technology Security Policy</i> specifies that the IT Division will audit user accounts regularly, periodic management reviews of user accounts to ensure that access rights were commensurate with job responsibilities were not performed and documented (issue repeated from prior audit). As a result, we identified during our cash handling review that various ICMS users were inappropriately assigned void capabilities.	I		The Court agrees with this log item and will work with all court units in developing this policy.	IT Director	June 30, 2011
	Log		The creation of system-level accounts is not approved in writing by either the CEO or IT Director.	I		The Court agrees with this log item and will develop a policy and necessary approval processes.	IT Director	June 30, 2011
	Log		The Court's current Information Technology Security, Internet, and E-mail Usage Policies are not formalized in an Employee Handbook issued to new employees, including temporarily employees, who then sign a Certificate of Receipt to be retained in personnel files. These procedures were recommended and agreed to in the previous audit.		C	The Court disagrees with this log item. New employees are handed hard copies of various forms, covering the Information Technology Security, Internet and E-mail Policies during the New Employee Orientation class, just not in a handbook.	IT Director and HR Manager	Not applicable - Court disagrees with recommendation

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	We identified JDS and ICMS logical security systems limitations in the previous audit that are still present, including the ability for concurrent log-ons, inability to disable user accounts after a period of inactivity, inability to terminate a user's session after a period of inactivity, and inability to lock a user account after a series of invalid sign-on attempts. Court acknowledged these issues, but due to other IT project priorities and high costs of system enhancements and alternative solutions, it has yet to resolve these issues.	I		The Court agrees with this log item that these are areas of concern and will review and research to identify solutions for these issues.	IT Director	June 30, 2011
		Log	The server room in the Youth Services Center has fire extinguishers, but the Court should consider substituting with a non-water based fire suppression system such as FM200 that may be less damaging, more effective, and an environmentally friendly alternative.	I		The Court agrees with this log item that this is a concern and will review and report back on potential solutions.	IT Director	June 30, 2011
		Log	The server room in the Youth Services Center is not built on elevated floors and does not have flood alarms installed.	I		The Court agrees with this log item that this is a concern and will review and report back on potential solutions.	IT Director	June 30, 2011
		Log	The Court's current contract with JDS still lacks an amendment regarding destruction of legacy traffic data as identified in the previous audit which the Court had agreed to. The IT Director informed us that the amendment will be added by July 2010.	I		The Court agrees with this log item and will amend the JDS contract by December 2010.	IT Director	December 2010
<b>7 Banking and Treasury</b>								
		Log	The Court reported in the <i>FIN Manual Compliance Self-Assessment</i> that the monthly bank reconciliations prepared by Court staff were not signed and dated by both the preparer and reviewer.		C	The Court agrees with this log item but recently closed its Revolving Account therefore no monthly bank reconciliations are done locally anymore.	Management Analyst III - Fiscal	Completed
		Log	Court could not provide documentation to support that it performs periodic trust account reconciliations of its Jury Trust Account.	I		The Court does not agree with this log item issue. The Court does perform periodic trust account reconciliations of all its trust accounts. However, due to a combination of factors [staff shortages, illness, major projects impacting time availability, and the complexity of the Jury Trust account], the last reconciliation of the Jury Trust account was done for the period of July 2008, and we will provide a copy of that reconciliation. The Court is working diligently to bring the various trust reconciliations current by the end of FY10-11.	Management Analyst III - Fiscal	June 30, 2011
<b>8 Court Security</b>								
		8.1	20	<b>The Court Paid for Unallowable Court Security Costs and Did Not Comply with GC §69926(b)</b>				
		8.1.1			C	<u>Overtime and replacement staff</u> : The Court agrees with the recommendation and will work with the Sheriff to rectify this issue. <u>Perimeter security</u> : The Court has been attempting to negotiate shared security costs in shared facilities for a number of years. It should be noted that GC 69927(a)(3) specifies that these shared costs must be mutually agreed to by the Court, County and Sheriff and our County and Sheriff have taken the position that they would not choose to have checkpoint perimeter security in these shared facilities if the Court was not present. We are open to any guidance the AOC may provide to most effectively negotiate this issue to the betterment of the Court's position. <u>Payroll reports</u> : The Court agrees with the recommendation and started receiving these reports beginning in the second quarter of FY09-10.	Management Analyst III - Leg, Contracts & Stats and Management Analyst III - Fiscal	Completed
		8.1.2		I		The Court agrees with the recommendation and has taken steps to initiate the recommended practice by December 2010 when amendments to the current MOU with the Sheriff will be negotiated.		December 2010

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	8.2	18	<b>Deficiencies in Certain Court Facilities may Pose Security Risks to the Court</b>					
	8.2.1		Not all of the emergency exits located at the Court facilities are alarmed.	I		The Court agrees with the recommendation and already follows this process. There are emergency exit alarms at all facilities with the exception of two public accessible doors in one facility. The Court is currently working in partnership with Sheriff's security officers, staff from County Manager's office and representatives from the Office of Courthouse Construction and Management Team to install the exit alarm systems by June 2011.	Deputy CEO - Support	June 2011
	8.2.2		The Court has not installed smoke detectors in one facility, and there is no smoke detection in the basement location of another facility where various court records are stored.	I		The Court agrees with the recommendation and has taken steps to implement the recommended practice. Through the Office of the Courthouse Construction and Management the smoke detection systems were installed in the identified location in August 2010. The smoke detection systems for the remaining facility is scheduled to be installed in December 2010.		December 2010
	8.2.3		One facility does not have a fire alarm notification system to quickly alert building occupants and visitors that a fire alarm has been triggered and of the need for evacuation.	I		The Court agrees with the recommendation and has taken steps to implement the recommended practice. Through the Office of Courthouse Construction and Management the fire alarm systems were installed at the Central Courthouse location in 2010. The fire alarm systems for the remaining facility is scheduled to be installed by December 2010.		December 2010
	8.2.4		There is no burglar alarm system installed at one facility to prevent unauthorized access.	I		The Court understands and agrees with the recommendation in concept and during normal business times this would be considered best practice. However, due to continued and significant reductions in State wide court funding, this may not be feasible if additional funding is not provided. The court will work with AOC and County Security professionals to see if additional funding for this can be obtained.		TBD
	Log		Court security service providers (Sheriff and contracted security personnel) do not maintain an incident log of courthouse security issues, and does not provide court security committee or management with periodic security reports. The Court should require the Sheriff and its contract security personnel to document and regularly report on security incidents and other issues.		C	The Court agrees with this log item and already follows this process.	Deputy CEO - Support and CEO	Completed
	Log		The court administrative assistant at the Northern Branch who maintained duplicate keys in her workstation did not secure keys in a locked drawer or cabinet. To ensure access security is properly controlled, the Court should secure duplicate keys in a locked key nest.		C	The Court agrees with this log item and has taken steps to secure the keys in a locked office. Also the key box was relocated to the supervisors office so keys could be controlled by the supervisor as the administrative assistant is not on site every day. (this was implemented on June 1, 2010)	Deputy CEO - Operations and Court Services Manager - Northern Branch	Completed
	Log		Contracted security personnel do not carry portable radios unlike Sheriff deputies. The Court should consider having contract security personnel carry portable radios to ensure timely response to security incidents.		C	The Court disagrees with this log item based on the fact that all contract security personnel are accompanied by a deputy sheriff who always carries a portable radio. The exception is at the Youth Services Center, contract security are provided with a portable radio due to no Sheriff deputy stationed	Deputy CEO - Support and CEO	Not applicable - Court disagrees with recommendation
	Log		The Court's emergency manual has not been updated since March 2007. The Court should review and update, as necessary, the manual at least annually to ensure that emergency contacts and other information is current.	I		The Court agrees with this log item and its Safety Committee is in the process of revising the existing Emergency Manual. The manual will be updated by September 2010.	Deputy CEO - Support	September 2010
	Log		The Court does not utilize property passes to document permanent transfer or removal of inventory items from court facilities to ensure that the Court's record of fixed assets and inventory items may be current.		C	The Court agrees with this log item and currently uses an inventory system to track fixed assets (like furniture) and IT equipment. When IT equipment is moved, the system is updated to reflect those changes. The court will implement the recommended practice for transfers of furniture and other fixed assets by July 1, 2010.	Court Services Manager - Planning & Development	Completed
	Log		The Sheriff did not provide a separate estimate for extra help costs in its FY 2008-2009 court security budget, and did not provide hourly rates for regular, overtime, and extra help staff to support its annual budget. The Court should obtain such supporting documentation from the Sheriff to perform an adequate review and validation of budgeted costs and quarterly billings.		C	The Court agrees with this log item and will request documentation to support future budget submissions.	Management Analyst III - Fiscal, Deputy CEO - Support, and CEO	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log			C	The Court agrees with this log item and has requested supporting documents which the Sheriff has been providing since December 2009. The report is called the expense distribution report. Furthermore, we will also request documents to support all training charged to the Court.	Management Analyst III - Fiscal	Completed
<b>9</b>	<b>Procurement</b>							
	9.1	22	<b>Court Does Not Comply with FIN Manual Requirements on Purchase Approval, Procurement Methods, and Procurement File Documentation</b>					
	9.1.1		The Court's purchase approval thresholds do not comply with the FIN Manual and have not been incorporated into its current procurement policy document.	I		The Court agrees with the recommendations and has revised its Approval Matrix and current procedures and policies in light of the guidelines in FIN 6.01. Further, the Court will comply with the reporting requirement in FIN 6.01 for alternative procedures.	Management Analyst III - Leg, Contracts & Stats and Management Analyst III - Fiscal	October 2010
	9.1.2		The Court's purchases were not always supported by an approved purchase requisition.	I		The Court agrees with this recommendation. The Court already requires departments to submit purchase requisitions [FEPR or Request for Supplies] for approval before purchase is made. Furthermore, the Court will revise its current procedures and policies for FEPR and Request for Supplies approvals to include the budgetary funds available certification and ensure the general ledger code is included in the process.		October 2010
	9.1.3		The Court's Purchasing Thresholds and Methods for Court Procurements matrix provide purchase thresholds that exceed the suggested purchasing thresholds specified in Procedure No. FIN 6.01, section 6.5, but the Court did not submit these higher alternative procurement thresholds to the AOC for approval.	I		The Court agrees with this recommendation and will assess its current procedures and policies in light of the guidelines in FIN 6.01. The Court will comply with the reporting requirement in FIN 6.01 for alternative procedures as necessary.		December-10
	9.1.4		The Court did not always comply with the procurement methods required in the FIN Manual, or documented sole source justifications.	I		The Court agrees with this recommendation to include documentation of the procurement process in selecting a contractor. The Court will review the FIN memos on these requirements and comply. Further, the Court agrees with the recommendation that documentation for sole source is required. The Court does currently place sole source justification in its files for its more current files. The contracts reviewed were with vendors with whom the Court has had long standing agreements and who provide services to the Court and to the County - and therefore the original documentation of the procurement process was not available in all instances. The Court will ensure that required documentation is in all contract files and that the PSSC Sole Source Justification form will be used for such documentation.		December 2010
	9.1.5		The Court did not execute purchase orders for all purchases over \$2,500, and executed multiple purchase orders for one agreement.	C		The Court agrees with this recommendation in principal. Based on our information and documentation, we believe the Court is not out of compliance with FIN 6.01, section 6.7 with respect to the copier contracts. The agreement with the copier vendor(s) is in the form of a Master Agreement, that each individual copier has its own separate agreement with its own "not-to-exceed" amount, contract number, and general ledger coding. Therefore, each copier has its own purchase order that ties to the individual agreement.		Completed
		Log			C	The Court agrees with this log item and is reviewing its approval matrix to address this.	Management Analyst III - Fiscal	Completed
		Log			C	The Court agrees with this log item. On June 28th, 2010 the Court's own Conflict of Interest form was sent out to be completed by employees with procurement functions.	Management Analyst III - Fiscal	Completed
<b>10</b>	<b>Contracts</b>							

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	10.1	10	<b>The Court Does Not Have Agreements for Some County Services While Some Existing Agreements Are Outdated</b>					
	10.1.1		Two of nine County expenditures reviewed were not clearly defined in an existing agreement with the County, including custodial services totaling \$554,964 provided by the Department of Public Works and payroll services totaling \$132,661 provided by the Controller's Office.	I		The Court agrees with this recommendation and is in the process of working with County agencies to develop the Service Level Agreements with those agencies who provide services to the Court.	Management Analyst III - Leg, Contracts & Stats and HR Manager	December 2010
	10.1.2		Although the remaining seven county services expenditures were detailed in existing agreements, the costs for most of these services were not sufficiently detailed in the agreements.	I		The Court agrees with this recommendation and will update the pricing structures in existing Agreements that are outdated. The Court's Contracts Analyst will work with the Court's Fiscal division to update the Agreements to reflect current information.		December 2010
	10.1.3		Some SLA terms used to describe billing or payment methodology are outdated.	I		See response to Item 2 above. Additionally, the Court is currently underway with updating the main umbrella Service Level Agreement with the County in which it authorizes the entry of individual agreements with each County department for services.		October 2010
	10.1.4		Some tuition reimbursement expenditures do not appear appropriate.		C	The Court agrees with this recommendation in concept. The Court also recognizes that there are occasions when courses that may not appear to be directly related to work are appropriate for reimbursement as they are necessary to achieve a BA or BS degree (i.e.; certain general ed. requirements) that will enhance the value and contributions of the court employee. The court agrees that these classes require appropriate documentation to ensure their necessity and application to the appropriate degree and that all supporting documentation should be reviewed and approved by the supervising manager and CEO in advance of the course being taken so that both Court management and the affected employee are clear that the course has been reviewed and approved well in advance of payment. The Court will modify its tuition reimbursement process and related forms so that the Court – not the County – makes the final decision to approve or disapprove such requests. Management has been informed that the CEO will have final authority to authorize tuition reimbursement prior to sending request to the County.		Completed
	Log		The Court submitted a notice dated December 21, 2006 to terminate various services with the County, but we do not have record of the notice and the Court could not provide documentation that the notice was forwarded to the AOC. The Court must forward future notices to discontinue services sent by either the Court or the County to the AOC within 10 days of issuance or receipt.		C	The Court agrees with this log item and will provide any future termination notices within the required time. The Court has since provided the notices noted here during the audit review.	Management Analyst III - Fiscal	Completed
	Log		The Court reported in the <i>FIN Manual Compliance Self-Assessment</i> that it did not always obtain current certificates of insurance. Additionally, for four sample contract files reviewed, one contract file did not contain any insurance documentation, and the certificate of insurance in a second file did not name the Court as an additional insured.	I		The Court agrees with this log item and will take steps to comply with the recommendation by December 2010.	Management Analyst III - Leg, Contracts & Stats	December 2010
	Log		The Court's contract template does not include a clause requiring certain dispute resolution procedures to be followed in case of a disagreement between the court and vendor.		C	The Court agrees with this log item and will take steps to implement the recommended practice by utilizing the language from the sample contracts provided by the AOC.	Management Analyst III - Leg, Contracts & Stats	Completed
	Log		For four of five sample contract files reviewed, the files were not organized into subsections as suggested in Procedure No. FIN 7.03, section 6.2.2, paragraph 3.		C	The Court agrees with this log item and has immediately implemented the guidelines in Fin 7.03, section 6.2.2. Older files will be converted whenever possible.	Management Analyst III - Leg, Contracts & Stats	Completed
<b>11</b>	<b>Accounts Payable</b>							
	11.1	8	<b>Court Did Not Comply with Various FIN Manual Travel Expenses Reimbursement Policies and Procedures</b>					
	11.1.1		Four of eight travel expense claims reviewed that included lodging expenses exceeded the maximum daily rate provided in the FIN Manual, and no <i>Exception Request for Lodging</i> form was attached to evidence prior approval for exceeding the maximum rate.		C	The Court agrees with these recommendations and has revised and updated the procedures issued in October 2005 that cover this issue. Further, the Court's Fiscal Division has taken added steps to coordinate their review and ensure consistency of review and oversight of these expenses.	Management Analyst III - Fiscal	Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		11.1.2			C	The Court agrees with these recommendations and has revised and updated the procedures issued in October 2005 that cover this issue.		Completed
		11.1.3			C	The Court agrees with this recommendation and has already implemented this process.		Completed
		11.1.4			C	The Court agrees with this recommendation and has already taken steps to utilize the AOC/State TEC form.		Completed
		11.2	9			<b>Business Meals Not Pre-Approved by Presiding Judge and Lacks Adequate Documentation</b>		
		11.2.1			C	1. The Court agrees with the recommendation and has transitioned to the use of the Sample Business-Related Meal Form provided in the FIN Manual.	Management Analyst III - Fiscal	Completed
		11.2.2			C	The Court agrees with the recommendation and will refer to the guidelines in the FIN manual to process claims submitted for meals.		Completed
		11.3	23			<b>Vendor Invoice Approval and Processing Procedures Did Not Comply with FIN Manual Requirements</b>		
		11.3.1			I	The Court agrees with this recommendation that a payment authorization matrix be established, and the Finance Division will work with court management and supervisors to establish said matrix [including samples of approvers' signatures and initials] for accounts payable reference.	Management Analyst III - Fiscal	October 2010
		11.3.2			I	The Court agrees with this recommendation and will require invoices and invoice coding strips to be approved by an authorized individual in accordance with the payment authorization matrix prior to payment processing. Further, the Court will prohibit the person who performed the purchasing functions for a particular contract or regular purchase order from approving the invoice(s) related to the contract or regular purchase order.		October 2010
		11.3.3			I	The Court agrees with this recommendation to ensure that invoices are supported adequately and will review its current procedures and policies in light of the guidelines in FIN 6.2.2 and FIN 6.3.2.		October 2010
		11.3.4			C	The Court agrees with this recommendation and our documentation verifies that in the vast majority of cases we comply. However, in some instances we have not been able to comply. In the two (2) examples mentioned above in Issue paragraph # 4, both forms require that payment be sent with the order form. To the best of our knowledge, neither agency will accept purchase orders. Therefore, the Court believes that it has no other option in these types of circumstances but to make an advance payment, provided that the order form/purchase has been adequately approved [including the certification of funds being available and the provision of the general ledger coding]. We are open to discussing best practice options in these instances.		Completed
		11.3.5			C	The Court agrees with this recommendation and has discussed review with the Court Interpreter Supervisor and assessed its current procedures and policies and mileage calculations to ensure that: (a) court interpreters are paid the correct daily and half-day rates (b) court interpreters are paid the correct amount of mileage		Completed

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log			C	The Court agrees with this log item and will inform all travelers to obtain hotel receipts showing a zero balance. Furthermore, we will update our 2005 travel procedures to reflect this.	Management Analyst III - Fiscal	Completed
		Log			C	The Court agrees with this log item and will ask employees to request waivers on all future travel. Since this log item is already incorporated in the procedures memo issued in Oct 2005, the Court will remind travelers before they leave.	Management Analyst III - Fiscal	Completed
		Log			C	The Court agrees with this log item and already requires travelers to submit receipts or provide a note if the receipt has been misplaced. Since this log item is already incorporated in the procedures memo issued in Oct 2005 the Court will remind travelers before they leave.	Management Analyst III - Fiscal	Completed
		Log			C	The Court agrees with this log item and will be more vigilant when coding payments. Alternatively, this should have been reclassified while reviewing the general ledger.	Management Analyst III - Fiscal	Completed
		Log			C	The Court agrees with this log item and billed and received payment from the County on 5/10/2010.	Management Analyst III - Fiscal	Completed
		Log		I		The Court does not have a written local cell phone policy to ensure it complies with IRS income reporting requirements. Specifically, personal usage of a Court-issued cell phone is considered a fringe benefit unless the individual reimburse the Court for the personal use.	Management Analyst III - Fiscal	June 2011
		Log			C	One of 30 randomly selected sample expenditures reviewed was misclassified. Specifically, an invoice totaling \$2,960 to install a picture hanging system was classified as a "repair" expenditure, but a more appropriate classification would be "alterations and improvements" or "alteration".	Management Analyst III - Fiscal	Completed
		Log			C	Two of 30 randomly selected sample invoices and claims reviewed were not date-stamped.	Management Analyst III - Fiscal	Completed
		Log		I		The Court could not locate and provide one of five court interpreter claim and one of five court reporter claim selected for review.	Management Analyst III - Fiscal	February 2011
<b>12</b>	<b>Fixed Asset Management</b>							
		12.1	24			<b>Court Needs to Improve Its Fixed Asset and Inventory Item Management Process</b>		
		12.1.1			C	All fixed asset and inventory items disposed did not evidence the required CEO approval.	Management Analyst III - Fiscal and IT Director	Completed
		12.1.2			C	Court deletes the records of disposed IT assets in the Track-IT application thus a proper audit trail is not preserved. Additionally, any IT staff with access to the application may delete records.		September 30, 2010
				I		Once use of Track-IT is improved to record and to track IT assets, the Court should maximize its use and consider using it as a court-wide asset tracking application.		June 2011
		12.1.3			C	Asset tags are not assigned and affixed to all applicable asset items.		Completed
					C	Asset tags are not consistently placed in a readable location.		Completed
					C	Some asset tags are worn out thus are rendered unreadable.		Completed

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			County-tagged asset items were not retagged with Court tags and tracked on the Court's listings.	I		The Court agrees with this recommendation and will work with the County to resolve this issue by October 2010.		October 2010
			Asset tags are not assigned sequentially.		C	The Court agrees with this recommendation and will immediately document reason why tags are not assigned in a sequential order.		Completed
			A coordinated effort between Fiscal Services and IT may facilitate a more efficient and effective physical inventory process.	I		The Court agrees with this recommendation. Both Fiscal and IT will work together to have the inventory process completed by January 2011.		January 2011
		Log	Asset Tag Acknowledgment Receipt forms were not consistently signed by both the tag recipient and tag issuer. The Court uses these locally-developed forms to document asset tag issuance.		C	The Court agrees with this log item and will be more consistent in checking signatures when tags are issued.	Management Analyst III - Fiscal	Completed
		Log	For a laser fiche system valued at \$50,831, the Court inappropriately included training and warranty costs of 2,574 as part of the fixed asset value. These costs are not considered to be ancillary charges necessary to acquire and place the asset into its intended location and condition of use, and therefore should be separately expensed.		C	The Court agrees with this log item and will take every precaution to ensure that costs not considered ancillary charges are not included as part of fixed assets. This will be expensed to the appropriate expense account.	Management Analyst III - Fiscal	Completed
		Log	We identified one security camera DVR valued at \$5,947 that was tagged and recorded in the fixed asset tag register but not in the fixed asset report.		C	The Court agrees with this log item. Although the DVR purchased in 2006 is not included in the fixed assets report because it is part of the many components that make up the Central Branch security project, we found it necessary to tag it for tracking purposes because of the value of the item.	Management Analyst III - Fiscal	Completed
<b>13 Audits</b>								
		Log	The Court reported in the <i>FIN Manual Compliance Self-Assessment</i> that it did not notify the AOC Manager of Internal Audit Services when the State Controller's Office requested an audit of the Court's collection activity as required by Procedure No. FIN 11.01, section 6.1.2, paragraph 2.		C	The Court agrees with this log item. After reviewing its state audit files pertaining to collections activities we did not find any formal notification to the AOC IAS regarding this issue. All future audits requested by the State Controller's office will be conveyed to IAS.	Management Analyst III - Fiscal	Completed
<b>14 Records Retention</b>								
<b>15 Domestic Violence</b>								
	15.1	11	<b>Required Fines and Fees Were Not Always Assessed for Criminal Domestic Violence Cases Reviewed</b>					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE	
			During our review of sample misdemeanor cases in which the defendant was convicted of a domestic violence charge code in FY 2008-2009, we determined that the State restitution fine was not always assessed, the domestic violence probation fine was inconsistently assessed for probation sentences, and the probation revocation restitution fine was not assessed for any probation sentences. In some cases, court security and criminal conviction fees were either not assessed at all, not assessed per conviction for multiple convictions, or assessed at the incorrect amount.		C	<p>The court agrees with the recommendation to develop and keep current a bench schedule which highlights domestic violence related fines, fees and assessments. We have already taken steps to update our existing schedule and promote its use to all judiciary (both the PJ and CEO did this at recent Judge's Meetings). As appropriate, compelling reasons why fines and fees were not assessed will be documented in the minute orders or the case management system.</p> <p>With the above agreement, it should be noted that of the thirty (30) cases cited in the audit, nine (9) of the defendants were released on detainers to the INS (Immigration and Naturalization Service), two (2) additional defendants had holds from the CDC (California Department of Corrections) and were returned to their custody, one (1) defendant was placed into the Pathways Mental Health Court and one (1) defendant had nine (9) open cases with no apparent financial ability to pay any of his outstanding fines or fees. (This equals 43% of the audit sample.)</p> <p>With reference to the apparent inconsistent imposition of fines and fees pursuant to Penal Code §§ 1465.8, 1202.44, and Government Code § 70373, new sentencing scripts have been prepared and circulated to all members of the judiciary to more clearly explain the proper methods of assessing and imposing the court security fee and criminal conviction fee.</p> <p>The Court respectfully disagrees with the aspect of the audit suggesting that certain domestic violence fines and fees should have been imposed pursuant to Penal Code § 1203.097(a)(1). Dependent upon the facts of the specific case, violations of Penal Code §§ 166 and 273.6(a) may not be viewed by the judicial officer as falling within the provisions of Family Code § 6211 which triggers the application of the statutory scheme set forth under Penal Code § 1203.097.</p>		CEO and Presiding Judge	Completed
<b>16</b>	<b>Exhibits</b>								
	16.1	27	<b>Although Sensitive Exhibits Appear to be Well-Controlled, the Court's Bifurcated Inventory System Does Not Sufficiently Track and Monitor Other Exhibit Items</b>						
	16.1.1		The Court does not have a centralized exhibit handling process but continues to have two separate processes that originated from the pre-State Trial Court Funding era.	I		The Court agrees with this recommendation in concept and during normal business times this would be considered best practice. However, with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, complying immediately with this recommendation may not be feasible at this time. This said, we are committed to taking appropriate and feasible steps to strengthen our processes and prioritize our responses based on what is most essential.	Court Services Manager - Planning & Development	June 2011	
	16.1.2		Not all exhibit items have been inventoried, and certain inventory lists maintained for those exhibits that have been inventoried lack sufficient information and are not always updated.	I		The court agrees with this recommendation and will take steps to implement the recommended practice as staffing levels permit. Regarding deleting the exhibit record, destruction records are kept and maintained in the court file. This provides for appropriate accountability and tracking.		January 2011	
	16.1.3		The Court's current exhibits tracking methodology is inadequate and evidences recording inconsistencies. We identified various deficiencies while validating sample items listed in the inventory listings to the physical exhibit and corresponding exhibit record, and then validating physical exhibit items to the inventory listings or exhibit records.		C	The Court agrees with this recommendation and already follows this process. Based on our review, these appear to be isolated incidents. As inventories are completed any inconsistencies will be resolved.		Completed	
	16.1.4		Although the Court performs periodic inventories of sensitive exhibit items stored in safe deposit boxes, it does not do so for other exhibit storage areas.	I		The Court agrees with this recommendation in concept and during normal business times this would be considered best practice. However, with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, complying immediately with this recommendation may not be feasible at this time. This said, we are committed to taking appropriate and feasible steps to strengthen our processes and prioritize our responses based on what is most essential.		Partially complete	

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		16.1.5		Some exhibits were not adequately secured.	I	The Court agrees with this recommendation in concept and during normal business times this would be considered best practice. However, with reduced staffing levels of approximately 20% court wide due to continued and significant reductions in state wide court funding, complying immediately with this recommendation may not be feasible at this time. This said, we are committed to taking appropriate and feasible steps to strengthen our processes and prioritize our responses based on what is most essential.		June 2011
		16.1.6		The Court has not performed necessary purging and destruction of very old exhibits.	I	The Court agrees with this recommendation and already follows this process, exhibit items are in the process of being purged as staffing levels permit. Further, the court is in discussions with the County regarding the release of items from safe deposit boxes.		December 2010
		16.1.7		In the Central branch and Youth Services Center, short-term exhibit storage closets may be used for storing miscellaneous non-exhibit items.	C	The Court agrees with this recommendation and already follows this process. Based on our review this appears to be an isolated incident.		Completed
		Log		The Southern and Northern branch exhibit rooms lack certain physical safety attributes. Specifically, there are no cameras to monitor the exhibit room entrances/exits. Additionally, the Northern branch exhibit room has a vent that may potentially be used as an entry point.	I	The Court agrees with this log item and will explore funding by AOC security to achieve cameras to monitor exhibits rooms as indicated. This is a security issue. The Northern branch is a state-owned facility. A service request has been placed to explore sealing the vent.	Court Services Manager - Planning & Development	December 2010
		Log		The two internal exhibit manuals are incomplete. Specifically, the manuals do not contain detailed procedures for handling and storage of sensitive exhibits. The limited case exhibit manual states that "[t]here is no procedure in place for limited criminal evidence of value at this time". Additionally, the two manuals lack detailed procedures on the return of exhibits.	I	The Court agrees with this log item and will revise the Manuals.	Court Services Manager - Planning & Development and Court Services Manager - Courtroom Clerk Unit	June 2011
		Log		Periodic changes are not made to the exhibit manuals, and the manuals are not updated with the last revision date.	I	The Court agrees with this log item and will revise the Manuals.	Court Services Manager - Planning & Development	June 2011
		Log		Courtroom clerks and exhibit custodians are not required to sign a document stating understanding of the existing exhibit manual, and to reaffirm understanding of any changes made.	I	While all court employees are bounded by the Code of Ethics, the Court generally agrees with this log item and will take reasonable related steps.	Court Services Manager - Planning & Development	June 2011
		Log		Courtroom clerks at the Youth Services Center were not provided copies of the Court's internal exhibit manuals.	I	The Court agrees with this log item and will distribute the manuals.	Court Services Manager - Planning & Development	June 2011
		Log		Copies of the affidavits or similar documents signed by the receiving party when exhibits are returned are maintained by each exhibit custodian. Documentation should be maintained by individual not involved in exhibit handling process to maintain independence.	C	The Court agrees with this log item. Copies are also placed in the court file to maintain a record of the disposition of the records.	Court Services Manager - Planning & Development	Completed
		Log		Some courtroom clerks at the Northern branch are using the one-part exhibit record instead of the three-part exhibit record form to record exhibits received in Court. Three-part forms should be consistently used per Court's internal policy.	C	The Court agrees with this log item. Courtroom Clerks are using a one page electronic form, which is copied and distributed in the same manner as the three-part NCR form.	Court Services Manager - Planning & Development	Completed
		Log		We identified one sample exhibit item at the Youth Service Center related to a 2004 case that should have been transferred to long-term Exhibit Storage in the Southern branch.	C	While the Court understands the intent of the log item, all paper exhibits are located in the case files at the YSC.	Court Services Manager - Planning & Development	Completed
<b>17</b>	<b>Facilities</b>							
		17.1	14	<b>Court Did Not Obtain AOC Approval for Unallowable Facilities-Related Expenses</b>				
				The Court did not follow the CFR process and thus used court operations funds to pay for various facilities-related costs that may be unallowable.	C	The Court agrees with this recommendation. Since the transfer of court facilities, the Court has been working with the AOC on addressing facility related needs.	Court Services Manager - Planning & Development	Completed
<b>18</b>	<b>Bail</b>							

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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	For a sample of bail taken in by the Sheriff, it set bail at the highest bail amount for multiple offenses rather than the combined bail amount, but this procedure is not specified in the Uniform Countywide Bail Schedules. The Court should include such instructions on the bail schedules to ensure arresting agencies consistently and correctly set bail.	I		The Court agrees with this log item and is revising the current bail schedule to implement the recommended practice and to look at other avenues to convey the information to the Sheriff's Office for the proper determination of the bail amount to be collected. Estimated completion date of October 2010.	Management Analyst III - Leg, Contracts & Stats	October 2010
		Log	At the time of the review, the current version of the Uniform Countywide Bail Schedules were dated 2007. Even though the Court does not make annual updates to the bails schedules, it should update the date of the schedules so that arresting agencies are assured they are using the most current versions.		C	The Court agrees with this log item and has taken steps to implement the recommended practice by its recent adoption of Local Bail Schedules for July 1, 2010. The Court will review the bail schedules each year and either update or at least update the date of effectiveness of the schedules.	Management Analyst III - Leg, Contracts & Stats	Completed
19	Miscellaneous							
		Log	The Court received \$1,000 donation in FY 2008-2009, but did not comply with FIN Manual requirements for written acknowledgement to donor and quarterly reporting to the AOC.		C	The Court agrees with this log item and will provide quarterly reports as outlined in the FIN Manual as we currently do for judicial contributions.	Management Analyst III - Fiscal	Completed