

AUDIT OF THE SUPERIOR COURT OF CALIFORNIA, COUNTY OF ALPINE

JULY 2011

Prepared by:



On Behalf Of:



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

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Superior Court of California, County of Alpine

Table of Contents

	Page
MANAGEMENT SUMMARY	i
STATISTICS	v
PURPOSE, SCOPE, AND METHODOLOGY	vii
TIMING AND REVIEWS WITH MANAGEMENT	xi
ISSUES AND MANAGEMENT RESPONSES	
1. Court Administration	1
2. Fiscal Management	5
3. Fund Accounting	13
4. Accounting Principles and Practices	17
5. Cash Collections	19
6. Information Systems	23
7. Banking and Treasury	31
8. Court Security	35
9. Procurement	37
10. Contracts	39
11. Accounts Payable	45
12. Fixed Assets Management	51
13. Audits	53
14. Records Retention	55
15. Domestic Violence	57
16. Exhibits	59
17. Facilities	61
APPENDICES:	
A. Financial Statements	63
B. Phoenix-FI Account Detail, Fiscal Year 2009-2010	69
C. Issues Control Log	79
D. Court's Full Response	101

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MANAGEMENT SUMMARY

On behalf of the Judicial Council of California, Administrative Office of the Courts (AOC)'s Internal Audit Services (IAS), Sjoberg Evashenk Consulting, Inc. (SEC) initiated an audit of the Superior Court of California, County of Alpine (Court) that encompassed administrative and operational areas, as well as other selected programs. The audit process involves reviewing the Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies.

With 2 judges and the Court Executive Officer overseeing Fiscal Year 2009-2010 expenditures of just over \$700,000, the Alpine County Superior Court is the smallest court in the State and also faces issues similar to other small courts across the State—particularly having only 4 staff to perform baseline operational and courtroom-related activities. Yet, throughout the audit, SEC found court management exhibited a positive “tone at the top” and was supportive of recommendations for improving court operations. Moreover, the Court generally complied with statutes and Rules of Court in addition to employing some level of controls over some business processes. For instance:

- Newly appointed CEO took office in November 2009 has already developed various operational policies and procedures covering areas such as procurement and claims processing, sole source contracting justification, and record retention.
- Unique login and password profiles were in place over information systems, equipment was adequately secured, and appropriate system backup procedures were employed; and,
- Court had processes in place to monitor submitted cases and conflict of interest forms and delegation of responsibility over administrative operations has been formally documented.

However, there are several areas where the Court needs improvement, particularly over fiscal activities and responsibilities. For example, while court staff has a “general” understanding of fiscal functions, the Court needs significant training and changes in fiscal practices over bank account management, assignment of fiscal duties, trust management, payroll processing, and financial reporting as well as with the general operation of the Phoenix-FI system. Many fiscal functions were performed by the previous CEO and when she left court employment, there was no formal training or transfer of knowledge to court staff to specific court procedures needed to fulfill court fiscal responsibilities. Given the small size of the Court and its limited resources in addition to the expertise and availability of Trial Court Administrative Services (TCAS) support services, we believe that it needs one-on-one procedural guidance from the TCAS and should consider transferring several fiscal activities currently handled by the Court over to TCAS to improve the Court's fiscal practices and resolve many of the fiscal issues our audit identified and maximize scarce court staff resources. Moreover, we believe the Court has embraced the audit process and is actively engaged in improving its operations and refining its practices.

While we made many recommendations throughout this report, we have summarized the more significant recommendations below. In some cases, implementation will only require limited corrections to information systems or minor adjustments in court practices to ensure adequate

controls. In other cases, a more concerted approach by court management will be needed to enhance the overall fiscal environment, and to better ensure efficient and effective court operations as the Court moves forward.

To address the audit concerns, the Court should consider the following recommendations:

- Identify all fiscal responsibilities of the Court and ensure staff performing the activities have sufficient knowledge and training.
- Work with the AOC to receive one-on-one procedural guidance from the TCAS on fiscal activities and responsibilities and the Phoenix-FI system—guidance and training could be provided to court staff at a detailed procedural level as well as to management from a higher-level oversight and management perspective.
- Transfer \$28,000 (or a large portion) of the fund/ account balance out of the Revolving Fund into the Court's Operations Fund to realign the revolving fund balance to a more appropriate level (i.e. \$2,000).
- Stop making payroll related expenditures through the revolving fund bank account and only use the revolving fund for its intended purpose—emergency, non-reoccurring purchases.
- Work closely with TCAS staff to research and investigate source of funds in the Wells Fargo Civil Assessment bank account (XXXX-70947) to determine whether monies should be transferred into the Operations Fund or moved to restricted funds and then used only for designated purposes as applicable. Confirm the appropriate usage of these monies.
- Assign the responsibility of reviewing and analyzing payroll transactions and reports to spot errors and discrepancies to the CEO. Work with the TCAS payroll division to obtain related payroll processing training and to resolve existing discrepancies.
- Discontinue receiving payroll processing and reporting services from the CPA firm in order to take advantage of cost savings and responsive support services via the AOC's contract with ADP for payroll related services and the AOC's TCAS payroll division for support.
- Discontinue contracting for fiscal-related services from the CPA firm, including preparing reports required by the AOC. Assign the responsibility to the CEO.
- Develop and implement a process to perform a complete reconciliation of funds held in trust on a monthly basis that includes a comparison between CMS records, fiscal records, and bank balances. Reconcile, identify, and resolve any discrepancies and outstanding items in the trust balances between the fiscal system and case management systems ensure balances are accurate and reliable.
- Assign the responsibility to the CEO to formally review, approve, and sign monthly trust fund reconciliations between total fiscal balances and total CMS balances.

- Eliminate the practice of the Administrative Assistant processing any payments into the CMS. Ensure staff that is responsible for daily collection (including trust) reconciliations and disbursements does not handle any cash, accept any payments, or perform bank deposits.
- Reconcile daily collections to CMS reports of collection prior to the end of the day.
- Ensure the distribution formulas in CMS are correct to address the errors noted above and continue to ensure that all fee/fine revenue distributions comply with relevant laws, regulations, and guidance. If necessary, seek clarification and guidance from the AOC on configuring accurate distributions in the case management system.
- Perform periodic reviews of exception reports listing fee and fine reductions as well as review the CMS audit trail report to identify unusual or inappropriate activity.
- Transfer all local bank accounts to the AOC Bank of America accounts; in essence, transferring the majority of bank reconciliation activities to TCAS. Have TCAS assume responsibility for reconciling all Bank of America accounts.
- Ensure that employees involved with accepting payments, verifying cash collected, and signing checks are not involved with any aspect of reconciling bank accounts.
- Work with TCAS to receive one-on-one training related to ensuring all court activity is appropriately recorded in the Phoenix-FI system, including activity related to the bank accounts that will be transferred from Wells Fargo to the AOC Bank of America accounts.
- Discontinue use and time/effort spent tracking local bank account activity in QuickBooks; instead, the Court should utilize Phoenix-FI system.
- Continue working with the AOC to draft and implement a formal MOU between the Court and County for general services provided, including clearly delineating terms and conditions related to grand jury services.
- Ensure that all expenditures comply with rules and regulations and seek AOC guidance when in doubt prior to payment.

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STATISTICS

The Court operates at one court location in the town of Markleeville with two judges who handled approximately 950 case filings in Fiscal Year 2009-2010. Further, the Court employed 4 staff members to fulfill its administrative and operational activities through the expenditure of approximately \$716,000 for the Fiscal Year ended June 30, 2010. Table 1 below contains general court statistical information.

Table 1. General Court Statistics

	Total
Number of Courtrooms	1
Number of Authorized Judgeships as of July 1, 2010	2
Number of Authorized Subordinate Judicial Officers as of July 1, 2010	0
Number of Full Time Equivalent Employees as of Pay Period Ending June 30, 2010	4
Total Authorized Positions (FTE) as of June 30, 2010 (Schedule 7A Fiscal Year 2010-2011)	4
Number of Temporary Employees as of June 30, 2010 (Schedule 7A Fiscal Year 2010-2011)	1
Total Salaries for Temporary Employees (January 1, 2010 through June 30, 2010, Figures are for Part-Time Extra Help Staff)	\$15,000
Weekly Average Revenues Collected (Fiscal Year 2009-2010 estimate)	\$5,000
County Population (estimate)	1,200
Number of Case Filings in Fiscal Year 2009-2010 Criminal Filings: <ul style="list-style-type: none"> • Felonies 14 • Non-Traffic Misdemeanors 120 • Non-Traffic Infractions 7 • Traffic Infractions/Misdemeanors 1,117 	
Civil Filings: <ul style="list-style-type: none"> • Civil Unlimited 14 • Civil Limited 12 • Family Law – All 10 • Probate 1 • Small Claims 7 	
Juvenile Filings: <ul style="list-style-type: none"> • Juvenile Delinquency 10 • Juvenile Dependency 2 	

Source: Court provided statistics

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PURPOSE, SCOPE, AND METHODOLOGY

IAS requested that our firm, SEC, conduct an audit at the Court in accordance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. This audit is part of a regularly scheduled audit cycle initiated by IAS and represents the first comprehensive audit performed by IAS since the Trial Court Funding Act of 1997 eliminated the requirement of county audits of the courts.

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

- Complied with applicable statutes, California Rules of Court (CRC), the Trial Court Financial Policies and Procedures Manual (FIN Manual) and the Court's own policies and procedures; and,
- 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.

Additionally, compliance with the Financial Integrity and State Manager's Accountability Act (FISMA) is also an integral part of the audit. The primary thrust of a FISMA review is an assessment of an entity's internal control structure and processes. While IAS does not believe that FISMA applies to the judicial branch, IAS believes it does represent good public policy. Thus, IAS incorporates FISMA internal control concepts and guidance in its audits including the following:

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

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

The scope of audit work at the Alpine County Superior Court included reviews of the Court's major financial areas including: court administration, fiscal management, accounting practices,

cash collections, information systems, banking and treasury, court security, procurement, contracts, accounts payable, fixed asset management, audits, records retention, domestic violence, exhibits, and appeals. Coverage of each area is based on initial scope planning decisions. The period of our audit primarily focused on the period between Fiscal Years 2007-2008 and 2009-2010, although current practices employed during Fiscal Year 2010-2011 were also reviewed.

To evaluate the Court's fiscal and operational compliance with the FIN Manual as well as assess the Court's internal control structure and fiscal management, we performed procedures that generally encompassed the following activities:

- Met with court executive management to discuss the Court's organizational structure, local rules, human resource management, and judicial practice.
- Interviewed appropriate court personnel regarding court account and fund balances as well as fiscal policies, practices, level of oversight, and general knowledge of fiscal management protocols and FIN Manual policies.
- Reviewed reports, data, and systems used to assess court fiscal standing and manage fiscal operations as well as assessed grant management practices and the accuracy of transactions, funds, and reports of financial activity.
- Observed key cash receiving, handling, and disbursement processes, including fees/fines/forfeiture collection, receipt of payments by mail, cash balancing to CMS, deposit preparation, and claims preparation.
- Obtained, reviewed, analyzed, and tested key documents, including:
 - Court fiscal records, reports, reconciliations, and bank statements;
 - Case management system records, case files, and distribution schedules;
 - Court policies and procedures manuals as well as informal practices; and,
 - Examples of claims, deposit permits, end-of-day case management system reports, and other cash transaction documentation.
- Inquired about, reviewed, and evaluated any backlogs in the Court's collection, processing, or disbursement transaction processes, including reconciliations of accounts and funds.
- Reviewed revenue/collection and expenditure reports for unusual or inappropriate activity.
- Tested a sample of cash-related revenue and expenditure transactions to determine if court procedural controls were administered and if the transactions were properly recorded, reconciled and, where appropriate, reviewed and approved.
- Ascertained whether the Court has essential controls in place over information systems in areas such as passwords, remote access, and security reports. Where feasible, we obtained a security level printout from each system that identified users, roles, and access

to determine if levels were appropriate for each position and whether the proper segregation of duties existed.

- Evaluated methods employed by the Court through its case management system to calculate and distribute fees, fines, and forfeitures.
- Assessed whether the physical plant holding essential court computer equipment had appropriate security over access and whether appropriate emergency measures were in place to deal with disasters.
- Observed current physical security in place during a security walk-through of the courthouse with the County Sheriff's Department as well as reviewed operational and logical security over the Court's exhibit rooms and computer rooms.
- Inquired about, reviewed, and evaluated the Court's procurement and contracting practices to determine compliance with FIN Manual's requirements as well as sound business practices.
- Tested a sample of expenditure transactions related to services and supplies purchases, county-provided service payments, court interpreters, court reporters, expert witnesses, and judges and employee travel to determine if court procedural controls were administered and if the transactions were properly recorded, reconciled, and, where appropriate, reviewed and approved.
- Obtained, reviewed, analyzed, and tested key documents, if available, including:
 - Purchase requisitions, purchase orders, vendor invoices, payable documents, and credit card statements; and,
 - Memorandums of understanding and personal service agreements.
- Reviewed a sample of contracts maintained to determine whether major contract elements such as cost, schedule, scope of work and terms and conditions were present and that contracts were appropriately executed by either the Court Executive Officer or the Presiding Judge.
- Evaluated policies and procedures in place to safeguard and account for exhibits including whether regular inspections and/or annual inventories were conducted timely, stale or unneeded exhibits were disposed or destroyed once a case is closed, and case exhibits were securely stored and maintained.
- For a sample of higher risk exhibits, such as cash, weapons, and jewelry, we verified that a sample of exhibits was properly located as recorded/accounted for on tracking documents.
- Reviewed a small sample of domestic violence cases to determine if Domestic Violence Fees and Restitution Fines were assessed as required by statute.
- Additionally, we performed procedures such as identifying corrective action on prior audit findings and recommendations, assessing payroll processes and internal controls, evaluating fixed assets listings and management practices, and understanding compliance with record retention policies from the FIN Manual.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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TIMING AND REVIEWS WITH MANAGEMENT

The entrance meeting was held with the Court on November 10, 2010 with audit fieldwork commencing on that same day. Although fieldwork was formally completed in March 2011, preliminary results were discussed with court management and the Presiding Judge during the course of the review at several intervals in between December and March 2011. Feedback and perspectives from responsible court officials were obtained throughout the course of this audit and were incorporated into this report.

A final review of audit results was held on May 5, 2011 with:

- David DeVore, Presiding Judge
- Thomas Kolpacoff, Judge
- Margaret Sackrider-White, Court Executive Officer

Management responses to our recommended actions were received on July 1, 2011 and can be found in Appendix D of this report.

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ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Considered a small court, the Court maintains one location in a county with a population of approximately 1,200 residents. With approximately 950 case filings in 2010, court expenditures in Fiscal Year 2009-2010 were about \$716,000. The Court's 3 employees and one temporary staff are overseen by a Presiding Judge (PJ) and a Court Executive Officer (CEO). The current CEO took office in November 2009.

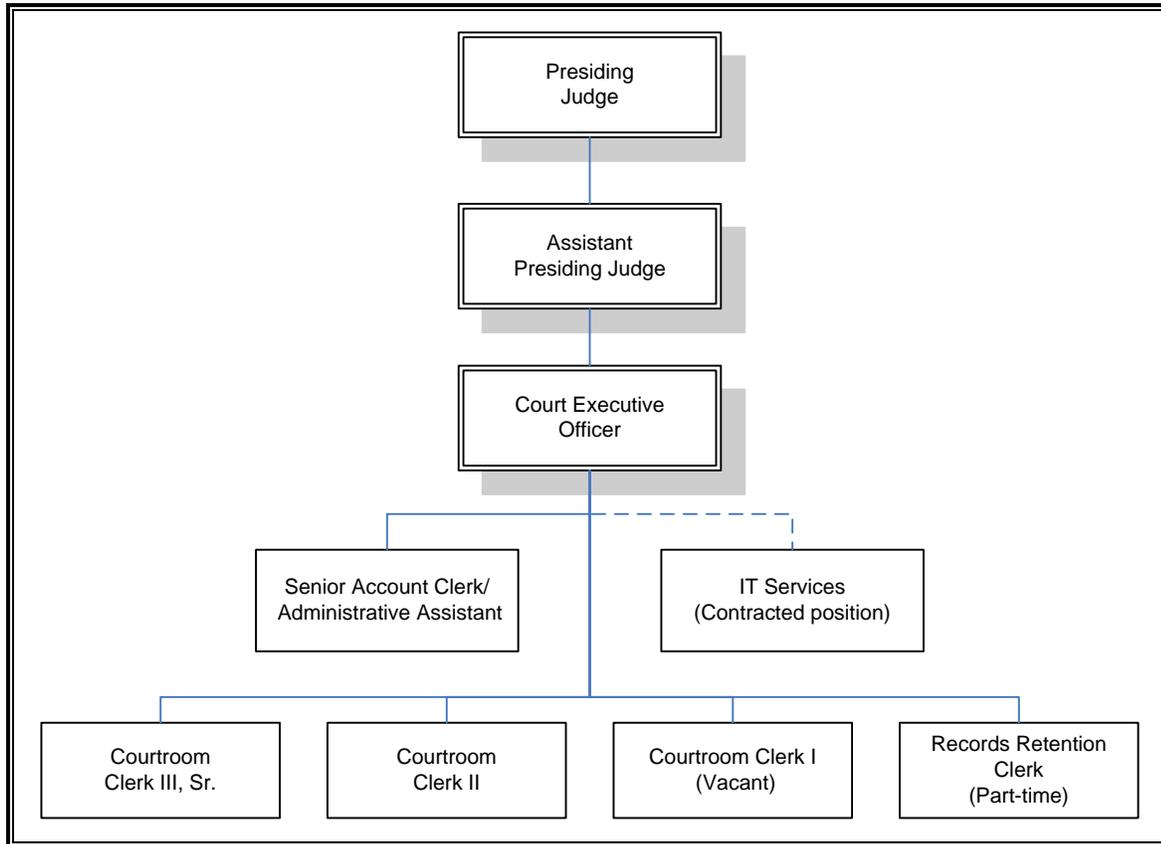
Various guidelines and requirements related to trial court governance and management are specified in California Rule of Court (CRC), *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and Operating Guidelines and Directives for Budget Management in the Judicial Branch covering administrative areas such as:

- Duties of the PJ and CEO;
- Delegation of Authority over Court Administration;
- Organizational/Reporting Structure and Strategic Planning;
- Conflict of Interest Disclosures (Statement of Economic Interest Form 700);
- Executive Compensation and Employee Bargaining Agreements; and,
- Submitted Cases Tracking and Monitoring.

In most of the above areas, we found the Alpine County Superior Court has established processes and procedures that comply with the FIN Manual. For instance, the Court has an organizational chart that was recently updated, a manual that describes court-specific policies and procedures related to personnel matters, clear reporting structures as illustrated in Figure 1 on the following page, and formal delegated responsibility to the CEO to manage the Court's fiscal operations. Overall, court management is proactively trying to address issues identified and improve court operations and controls.

Yet, we noted one administrative area where the Court could improve its operations related to conflict of interest disclosures. Currently, court policy does not require all key personnel to annually file and update Statement of Economic Interest forms. Specifically, the Court Executive Officer and fiscal and procurement did not complete a Statement of Economic Interest Form to disclose potential personal conflicts with assigned job responsibilities. We discuss this in more depth on the following pages.

Figure 1. Court Organizational Chart as of November 2010



Note: Dashed line indicates contracted position.

1.1 Court Should Develop a Process to Identify, Monitor, and Manage Potential Employee Conflicts of Interest

California law prohibits public officials at any level of state or local government from making or influencing governmental decisions in which they may have a financial interest (Government Code (GC) §87100). If the potential for a financial interest arises, the public official must publicly identify the financial interest, recuse him/herself, and withdraw from any participation in the matter (GC §87105). As such, each state and local government agency—including the state trial courts—must adopt a conflict of interest code in compliance with the Fair Political Practices Commission Form 700 Procedure. GC §87200 explicitly requires “judges and commissioners of courts of the judicial branch of government” to file a Statement of Economic Interest (Form 700), and provisions of the Government Code also grants state and local agencies the authority to designate additional positions that are required to file Form 700. In particular, Government Code §87302(a) states that certain positions “which involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest” must be included within the agency’s Conflict of Interest Code.

The Court has a process in place to track and manage the submission of the Statement of Economic Interest forms from its judges. Specifically, the CEO is responsible for ensuring each Judge has submitted a Form 700 annually, or upon taking and leaving office, that the forms are reviewed on a regular basis to identify potential conflicts of interest. However, we noted other key court officials with decision making responsibilities that could be in conflict with their personal economic interests were not required to and did not complete the Statement of Economic Interest form. Specifically, court policy does not stipulate that other key employees such as the Court Executive Officer and fiscal and procurement staff (Court Administrative Assistant and Court Clerk) also file the appropriate conflict form on an annual basis. Examples of operational responsibilities where decisions could affect personal interests or give the perception of personal gain include approving purchases, negotiating, and setting employee compensation. After discussion of this issue with the CEO, the CEO, Administrative Assistant and Court Clerk have completed and submitted the forms.

Recommendations

To properly disclose potential conflicts of interest and ensure all required court employees and judges complete Form 700 annually, the Court should:

1. Continue to ensure all positions within the Court's organizational framework that have decision-making authority, where participating in decisions may be affected or conflict with personal economic interests complete and file Statements of Economic Interest Form 700.

Superior Court Response

1. The Alpine County Superior Court adopted the Conflict of Interest Code Superior Court of California County of Alpine, effective May, 2011. Applicable staff members signed an Employee Acknowledgment Form shortly thereafter. Employees, including the independent contractor for IT services, CEO, Administrative, Senior Courtroom Clerk and Courtroom Clerk 11 completed the FPPC Form 700 in March and May of 2011, which are on file with the CEO. The Alpine County Procurement Policy was amended effective 06/2011 to reflect the requirement for applicable employees to file the Form 700, likewise the Superior Court of the State of California County of Alpine Personnel Plan and Policies specifically sets forth that designated employees must file a Statement of Economic Interests. In the future applicable staff with decision-making authority, where participating in decisions may be affected or conflict with personal economic interests shall complete and file Statements of Economic Interest Form 700 in January of each year.

The Judges complete and file Statements of Economic Interest Form 700 as required, and shall continue to do so.

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Fiscal Management

As detailed in Appendix B (Table C), during Fiscal Year 2009-2010 salaries and benefits for non-judicial staff totaled \$477,373, encompassed about 67 percent of the Court's nearly \$716,000 expenditure budget. Fiscal activities are overseen by the CEO, with the daily activities carried out by the Court Administrative Assistant who performs various aspects of fiscal operations, including recording fiscal transactions and activity, processing vendor payments and trust disbursements, preparing daily fee and fine deposits, and assisting with payroll activities. The Court has no reliance on the County for fiscal and administrative support since the Court's transition to Phoenix in 2006. While the Court performs a wide variety of activities related to fiscal management and procurement, it also relies on AOC's Trial Court Administrative Services (TCAS) to provide assistance with certain services including performing bank reconciliations of the Court's Bank of America bank accounts, issuing vendor payments, and uploading journal entries as well as assisting in the preparation of the Court's Quarterly Financial Statement (QFS) reports and the Consolidated Annual Financial Report (CAFR) worksheets.

2.1 Court Staff Would Benefit from Fiscal Training and Guidance

Overall, while court staff has a general understanding of fiscal functions, our review revealed that the Court needs additional training and changes in fiscal practices over bank account management, trust management, payroll processing, and financial reporting as well as with the general operation of the Phoenix-FI system. For instance, as discussed in greater detail in later sections of this report, the Court is not performing adequate bank reconciliations, including a complete reconciliation of its trust bank account records to case management system records.

Currently, two of the Court's four employees are responsible for the Court's fiscal activities as follows:

- Court Executive Officer: Oversees all fiscal functions performed by the Administrative Assistant as well as:
 - Approves purchases, posts invoices;
 - Prepares budget in addition to monitors operational cash flow and court operations using a variety of Phoenix-FI reports on a monthly or quarterly basis as needed (particularly before purchases) such as Trial Balance, GL Expenditure Detail, Vendor History, Budget-to-Actual, and cash flow reports; and,
 - Negotiates and prepares contracts and MOUs, and reports on grant spending.
- Administrative Assistant: Primarily responsible for all other fiscal functions such as:
 - Performs most procurement activities related to processing purchase orders, vendor payments, and invoices;
 - Reconciles bank account reconciliations;
 - Performs payroll activities related to initiating direct deposits and benefit payments;
 - Tracks trust and daily collection activity utilizing Quick Books;
 - Processes trust disbursements, month-end CMS reconciliation, and fine distributions (TC-31 and TC-145); and,
 - Prepares journal entries and requests uploads of journal entries in Phoenix-FI.

While the Court's Administrative Assistant handles the vast majority of fiscal functions, staff and court management could benefit from additional training and guidance over certain fiscal activities, such as payroll, trust management, accounts payable, procurement, and financial reporting. This issue has become critical as the fiscal activities performed by the Court Administrative Assistant significantly increased upon the resignation of the prior CEO in 2009. When the prior CEO left the Court, the Court's Administrative Assistant inherited several fiscal functions previously performed by the CEO, such as payroll-related activities, benefits processing, and grand jury reimbursements. While the Court has asserted it has sought and received guidance and assistance from the AOC TCAS as issues are identified, according to the Court, there was no formal training or transfer of knowledge from the previous CEO to the Administrative Assistant related to specific court procedures needed to fulfill court fiscal responsibilities. On a positive note, the current CEO has been at the Court a little over one year and appears proactive and interested in improving the Court's fiscal operations. She has prepared several new policies and procedures for the Court, including financial management policies that appear to closely follow FIN manual requirements.

Furthermore, because the Court's Administrative Assistant is the lone fiscal staff person responsible for many fiscal functions—some previously performed by management—the Court should revisit the type of expertise required for each fiscal responsibility. The analysis should include reviewing and updating job descriptions detailing required qualifications and responsibilities for positions needed, so that staff has the expertise and skill sets necessary to perform assigned fiscal functions. Combined with intensive training and guidance from the TCAS, staff and management will have better tools to meet fiscal needs.

Without increased training and stronger oversight, the Court is exposed to a higher risk that inappropriate or inaccurate transactions may go unnoticed and fiscal reports may not reflect an accurate portrait of the Court's operations. The Court has recognized its weaknesses in this area and has indicated that it needs to strengthen its fiscal expertise and Phoenix-FI system knowledge.

Recommendations

To improve its fiscal processes and strengthen its fiscal and Phoenix-FI system expertise, the Court should:

2. Identify all fiscal responsibilities of the Court and ensure staff performing the activities have sufficient knowledge and training.
3. Work with the AOC to receive one-on-one procedural guidance from the TCAS on fiscal activities and responsibilities and the Phoenix-FI system—guidance and training could be provided to Court staff at a detailed procedural level as well as to management from a higher-level oversight and management perspective.
4. Revisit fiscal expertise requirements and develop job descriptions accordingly for staff performing fiscal activities.

Superior Court Response

2. Fiscal responsibilities are set forth in the job description of the Administrative Assistant/Fiscal Manager and in the Policies and Procedures regarding Accounting,

Banking, Cash Handling, Escheatment, Financial Management, Fiscal Records, General Ledger, Grant Accounting, Procurement, Revenue Collection and Distribution, Court Security and Vendor Invoicing.

3. We have contacted the TCAS and hope to receive Phoenix-FI training in the very near future. Fiscal staff as well as the CEO will attend such training. Our Administrative Assistant/Fiscal Manager received detailed Phoenix Payroll training from Lisa Morris and Shaneen Williams for two days the end of June. Additionally, the Administrative Assistant//Fiscal Manager and backup clerk attended Phoenix training in Sacramento the week of June 20th, 2011. I assume such training will continue as necessary.
4. The fiscal expertise requirements will be revisited after transfer of applicable external accounts to Bank of America through the AOC, and intensive Phoenix-FI training. Job descriptions will be redrafted accordingly.

2.2 Court's Fiscal Recording and Reporting Practices Need Improvement

Our audit revealed several fiscal practices that should be revised related to the use of revolving fund, nature and use of a local bank account, and reporting of financial data.

Benefit and Tax Payments Do Not Need to be Processed Through Revolving Bank Account

Previously, the Court paid its payroll, taxes, and benefits payments out of its revolving bank account and requested corresponding lump sum replenishments from its operations accounts. As a result, the revolving fund balance is larger than needed with a \$30,000 balance—a more typical revolving bank account balance for a small Court is closer to \$2,000 according to the AOC. As of January 2010, the Court no longer processes its payroll through its revolving bank account; rather, it is processed through Phoenix-FI's accounts payable process and its operations bank account. However, the Court continues to pay its payroll taxes and benefits through its revolving bank account.

Because these payments are regular monthly vendor-type payments and are not of an emergency nature, the Court should process these payments through its normal park and post process in its Operations Fund. Similarly, a large portion of the fund/ account balance should be transferred into the Court's Operations Fund and future benefit/tax payments should be paid through the Operations Fund.

Funds in Local Bank Account Need Analysis to Ensure Proper Use

The Court maintains an external bank account at Wells Fargo—a Civil Assessment (“contingency fund”) account (XXXX-70947) with approximately \$120,000 as of June 30, 2010. Apart from current monthly revenue distribution deposits into this account of approximately \$1,000 in local court revenue, court staff could not explain the historical source of monies combined to create such a large account balance. Based on our limited research on the method and types of current deposits into this account, it seems likely that some of the balance may relate to restricted two-percent automation monies.

Our review revealed that the Court typically utilizes monies in this account to pay for unusual activities such as community outreach (Christmas tree lightings, Easter egg hunts), and judicial

retirement dinner facility rental, as well as other expenses related to dinners for committee members planning for the new courthouse. Before additional monies are expended, the Court needs to confirm the nature of these funds, identify spending restrictions, analyze appropriateness of past expenditures, and ensure current deposits in this fund comply with revenue distribution guidelines.

Certain Funds and Activities are Unreported

While TCAS uploads journal entries and the Phoenix-FI system automatically generates the QFS reports and CAFR worksheets, the Court is responsible for ensuring its fiscal activity is correctly coded and reflected in the Phoenix-FI system as well as providing supplementary data for the QFS reports and CAFR worksheets. However, we found there were unreported funds and activity. Specifically, balances in the Court's daily fees and fines Wells Fargo Bank account were not recorded in Phoenix and were not reported on the CAFR worksheets or QFS report. Additionally, the Court's trust funds were not reported on the QFS report—although they were recorded in Phoenix-FI and reported on the CAFR worksheets.

Recommendations:

To improve its fiscal recording and reporting practices, the Court should:

5. Transfer \$28,000 (or a large portion) of the fund/ account balance out of the Revolving Fund into the Court's Operations Fund to realign the revolving fund balance to a more appropriate level (i.e. \$2,000).
6. Make vendor payments for future benefit/tax payments, including CalPERS payments through the standard park and post process through the Court's Operations Fund.
7. Stop making payroll related expenditures through the revolving fund bank account and only use the revolving fund for its intended purpose—emergency, non-reoccurring purchases.
8. Work closely with TCAS staff to research and investigate source of funds in the Wells Fargo Civil Assessment bank account (XXXX-70947) to determine whether monies should be transferred into the Operations Fund or moved to restricted funds and then used only for designated purposes as applicable. Confirm the appropriate usage of these monies.
9. Work with TCAS to better understand the type of data that needs to be reported on financial statements, such as the QFS and CAFR reports, where that information would be gathered from, and how to ensure all appropriate data is captured and reported.

Superior Court Response

5. After consultation with the judicial staff, the balance in the revolving bank account will be reduced to a more appropriate level. This will not take place, however, until such time as all accounts currently paid out of revolving are transferred to the Operations Fund and we have received adequate training including training in CalPERS payment processing. Excessive monies will then be transferred into the Court's Revolving Fund account.

6. Pursuant to recent extensive Phoenix Payroll training, vendor payments for future benefit/tax payments, including payroll, taxes, and benefits such as insurance shall henceforth be processed by way of the standard pre and post procedure through the Court's Operations Fund. CalPERS payments will be processed through Phoenix as soon as we have made the appropriate arrangements with CalPERS.
7. See response to recommendation number 6 above. In the future the Revolving Fund shall be limited to emergency, non-reoccurring purchases consistent with the Trial Court Financial Policy and Procedures Manual.
8. To our knowledge all monies deposited into the external account #XXXX-70947 since approximately 2000 have been appropriate monthly revenue distribution deposits. Likewise the County of Alpine has regularly received the \$10 prior's fee pursuant to Government Code § 40508.6. However, to assure compliance we will be happy to work with TCAS staff to verify, and correct if necessary, any and all entries in this account.
9. We welcome this training. It is reasonable to assume that not all appropriate data has been captured nor reported on financial statements, such as QFS and CAFR reports, as this court has never received any type of training on the Phoenix program. In that we were unable to enter data into Phoenix, it is understandable that automatically generated reports have been less than complete. The CEO has attempted to secure such training for staff since 2010, and is thankful that said training will now be provided.

2.3 Issues related to Payroll Processing and Use of External Firm

Currently, court staff tracks their time daily and submits timesheets to the CEO who reviews and approves timesheets prior to "running payroll." To generate payroll, the Court's uses its contracted CPA firm to calculate payroll amounts and deductions as well as enter the information into QuickBooks. Based on this data, the Court initiates direct deposits for salary payments as well as makes benefit payments. However, the Court does not review payroll data for accuracy and may benefit from a different payroll provider.

Payroll Registers Not Reviewed for Accuracy

According to the Court, it does not verify payroll information, such as payroll registers, prepared by the CPA Firm for accuracy or reasonableness. Rather, the Administrative Assistant simply initiates the direct deposits and electronic transfers, writes benefit checks as calculated by the CPA firm, and forwards the payroll information to TCAS that prepare the corresponding journal entries as identified by the CPA firm.

Payroll Accounts have Unresolved Discrepancies

According to TCAS, the Court has numerous payroll discrepancies in their payroll liabilities accounts. For example, the CPA's calculations caused the Court to overpay CalPERS nearly \$2,700 as of February 2011; in another instance, calculations related to long-term disability payments have been off by about \$1 for every pay period. While the AOC indicated it has a tracking spreadsheet of the discrepancies that it provides the Court monthly, the Court indicated they do not have the necessary expertise to identify payroll inaccuracies. Moreover, TCAS has difficulty getting the CPA firm to respond to their questions to resolve the issues and has been waiting months for resolution. Moreover, because the CPA firm has not always been timely in

providing the Court with payroll information so the Court could make its benefit payments, the Court has been penalized with late fees. For example, the June 2010 expenditure detail listing revealed California Employment Development Department (EDD) charged the Court \$980.55 in late fees.

Court's Salary Reimbursement Received from the County

The Court receives approximately \$28,000 from the County for providing collection services related to County probation fines. However, the Court deposits this reimbursement in its non-Trial Court Trust Fund operations account instead of its Trial Court Trust Fund account and there are no corresponding expenses tied to the reimbursement. Further, the Court has not indicated the reimbursement arrangement on its Schedule 7a in the past. To correct this issue, the Court should reimburse the TCTF account with the money paid to the Court from the County and the Court should indicate on its schedule 7a that it receives reimbursement monies from the County for court time spent providing services to the County.

Need for External Accounting Firm May No Longer Exist

When the Court separated from the County in 2000, the Court relied heavily on an outside CPA firm for fiscal assistance and guidance as well as actual performance of several fiscal and payroll-related functions. In 2006, upon transition onto the Phoenix-FI system, the Court placed less reliance on the CPA firm and more on the Phoenix system and the AOC's Trial Court Administrative Services (TCAS). As a self-input court, the Alpine County Superior Court relies on TCAS to provide fiscal assistance, such as reconciling AOC bank accounts, issuing vendor payments, uploading journal entries, and providing assistance during the year-end close out. However, the Court still utilizes the CPA firm for certain payroll activities and fiscal activities. According to the January 2010 agreement letter, the CPA firm currently performs the following functions:

- ✓ Processing payroll, including calculating payroll and payroll-related tax/benefit payments and generating related quarterly and annual reports;
- ✓ Preparing reports required by the AOC, including the Report of Revenues and Schedule 7a;
- ✓ Reviewing QFS report information prepared by the AOC and completing required supplementary QFS report data such as trust balances and compensated absences data); and,
- ✓ Assisting with the preparation of the annual budget.

During Fiscal Year 2009-2010, the Court paid the CPA firm about \$15,000 (billing rates between \$50 and \$140 per hour) to assist with fiscal activities—largely payroll processing and reporting. The amount seems somewhat excessive since the Court only has 4 employees and payroll information rarely changes. Another small court with 15 employees pays only \$6,000 annually for payroll services provided by “ADP.” Thus, it may benefit the Alpine County Superior Court to shift payroll functions from the external CPA firm and take advantage of the AOC's contract with ADP for payroll related services and the TCAS payroll division for support including reconciliations and vendor payments. However, the Court would still need to implement a practice to review the payroll register for accuracy, reasonableness, and appropriateness of changes.

If the Court decides to transfer payroll activities to the ADP contractor, the remaining services of contracted CPA firm would be minimal. For instance, the CPA firm is tasked with completing the QFS report with required supplementary data related to trust balances and compensated absences data. Since the trust balance data is available from Phoenix-FI and the CPA firm did not include all the required trust information, we believe those tasks could easily be assumed by court staff with some assistance from TCAS. Other tasks performed by the CPA firm related to the Report of Revenues, Schedule 7a, and annual budget could be also be assumed by the Court CEO with education provided by TCAS.

Recommendations:

To improve its payroll practices, the Court should:

10. Assign the responsibility of reviewing and analyzing payroll transactions and reports to spot errors and discrepancies to the CEO. Work with the TCAS payroll division to obtain related payroll processing training and to resolve existing discrepancies.
11. Ensure reimbursements received from the County are deposited in the Court's operations fund and has corresponding expenses. Ensure the reimbursement with the County is disclosed on the Schedule 7A.
12. Discontinue receiving payroll processing and reporting services from the CPA firm in order to take advantage of cost savings and responsive support services via the AOC's contract with ADP for payroll related services and the AOC's TCAS payroll division for support.
13. Discontinue contracting for fiscal-related services from the CPA firm, including preparing reports required by the AOC. Assign the responsibility to the CEO.
14. Work with TCAS to receive specific one-on-one guidance and assistance in crafting a checklist of activities or steps needed to address the following:
 - Preparing reports required by the AOC, including the Report of Revenues and the Schedule 7a;
 - Reviewing QFS information prepared by the AOC and completing required supplementary QFS data related to trust balances and compensated absences information); and,
 - Assisting with preparing the annual budget.

Superior Court Response

10. Agree. We look forward to transferring payroll responsibilities to TCAS. CEO is amenable to working with TCAS payroll division to obtain payroll processing training and to resolve existing discrepancies, if any. This should eliminate the need for these functions to be handled by the current external accounting firm, thereby reducing costs.
11. My understanding is that the salary reimbursement received from the County has been deposited into the Court's operations fund; however no corresponding expenses have been tied to the reimbursement. Additionally the reimbursement amount seems to have

not been disclosed on the Schedule 7A. It would seem that these issues will be alleviated once Alpine staff has been properly trained on Phoenix, and in the future the reimbursement will be disclosed on Schedule 7A.

12. Agree.
13. Under consideration. Transfer of report responsibility conditional upon intensive training of CEO by TCAS.
14. Agree. Checklists of activities/steps necessary to 1) prepare reports required by the AOC, including Schedule 7a; (2) reviewing AOC prepared QFS information and completing required supplementary QFS data related to trust balances and compensated absences; and (3) preparing the annual budget would be welcome.

3. Fund Accounting

As shown in Table 2, at the end of Fiscal Year 2009-2010, the Court had combined unrestricted balances from all its funds totaling \$589,065.38 as recorded in Phoenix-FI. Of this balance, nearly \$120,000 relates to monies held in a local court Wells Fargo Civil Assessment bank account. According to the Court's 2009-2010 Quarterly Financial Statement (QFS) report, \$534,000 (91 percent) of its fund balance had the following designations:

- Operating and Emergency—\$110,000
- New Courthouse—\$230,900
- Remodeling of Clerk's Bench Area—\$35,000
- Case Management System—\$40,000
- Jury Management System—\$18,000
- Records Management System—\$100,000

Table 2. Court Fund Balances per Phoenix-FI Trial Balance, Fiscal Year 2009-2010

G/L Account	Description	Account
553001	FUND BALANCE - UNRESTRICTED	\$ (385,000.00)
554001	FUND BALANCE - UNRESTRICTED	\$ (204,065.38)
	FUND BALANCES TOTAL	\$ (589,065.38)

Through our review, we found that the Court's fiscal activity is generally accurately recorded through segregated funds and accounts as well as supported by underlying financial records and documentation. Further, the Court reserved \$110,000 (19 percent) of its fund balance for operating and emergency reserve, which is significantly higher than the 5 percent requirement prescribed in the Judicial Council's Fund Balance Reserve Policy.

Yet, we noted that the Court's trust fund management practices must be improved as the Court's funds held in trust accounts are not reconciled with case management system records.

3.1 Trust Fund Management Requires Improvement

When the Court migrated onto the Phoenix-FI system in 2006, it established a new trust account to account in the system to record trust balances at year-end. However, all trust monies are held in a local court Wells Fargo bank account and the corresponding trust activity (deposits and refunds) is tracked through Quick Books. In total, about \$20,000 in trust funds were held with Wells Fargo (XXXX-70954) as of June 2010 and this bank account balance was recorded in Phoenix-FI in Fund 320001, as shown in Table 3 in Section 7 of this report.

Our review found that the Court does not have a comprehensive reconciliation process over its Funds Held in Trust and has loose controls over securing and tracking traffic trust monies. Specifically, fiscal trust balances are not reconciled with case management system records, trust payments are not deposited timely and are not secured, and old trust funds have not been escheated as discussed below.

Trust Balances Per Fiscal Records are not Reconciled to CMS

While the Court compares the monthly trust fund deposit and withdrawal activities in its new trust bank account every month to the Quick Books system, the Court does not perform a comprehensive reconciliation to compare bank balances to the total trust balances reflected in the case management system (CMS). In essence, the Court is only checking monthly deposit and disbursement activity rather than ensuring the total trust balances outstanding in the CMS equal the trust balance reported on bank statements. According to the Court, they do not currently have a CMS report that will provide a comprehensive listing of trust balances. According to the Court's IT consultant and CMS developer, a report can be created that will provide the Court with trust balances reflected in the CMS at any given point in time.

Additionally, as mentioned in the bank account section of this report, our review of the Court's process to review and reconcile monthly trust activity between bank statements and the Quick Books system found several weaknesses, including lack of thorough analysis and lack of evidence of supervisory review and approval. We noted that the reconciliations had several uncleared transactions (deposits, transfers, and payments) that were not investigated or analyzed. For example, the Court's Trust bank account reconciliation dated 7/15/2010 reflected an outstanding deposit/credit into the account in the amount of \$4,310 from November 2009 had not cleared and was carried over as outstanding month after month. Further, although the Court states that the proper procedure is to have the CEO review all reconciliations, those prepared by the Court's Administrative Assistant do not demonstrate evidence of having been reviewed by someone other than the preparer.

Traffic Trust Payments Not Deposited

Further, the Court does not deposit or record trust deposits related to traffic trust (defendants plead not guilty); rather, these checks are held in hard case files until the judge has rendered a decision. If the judge renders "not guilty," the checks are simply mailed back to the defendant. If the judge renders "guilty," the checks are deposited in the fees/fines/forfeiture bank account and distributed as part of the monthly revenue distribution process. As a result, these checks are not tracked through the CMS or fiscal system and are not properly secured. According to the CEO, this process has been recently changed and all traffic trust payments are now deposited.

Old Trust Accounts Not Reviewed for Escheatment

Lastly, the Court has not yet found the time to research old accounts and escheat the unclaimed monies although it would be possible to identify stale accounts in the CMS and un-cashed checks in QuickBooks.

Overall, though the FIN Manual only addresses bank accounts as needing to be reconciled at least monthly (FIN Manual 2.02, §6.4.4), the Court also has the same fiduciary responsibility over trust funds. Without appropriate oversight and reconciliation over the trust funds, the Court cannot ensure monies are being protected from the risk of error, loss, or theft; it cannot ensure that monies held in its trust funds will be sufficient to cover the Court's obligations; and it cannot ensure that it returns monies owed to private parties in an expedient manner. To ensure fiduciary responsibility over monies held by the Court in trust, the Court should reconcile CMS records to the Phoenix-FI fiscal records and bank statements for both its accounts, and in doing so, begin researching old trust cases to determine whether funds need to be escheated or refunded.

Recommendations

To ensure it fulfills its fiduciary responsibility over monies held by the Court in trust, the Court should:

15. Develop and implement a process to perform a complete reconciliation of funds held in trust on a monthly basis that includes a comparison between CMS records, fiscal records, and bank balances. Reconcile, identify, and resolve any discrepancies and outstanding items in the trust balances between the fiscal system and case management systems ensure balances are accurate and reliable.
16. To facilitate the comprehensive trust fund reconciliation between fiscal balances and CMS balances, work with its IT consultant to create a standard CMS report that will list all trust fund balances at any given point in time.
17. Assign the responsibility to the CEO to formally review, approve, and sign monthly trust fund reconciliations between total fiscal balances and total CMS balances.
18. Continue to ensure that all traffic trust payments are deposited into trust when received and tracked through the CMS and fiscal system.
19. Develop practices and procedures, coordinating with its IT consultant, to capture and track the age of deposits on trust so the Court can better monitor its funds held in trust. Using aged schedules, research older trust cases to identify whether cases may have been closed and whether trust funds are eligible to be refunded, distributed, or escheated.
20. Develop a process to review old trust accounts for escheatment.

Superior Court Response

15. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information to be utilized to perform a complete reconciliation of funds held in trust on a monthly basis that includes a comparison between CMS records, fiscal records and bank balances. Discrepancies and outstanding items in the trust balances between the fiscal system and CMS to ensure that balances are accurate and correct. We hope to have this application completed by April, 2012.
16. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including a standard CMS report that will list all trust fund balances at any given point in time. We hope to have this application completed by April, 2012.
17. Agree.
18. This process has been implemented and shall continue.

19. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to track and capture the age of deposits in trust so the Court can better monitor such funds. We will then use the aged schedules to identify whether cases may have been closed and whether trust funds are eligible for refund, distribution or escheatment. We hope to have this application completed by April, 2012.
20. Alpine County Superior Court Policies and Procedures - Escheat were drafted, effective 05-2011.

4. Accounting Principles and Practices

Since migrating onto the Phoenix-Financial (Phoenix-FI) System in 2006, the Court has received general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services (TCAS). Some of the benefits of using Phoenix-FI are consistent application of FIN Manual accounting guidelines and the ability to produce quarterly and annual financial reports directly from the system. Moreover, to ensure trial courts accurately account for the use of public funds in its fiscal records, the FIN Manual specifies various guidelines and requirements related to accounting principles and practices in areas we reviewed such as recording revenues, expenditures, and accruals associated with court operations.

Overall, consistent with information provided to us by the AOC's TCAS that provides support to the Court's fiscal staff, we found that the Court had adequate processes in place to record and report financial activity—including grants and accruals. Because the Court is very small with an annual budget of only a little over \$713,000, it has few financial transactions to record, track, and report. For example, the Court only had one grant (approximately \$34,000) during the 2009-2010 fiscal year related to self-help center funding and the Court appropriately accrued the anticipated expenditures related to the June 2010 invoice. Additionally, the Court's 2009-2010 QFS report reflected about \$28,500 in total expenditure accruals, which were largely related to unemployment insurance for the previous CEO, court security costs, IT consulting contract, and self-help legal contracts. Further, the Court's 2009-2010 QFS report reflected approximately \$29,500 in revenue accruals, which were largely related to the amount the Court expected to receive from Alpine County for reimbursements related to the Court's collection efforts. As such, we have no identifiable issues to report.

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5. Cash Collections

The Alpine County Superior Court operates one clerk's office where all court-ordered payments of fees and fines for all case types are collected. Court clerks rely on one shared case management system—CMS—to process and account for all cases. On average, the Court processes nearly 1,300 case filings annually and collects approximately \$260,000 in fees and fines, not including trust deposits.

FIN Manual 10.02 establishes 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, FIN Manual 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts are required to implement procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments. As a result, we reviewed the Court's compliance with these sections of the FIN Manual, including processes such as:

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

Overall, we found the Court employed some controls over cash handling, such as securing collections in a safe overnight. However, we also found instances where controls over cash handling practices and procedures could be strengthened, particularly related to segregation of duties issues.

5.1 Segregation of Duties Issues Increase Court Fiscal Risk and Must be Addressed

Because of the small size of the Alpine County Superior Court, employees are often cross-trained and required to perform many different functions so that the Court is able to carry out its responsibilities with its limited staffing resources. However, when an individual staffer carries out certain conflicting duties, an environment vulnerable to insufficient internal processes and controls can exist. The Court's Administrative Assistant is a key court employee, but is responsible for performing a variety of conflicting duties related to cash handling and appropriate supervisory reviews over these daily fiscal activities is lacking. Specifically, the Administrative Assistant position has the ability to perform the following functions related to cash handling without managerial oversight and review:

- Collects and modifies payments (along with two Court Clerks);
- Holds all collections in court's single cash drawer;
- Prepares weekly deposits;
- Compares CMS reports with amounts collected;
- Performs month-end balancing of daily deposits and reconciling of trust funds with CMS and bank records; and,

- Authorizes disbursements out of the Court's trust fund.

Combined with the ability to make adjustments to fee and fine amounts due in the CMS (see section 6 of this report) and having the responsibility of reconciling the Court's bank accounts (see section 7 of this report), the conflicting cash handling duties the Administrative Assistant performs increases the potential that money could be lost or stolen without the knowledge of court administration and creates an environment that is more susceptible to fraud and abuse.

Recommendations

To improve its cash handling processes, the Court should:

21. Eliminate the practice of the Administrative Assistant processing any payments into the CMS. Ensure staff that is responsible for daily collection (including trust) reconciliations and disbursements does not handle any cash, accept any payments, or perform bank deposits.
22. Consider providing each staff member that is responsible for collecting payments with their own cash drawer.

Superior Court Response

21. The Alpine County Superior Court Policies and Procedures Regarding Cash Handling, drafted, effective 03/2011 has been implemented and addresses these concerns. Additionally, a more detailed policy and procedure regarding payment processing was drafted and circulated to all staff on June 24, 2011.
22. This recommendation has been considered and dismissed as inappropriate at this time. The additional staff time requirements necessary to manage two drawers is simply not feasible at this time. We believe that any inconsistencies will be easily identified as there are only two cashiers.

5.2 Daily Cash Collection Reconciliation and Endorsement Processes Must be More Timely

While the Court records daily collection transactions in the CMS immediately, the monies collected are not reconciled daily to CMS reports or immediately endorsed; rather, daily collections are placed in a safe until the monies are reconciled to CMS reports and checks are endorsed at the end of the week when the weekly deposit is prepared. This practice is contrary to provisions established in the AOC Trial Court Financial Policies and Procedure Manual which stipulates that clerks are responsible for balancing the drawer at the end of the business day and checks must be immediately restrictively endorsed.

After the reconciliation is complete, the collections are prepared for deposit in the Court's Wells Fargo daily collections bank account. While the Court stated a separate staff member recounts and verifies that the cash and checks amounts reflected on the CMS report and deposit slip, this process was not documented via signature evidence. Once the deposit is made, the deposit receipt from the bank is compared to the amount recorded in the deposit log. According to the Court, daily cash collected is deposited once a week because the amount of money received on

daily basis is not large enough to warrant a daily deposit. We found that the average weekly cash collected is about \$500 and the weekly amount of checks collected is about \$5,000. Also, the Court's bank requires a 52 mile round trip to make a deposit, which according to the Court is too far for daily trips. Nonetheless, the Court should at a minimum reconcile daily collections to CMS reports before the end of each day and court staff should immediately endorse all checks when received.

Recommendations

To improve its daily cash collection reconciliation and endorsement processes, the Court should:

23. Reconcile daily collections to CMS reports of collection prior to the end of the day.
24. Immediately restrictively endorse all checks upon receipt.

Superior Court Response

23. The Alpine County Superior Court Policies and Procedures Regarding Revenue Collection and Distribution, effective 03/2011, as amended 06/2011 specifically sets forth that daily cash collections shall be reconciled to the CMS reports of collection prior to the end of each business day.
24. The Alpine County Superior Court Policies and Procedures Regarding Revenue Collection and Distribution, effective 03/2011 specifically requires that all checks shall be restrictively endorsed immediately upon receipt.

5.3 Court Lacks Processes to Monitor Delinquent Cases Sent to Collections

The Court makes two attempts to collect delinquent accounts. If unsuccessful within twenty days, the Court assesses a \$300 civil assessment fee and turns the delinquent cases over to its vendor Access Capital. Collection fees charged by Access Capital vary and are based on an approved fee schedule depending on case type, age, etc. According to the Court, the average collection fee charged by Access Capital is about 17 percent of the amount collected. Access Capital sends the Court a check monthly for all of the amounts collected less the collection agency's portion. The Court was unable to provide a listing of all of the delinquent accounts currently with Access Capital for collection or an estimate of the outstanding receivable. According to the Court, the CMS is unable to generate a comprehensive listing of all accounts sent to Access Capital and the vendor does not provide the Court with a comprehensive listing, but rather just a listing of what was collected during a specific month. As a result, the Court is unable to track or monitor amounts outstanding with Access Capital. Further, the Court does not compare the amounts retained by the Collection Agency to the contract to ensure defendants are charged the appropriate collection percentage.

Recommendations

To improve its processes to monitoring of delinquent cases, the Court should:

25. Work with the Court's IT consultant to generate a CMS report of all cases sent to collections.

26. Request that the CMS vendor provide a comprehensive listing of all cases being worked on as well as the status of each case.
27. Develop a process to monitor the Court cases sent to the vendor for enhanced collection efforts.
28. Verify the amounts charged by the vendor to the defendant are appropriate and agree with the amounts reflected in the Court's contract with the vendor.

Superior Court Response

25. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to generate a CMS report all cases sent to collections. We hope to have this application completed by April, 2012.
26. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to generate a comprehensive listing of all delinquent cases being worked on as well as the status of each case. We hope to have this application completed by April, 2012.
27. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to monitor Court cases sent to the vendor for enhanced collection efforts. We hope to have this application completed by April, 2012.
28. Vendor charges will be reconciled with current terms and conditions of the contract with that vendor.

6. Information Systems

The Court employs a variety of information technology (IT) systems to serve its needs, including CMS (case management system), Jury Plus (jury management system), and its fiscal system (Phoenix-FI). Instead of operating its own technology department, the Alpine County Superior Court relies on a contractor to provide technology services including network administration, access and security, anti-virus support, and system backup. During Fiscal Year 2008-2009, the Court spent approximately \$50,400 on technology related expenses, as detailed in Table H in Appendix B.

As part of our audit, we analyzed various automated controls and processes as well as limited system programming, including:

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

While many controls were in place over the Court's systems including unique login and password profiles, adequate physical security over system equipment, and effective system backup procedures, our audit revealed issues related to revenue distribution and automated system access.

6.1 Certain Fine Distribution Calculations Were Incorrect

To automatically calculate and distribute fees and fines based on the Court's interpretations of applicable laws and the State Controller's *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C*, the Court relies on codes programmed into its home grown case management system (CMS). When legislation changes or modifications are needed, the Court notifies the IT consultant to make adjustments to the system's assessment and distribution formulas. However, according to the IT consultant, the Court does not verify the changes are accurate before the changes become part of the production environment in the CMS. According to the Court and the IT consultant, the consultant is required to review legislative changes to determine what changes need to be made to the system tables. As a result, there is not a second level review of changes prior to the changes becoming part of the production environment which may result in erroneous distributions.

During our audit, we selected several different violation types for review as follows:

- DUI—VC 23152(a) and (b)
- Penal Code—PC 537(b)

- Fish & Game—FG 1054(a)
- Health and Safety—HS 11357(b)
- Seat Belt—VC 27315(d)(1)
- Traffic School—VC 22349(a)
- Speeding—VC 22349(b) and VC 26708(a)(1)

For the period of January 2010 through November 2010, the Court did not have any cases with Unattended Child, Red Light, Rail Road, Child Seat, and Domestic Violence violations. However, as part of our Domestic Violence audit tasks discussed later in Section 15 of this report, we found a case to test that was dated June 4, 2009 and have included the revenue distribution results in this section of the report.

Our review revealed some fine calculations were incorrectly assessed and distributed. Specifically, we identified distribution errors that affected all eight payments tested such as inaccurate distribution tables or missing assessments that were not manually input into the system as discussed below:

➤ **Traffic School Violations Incorrectly Calculated and Distributed:**

The Court did not correctly calculate and distribute monies for the Traffic Violator School Fee pursuant to VC 42007 and the Traffic School Fee pursuant to VC 42007.1

The Court Did Not Correctly Assess the Traffic Violator School Fee pursuant to VC 42007

Traffic violation payments are distributed differently when the case is disposed as traffic school versus non-traffic school (bail forfeiture). Specifically for the traffic violation we tested that was disposed as traffic school, the distribution according to Appendix C requires a Traffic Violator School (TVS) fee be distributed to the County General Fund. Additionally, penalties and assessments associated with the following standard components should comprise the TVS fee:

- Base fine
- State Penalty (Penal Code 1464)—\$10 per \$10 of base fine
- Courthouse Construction (Government Code 76100) and Emergency Medical Services (EMS) (Government Code 76104)—\$7 per \$10 of base fine (combined)
- DNA Penalty Assessment (Government Code 76104.6)—\$1 per \$10 of base fine
- DNA Penalty Assessment (Government Code 76104.7)—\$1 per \$10 of base fine

Before the TVS fee is distributed to the County General Fund, two deductions from the TVS fee associated with Courthouse Construction and Emergency Medical Services must occur:

- A flat \$1 associated with Courthouse Construction (Government Code 76100) should be subtracted from the TVS fee and distributed to the Courthouse Construction account.

- \$2 per \$10 of base fine associated with Emergency Medical Services (Government Code 76104) should be distributed to the Maddy EMS account.

The remaining amount after these two deductions should equal the total TVS fee distributed to the County General Fund.

However, for the traffic violation we tested that was disposed as traffic school, the Court did not properly calculate and distribute the TVS fee. The Court only distributed the base fine amount into the TVS fee account. The other standard and required TVS components (PC 1464, GC 76100 and 76104, and the DNAs) were calculated and distributed into separate funds that are used when a traffic violation is disposed as bail forfeiture. Specifically:

- The Court did not deduct a flat \$1 from the total TVS fee to distribute to Courthouse Construction. Rather, the Court calculated the bail forfeiture Courthouse Construction penalty of \$2 per \$10 of base fine and distributed that entire amount into the Courthouse Construction fund. As a result, the Court over-remitted monies to the County Courthouse Construction fund and under-remitted monies to the County General Fund.
- The Court did not deduct \$2 per \$10 of base fine from the total TVS fee to distribute to the Maddy EMS fund. Rather, the Court calculated the bail forfeiture EMS penalty of \$5 per \$10 of base fine and distributed that entire amount into the Maddy EMS Fund. As a result, the Court over-remitted monies to the Maddy EMS Fund and under-remitted monies to the County General Fund.
- The Court incorrectly distributed the required portion of the TVS fee associated with Penal Code 1464 State Penalty Assessment to the State instead of distributing the monies to the TVS fee. As a result, the Court over-remitted monies to the State and under-remitted to the County General Fund.
- The Court incorrectly distributed the required portion of the TVS fee associated with DNA Penalty Assessments to the State instead of distributing the monies to the TVS fee. As a result, the Court over-remitted monies to the State and under-remitted to the County General Fund.

The Court Incorrectly Distributed the \$49 Traffic School Fee Pursuant to VC 42007.1

Effective January 1, 2009, the Traffic School Fee pursuant to VC 42007.1 increased from \$24 to \$49. While the Court correctly assessed \$49 for this fee, it did not distribute the monies appropriately. Specifically, statute requires 51 percent of the \$49, or \$24.99, to be distributed to the State's Immediate and Critical Needs Account and the remaining 49 percent, or \$24.01, to be distributed to the County Traffic School Fee Fund. The Court distributed the entire \$49 to the County Traffic School Fee Fund.

➤ **The Court did not apply the 2 percent State Automation Fee Pursuant to GC68090.8 to the Appropriate Buckets**

Pursuant to GC 68090.8, 2 percent is deducted from specific penalty and assessments for the purpose of automating systems; however, 2 percent is never deducted from traffic violations that are disposed as traffic school. During the month-end revenue distribution process, the

Court deducts the 2 percent from various penalty and assessment buckets that contain all of the corresponding amounts collected during the month rather than deducting 2 percent from the specific penalty and assessments on individual cases. As a result, we found associated distribution errors related to traffic violation cases disposed as traffic school. Specifically, four penalty and assessments apply to both non-traffic and traffic school cases:

- Courthouse Construction GC 76100
- State Court Construction GC 70302(a)
- Emergency Medical Services GC 76104
- Emergency Medical Services GC 76000.5

However, the Court does not have separate buckets for non-traffic dispositions and traffic school dispositions for these four penalty and assessments. During the month-end revenue distribution process, two percent is deducted from three of the four buckets that contain both traffic school and non-traffic school payments—the Courthouse Construction, Emergency Medical Services GC 76104, and Emergency Medical Services GC 76000.5. As a result, two percent is incorrectly deducted from cases with traffic school dispositions. To correct this error, the Court must establish separate *Traffic School* buckets for each of these three penalty and assessments whereby two percent will not be deducted at month-end. While the Court is not currently deducting two percent from the State Court Construction GC 70302(a) bucket, government code requires the two percent deduction for non-traffic school cases. Thus, when this error is resolved, a separate *Traffic School* bucket will also need to be created for the State Court Construction GC 70302(a).

Additionally, our review revealed that the Court is inappropriately deducting 2 percent from the TVS fee pursuant to VC 42007. As mentioned, 2 percent does not apply to cases disposed as traffic school. As a result, the Court over-remitted monies to the State and under-remitted to the County General Fund.

Furthermore, we also found that the Court is not deducting 2 percent from non-traffic school penalties and assessments buckets that should have the deduction, including:

- DNA Penalty Assessment, Government Code 76104.6
- DNA Penalty Assessment, Government Code 76104.7
- State Court Facilities Construction Fund GC 70302(a)

In this case, the Court under-remitted monies to the State's automation fund and over-remitted to the State's DNA Penalty Assessment and State Court Facilities Construction funds.

➤ **The Court is not Deducting Mandatory Fees Pursuant to PC1463.14, PC1463.16, and PC1463.18 from the County General Fund PC 1463.001 for DUI cases**

For Driving Under the Influence (DUI) violations, the Court incorrectly assesses three penalties and assessments:

- County Lab PC 1463.14—\$50
- County Alcohol Program PC 1463.16—\$50
- DUI Fee PC 1463.18—\$20

These three penalties and assessments should not have been assessed on top of the base fine but should have been deducted from the base fine distribution and distributed to the County Lab, County Alcohol Program, and DUI Fee program. Thus, the Court distributes \$120 too much to the County General Fund PC1463.001 and overcharged the defendant \$120 since these monies are a part of the base fine and should not have been assessed separately.

➤ **State Court Construction Penalty Is Incorrectly Assessed**

For each of the nine cases we tested, we found that the Court incorrectly assessed the State Court Construction Penalty pursuant to GC 70372(a). In January 2009, the penalty increased to \$5 per \$10 of base fine upon every fine, penalty, or forfeiture imposed and collected—which is to be distributed 100 percent to the State. However, we found that the Court assessed only \$3 per \$10, which was the amount in place prior to the January 2009 increase.

➤ **Criminal Conviction Assessment Is Incorrectly Calculated and Assessed on Certain Cases**

GC 70373 requires \$30 to be assessed for each felony or misdemeanor conviction and \$35 for each infraction conviction. Our testing revealed that the Court was assessing \$35 for all cases whether it had a misdemeanor or an infraction conviction. Thus, the Court was assessing \$5 too much for the cases with misdemeanor convictions. Additionally, in two instances, we found that the Court did not assess the criminal conviction assessment per conviction; rather, it was assessed per case. For example, in one of the DUI cases tested, the defendant was convicted of two misdemeanors and one infraction. While the Court should have assessed \$95 (\$30 for each misdemeanor and \$35 for the infraction), we found that the Court assessed only \$35—thus, the Court underremitted \$60 to the State.

➤ **Additional Court Security Fees Were Not Assessed in Two Instances**

Similar to the criminal conviction assessment, PC 1465.8 requires a court security fee to be imposed on each conviction for a criminal offense. In two instances, the Court did not assess the \$30 court security fee per conviction; rather it was assessed per case. For example, in a vehicle code violation case tested, the defendant was convicted of two infractions. While the Court should have assessed \$60 (\$30 for each conviction), we found that the Court assessed only \$30—thus, the Court underremitted \$30 to the State.

➤ **Court Assessed Increased DNA Penalty Assessment though Violation Date Was Prior to Effective Date**

Assembly Bill X8 3 increased the DNA Penalty Assessment per GC 76104.7 from \$1 per \$10 of base fine to \$3 per \$10 of base fine for all violations that occur after June 10, 2010. In one instance, we found that the Court distributed \$3 per \$10 of base fine into the GC 76104.7 bucket even though the violation occurred on 5/9/2010, which is before the increased amount took effect. The Court was unable to provide an explanation as to why this occurred, but it

appears that the Court might have based the assessment on the payment date, which was 6/16/2010, rather than the violation date.

➤ **Court Incorrectly Distributed Domestic Violence Fines**

While the Court appropriately assessed the Domestic Violence fee on the case we tested (as described in Section 15 of this report), we found that the Court incorrectly distributed the payment. Superior courts are responsible for assessing the proper fees and fines on domestic violence (DV) cases convicted as a felony assault pursuant to PC 273.5 and PC 243(e)(1). PC 1202.4 (b) requires a mandatory state restitution fine of minimum \$100 to be assessed on misdemeanor convictions and a \$200 on felony convictions. Additionally, if the defendant was granted probation, the Court is required to assess a domestic violence fee of \$400 pursuant to PC 1203.097.

Between July 1, 2008 and the beginning of fieldwork (November 2010), the Court only had four domestic violence cases—two cases were dismissed and in one case the defendant was assessed jail time. In the fourth case, the defendant paid the domestic violence and State Restitution fines in full but it appears the Court improperly distributed the domestic violence fee. Specifically, in 2009, per the SCO Manual of Accounting & Audit Guidelines for Trial Courts (Revision 22), the Court should have distributed 2/3 of the domestic violence fee to the County and 1/3 to the State. However, the Court distributed the entire fine to the State.

Recommendations:

To ensure appropriate calculation and distribution of fines, fees and penalty assessments, the Court should:

29. When changes are made to the Court's distribution tables, the Court should ensure the changes are correct and verify the distributions prior to making changes to the production environment. The Court should work with the AOC to ensure revenue distribution changes are accurate.
30. Ensure the distribution formulas in CMS are correct to address the errors noted above and continue to ensure that all fee/fine revenue distributions comply with relevant laws, regulations, and guidance. If necessary, seek clarification and guidance from the AOC on configuring accurate distributions in the case management system.

Superior Court Response

29. This has been implemented.
30. This has been implemented.

6.2 Monitoring of Activity Associated with the Court's Automated Systems Requires Improvement

Our review revealed that the Court could improve its monitoring practices related to activity within the Court's case management system (CMS) as well as the State of California's Department of Motor Vehicle database system. Specifically, because of the open access in the CMS, the Court's two court clerks and one administrative assistant are able to process cash transactions and modify the CMS to reflect fee and fine reductions without supervisory approval—a practice commonly needed by clerks to expeditiously process court-ordered reduced fines and fees. While any fee and fine reduction should be supported by an underlying judicial order granting the reduced amounts, we found the Court lacked a review or monitoring process that ensures fees and fines were appropriately reduced or waived. Because clerks can collect cash and modify amounts due, a conflict exists whereby an employee could steal the money and modify case information to show no monies due.

The CMS has the functionality to generate an exception report that would list all fees and fines reduced during a specified time period as well as another report that serves as an audit trail that lists every activity processed in the system, such as all deletions and insertions by employee ID with date and time. However, while the audit history provides useful information, the fee and fine reduction report is not currently useful as it does not provide information related to the reason the amount owed was different from the amount billed. As a result, it would be difficult to use the report for monitoring purposes until it is modified to provide additional specifics. According to the Court's IT consultant, the system can be programmed to code the various types of modifications, such as judge ordered fine reduction, fee waiver, etc. Currently, Court management does not review any exception reports to look for unusual activities. With the use of exception reports, the Court could select and review a sample of transactions by comparing the payment/modified amounts to orders residing in the physical case file. The Court should develop a routine secondary level review process of these exception reports which should be performed by individuals that do not regularly receipt monies, such as the CEO.

In another area, when processing criminal and traffic violations, court clerks are required to access the DMV system for viewing or verifying various case-related information including the number of prior violations and defendant information (name, address, etc.). While our review revealed that all users had an up-to-date DMV security agreement on file, we found that the Court does not review DMV activity reports that are available. Specifically, the Court's two court clerks and one administrative assistant have access to inquire and update the DMV system (each with separate IDs) and this access makes sense from a business and operational perspective. However, the Court does not monitor user activity associated with the DMV system even though according to the Court's IT consultant a report can be generated that shows all activity for each user. In order to ensure protection of confidential information and prevent unauthorized changes to DMV records, this report should be reviewed on a monthly basis by a staff member without access to the DMV such as the CEO.

Recommendations

In order to reduce the risk of inappropriate or unauthorized activity in court automated systems, the Court should:

31. Perform periodic reviews exception reports listing fee and fine reductions as well as review the CMS audit trail report to look for unusual or inappropriate activity.
32. Establish a monthly or periodic internal review process whereby an independent court employee selects a sample of CMS modifications to compare with actual case file records and judicial orders.
33. Perform periodic reviews of the DMV use activity reports to ensure data is not being improperly accessed and license holds are not being wrongfully released or added. This responsibility should be assigned to a Court employee that does not access the DMV system, such as the CEO.

Superior Court Response

31. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an exception report listing fee and fine reductions as well as review the CMS audit trail report to look for unusual or inappropriate activity. We hope to have this application completed by April, 2012. The periodic review shall be completed by the CEO.
32. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an exception report listing fee and fine reductions as well as review the CMS audit trail report to look for unusual or inappropriate activity. We hope to have this application completed by April, 2012. The internal review shall be completed by the CEO.
33. The CEO shall undertake this review immediately.

7. Banking and Treasury

Government Code 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the Court's control. The Alpine County Superior Court has seven bank accounts—three with Wells Fargo Bank and four with the Bank of America. As shown on Table 3, funds captured in these bank accounts include distribution, operating, trust, uniform civil filing, revolving, daily fees and fines, and old civil assessment “contingency.” The Bank of America accounts were established by the AOC (when the Court transferred to the Phoenix-FI system) and the Wells Fargo Bank accounts were established locally by the Court.

Table 3. Alpine County Superior Court Bank Accounts as of June 30, 2010

#	Account Number	Account Name & Purpose	Location	Balance per Bank 6/30/10	Phoenix Fund Number
1	XXXXX-08425	Operations	AOC Treasury	\$ 70,637	110001
2	XXXXX-15156	Disbursement (clearing)	AOC Treasury	\$ 0.00	110001 & 120001
3	XXXXX-22229	Revolving (payroll)	AOC Treasury	\$ 36,836	110001
4	XXXXX-20665	UCF	AOC Treasury	\$ 1,420	450000
5	XXXXX-70962	Fees and Fines	Wells Fargo	\$ 39,880	Not Recorded in Phoenix
6	XXXXX-70954	Trust Fund Account	Wells Fargo	\$ 19,290 ¹	320001
7	XXXXX-70947	Civil Assessment (“Contingency”) —Holds the court's share of local revenues	Wells Fargo	\$ 120,015	120001

While all the Court's bank accounts were appropriately reported to the AOC on the Schedule C “Annual Report of Trial Court Bank Accounts” pursuant to FIN Manual Section 13.01 §6.6, we found several issues with the Court's management of its bank accounts, such as reconciliations that are outdated, incomplete and partially analyzed, and contain no evidence of being reviewed. Additionally, we identified separation of duties issues that require reassignment of staff and changes in fiscal practices as discussed below.

7.1 Several Issues with Bank Account Management Issues must be Resolved

Our audit revealed several issues with the Court's management of bank accounts as described below:

¹ Balance as of 7/15/2010

Reconciliations are Not Conducted Timely or Thoroughly and are Not Formally Reviewed and Approved

For the Court's four Bank of America accounts at the Judicial Council Treasury, the associated bank account activity is recorded in the Phoenix-FI system via journal entry uploads and the accounts are reconciled to bank statements by TCAS (except for the revolving fund). For the Court's three local Wells Fargo bank accounts, associated bank account activity related to deposits, disbursements, and transfers is tracked by the Court's Administrative Assistant in three separate QuickBooks accounts. Additionally, the Court is responsible for reconciling the three local Wells Fargo bank accounts and the one Bank of America revolving bank account.

Of the four bank accounts the Court is responsible for reconciling, the Court does not reconcile its Bank of America revolving bank account and its fees and fines Wells Fargo bank account has not been reconciled since October 2009. According to the Administrative Assistant, this bank account is difficult to reconcile due to the large amount of activity and she does not have sufficient time to devote to reconciling the account given the demands of her other duties. The Court asserts that they are attempting to get this account reconciled to the current time period. As far as the Bank of America revolving bank account, the Administrative Assistant asserted that the Court stopped getting bank statements and she did not know how to obtain account statements.

Related to the two bank accounts that the Court currently reconciles (Wells Fargo Trust and Civil Assessment accounts), our review of the process found several weaknesses, including lack of thorough analysis to investigate and resolve unreconciled items. We noted that the reconciliations had several uncleared transactions (deposits, transfers, and payments) dating back several years that had not been investigated or analyzed. For example, the Court's Trust bank account reconciliation dated 7/15/2010 reflected an outstanding deposit/credit into the account in the amount of \$4,310 from November 2009—yet no analysis or resolution has occurred as the unresolved issues are simply carried over month after month. In another example, the Court's Civil Assessment bank account reconciliation dated 11/30/2010 reflected three checks/ payments from July and August 2005 totaling about \$1,500 had not yet cleared. Again, court staff have not analyzed or taken action on these outstanding items.

Lastly, although the Court states that court procedure requires the CEO to review all bank account reconciliations, the reconciliations prepared by the Court's Administrative Assistant do not demonstrate evidence of having been reviewed by someone other than the preparer.

As with other courts, the Court relies on the Trial Court Administrative Services (TCAS) to provide critical financial support and banking services, including monthly bank reconciliations between bank statements and general ledger information from the Phoenix-FI system as well as providing daily cash reports to the Court. However, any bank accounts outside of the AOC Treasury are the responsibility of the Court who must ensure that those accounts are reconciled and appropriate month-and year-end cash balances are accurately recorded in Phoenix-FI. Given the small size of the Court and its limited resources in addition to the expertise and availability of TCAS support services, we believe that the Court should consider transferring its bank accounts to the AOC's Treasury and the bank account reconciliation responsibilities over to TCAS to improve the Court's fiscal practices and resolve many of the banking issues.

Separation of Duties Issues Associated with Banking Activities

Due to the small number of staff at the Court, the Court has significant control weaknesses over its cash activities that must be corrected, particularly related to the Administrative Assistant's conflicting duties. Specifically, the Administrative Assistant:

- ✓ Accepts fine payments (along with two other staff members) and updates records by entering amounts paid into CMS and QuickBooks.
- ✓ Verifies cash collected against the CMS system and prepares the weekly bank deposits.
- ✓ Holds the responsibility of reconciling the Court's four local bank accounts, which include three Wells Fargo bank accounts and one Bank of America revolving bank account.
- ✓ Signs checks for disbursements from the Court's four local bank accounts. One mitigating factor is that these bank accounts require two signatures.

With these conflicting duties, the Administrative Assistant position has the ability to independently collect monies, enter transactions in QuickBooks and the CMS, reconcile daily collections to the CMS, prepare the deposit, reconcile bank accounts, and disburse monies out of the bank accounts. Combined with the lack of timely, complete, and approved bank and trust reconciliations, the Court is at higher risk of loss or theft and that these inappropriate or improper activities could occur and go undetected by court management.

Recommendations

To improve its bank reconciliation processes and its segregation of duties issues associated with banking activities, the Court should:

34. Transfer all local bank accounts to the AOC Bank of America accounts; in essence, transferring the majority of bank reconciliation activities to TCAS. Have TCAS assume responsibility for reconciling all Bank of America accounts.
35. Once reconciliations are prepared, the CEO should review the bank reconciliations and indicate approval through signature and date.
36. Ensure that employees involved with accepting payments, verifying cash collected, and signing checks are not involved with any aspect of reconciling bank accounts.
37. Work with TCAS to receive one-on-one training related to ensuring all Court activity is appropriately recorded in the Phoenix-FI system, including activity related to the bank accounts that will be transferred from Wells Fargo to the AOC Bank of America accounts;
38. Discontinue use and time/effort spent tracking local bank account activity in QuickBooks; instead, the Court should utilize Phoenix-FI system.

Superior Court Response

34. The Wells Fargo bank account dealing with fines and fees has been reconciled to date. The transfer of external accounts is in process, but for the Civil Assessment bank account, which is pending judicial approval. Once TCAS assumes responsibility for

these accounts, the only remaining account requiring court reconciling will be the Civil Assessment bank account, pending transfer.

35. This shall be implemented immediately.
36. This will prove difficult with our limited staff. Two clerks accept payments, the Fiscal Manager verifies cash collected and the Judicial Officers, Fiscal Manager and CEO sign checks. That leaves no one to reconcile accounts.
37. The training process has been initiated and shall be ongoing as necessary.
38. Agree, once Phoenix training is complete.

8. Court Security

The Alpine County Sheriff's Office provides the Court with bailiff services at its historic courthouse it shares with the County Probation and Sheriff Offices. As shown in Table J in Appendix B, the Court spent a little over \$13,200 on security related expenditures during Fiscal Year 2009-2010. The Court's most recent MOU with the County Sheriff's Office was put into place June 2010 for the 2010-2011 Fiscal Year.

Due to building limitations, the Court faces many challenges in providing a secure environment for Judges, staff, and the public. However, the Court is aware of its need to improve the security of its courthouses and continues to work with the AOC and the County to remedy outstanding security issues.

9. Procurement

Since the Court's separation from the County in 2000, the Court has discontinued using the County for procurement purposes. The contracting and procurement functions are conducted at the Court. Although the Court migrated onto the Phoenix-FI system in October 2006, the Court relies very little on the AOC or Phoenix for its procurement activities. Due to the a low purchasing volume, the Court does not utilize any electronic requisitions or purchase orders within the Phoenix-FI, but the AOC is responsible for cutting checks for the Court's expenditures. According to its fiscal records, the Court procured non personnel-related expenses totaling almost \$238,500 or 33 percent of its total expenses during Fiscal Year 2009-2010.

The intent behind the FIN Manual provisions related to procurement is to ensure and document that court practices are fair, reasonable, transparent, and provide for the economical use of public funds. To meet that purpose, a standard procurement process begins with the submittal of a purchase requisition that is formally approved after ensuring funds are available, continues through steps to obtain bids or proposals from which one vendor is selected that offers the best value, and concludes with the receipt of requested goods or services prior to payment. Each element of the process is critical in its function to help ensure procurement activities are conducted in a manner that is impartial and above reproach. Yet, our review of the Court's procurement practices revealed that several critical steps in the Court's existing procurement process were missing, including lack of written purchase requisitions, purchase orders, and preapprovals and lack of consistent receipt of goods and services. Prior to December 2010, the Court did not have a formal set of policies and procedures to guide its procurement activity, but recently adopted a set of policies and procedures related to the accounts payable process which expressly agree with the FIN Manual.

9.1 Court Should Improve its Procurement Processes By Utilizing Formal Purchasing Documents and Ensuring Consistent Verification of Receipt of Goods and Services

The Alpine County Superior Court is a very small court and has relatively few purchases—the vast majority of which are under \$500. Nonetheless, our review revealed the Court does not utilize formal purchasing documents such as purchase requisitions or purchase orders. Rather, the majority of the Court's procurement activity is conducted via “direct purchasing” where the Court simply submits requests to the AOC for vendor check payments to pay for purchases. Even though the Court has few purchases, in order to ensure the Court is receiving the best price for the goods/services received and the vendor is meeting the Court's terms and conditions, schedule, and scope of work, the Court should utilize Phoenix-FI to establish written purchasing documents, such as purchase requisitions and purchase orders. According to the CEO, the Court is moving toward utilizing purchase requisitions and purchase orders in its procurement activities.

Furthermore, we also found that the Court could also improve its procurement processes related to receipt of goods and services. According to the Court, most goods are accepted by the Courtroom Clerk who is responsible for conducting a three-point match where the packing slip is compared against the items received and invoice. Once the goods are verified as received, the packing slip is dated/initiated and then forwarded for payment processing. While the Court stated it signs each packing slip and compares it to the invoice prior to payment, our testing

revealed that this was not always the case. Specifically, our testing of invoices and claims (detailed in Section 11 of this report) found several invoices lacked evidence that a three-point match had been conducted as packing slips were generally not kept.

According to the Court, as for invoices related to services rendered, such as court reporter and interpreter services, there is currently no process to indicate services were received. According to the FIN Manual 6.01 §6.8, “to assure the implementation of strong internal controls, the receipt of goods and performance of services must be acknowledged and documented”. In order to comply with the FIN Manual, the Court should conduct a 3-point match prior to payment of invoices which consists of matching the purchase requisition and packing slip to the invoice and should develop a process to verify that services were received prior to payment of invoices.

Recommendations

To improve its procurement process, the Court should:

39. Work with the AOC to receive guidance and assistance in utilizing the Phoenix-FI system to create and issue purchase requisitions and purchase orders.
40. Utilize the Phoenix-FI system as part of its procurement process.
41. Ensure 3-point match is conducted when goods are received and invoices are stamped “ok-to-pay” indicating services were appropriately received.

Superior Court Response

40. I assume this will be a topic of ongoing Phoenix training through the AOC. Once training is completed the recommendation will be implemented.
41. I assume this will be a topic of ongoing Phoenix training through the AOC. Once training is completed the recommendation will be implemented.
42. This procedure has been implemented in accordance with the Alpine County Superior Court Policy and Procedures Regarding Procurement, drafted 12/2010.

10. Contracts

The Alpine County Superior Court is a small court and has 11 contracts and agreements in place for services from external vendors related to janitorial services, court-appointed counsel and fiscal/payroll services. We tested the 11 contracts and found they contained the appropriate elements detailing cost, schedule, terms and conditions, and scope, as well as were generally approved by either the Presiding Judge or the Court Executive Officer (CEO). However, we found several areas where the Court's contracting practices can be improved as some contracts are outdated and lacked billing rates as well as a long-term contract that should be placed out for competitive bid. The Court also has two MOUs with the County covering Sheriff and collection services. However, we found that certain services provided between the County and Court were not memorialized in a written agreement and the Court's collections MOU was outdated.

10.1 Court's MOUs with County Needs to be Formalized and Updated

While the Court has a current MOU in place with the County Sheriff for bailiff services and an MOU with the County for collection services, we noted the Court does not have a formal MOU with the County for general services. Specifically, the County provides the Court with a few services related to court facilities and insurance while the Court provides the County services related to grand jury and management of court assigned conflict counsel. However, none of these services are currently formally documented in an MOU agreement, which hampers the Court's ability to receive compensation for services it provides the County. For example, even though the Court expended over \$5,000 in grand jury related costs (training, meals, and supplies), the Court has not yet been reimbursed the County for these expenses. During audit fieldwork, the AOC and the Court began drafting an MOU covering these services to present to the County for discussion.

Additionally, while the Court has an MOU with the County covering collection services, the agreement was drafted in 2002 and should be updated. Specifically, the Court provides the County with collection services related to general fee and fine collection as well as collection of Probation fees and fines. Per the agreement, the County reimburses the Court \$28,491 a year for collection services. However, the agreement does not specify the type of information that the Court is to provide the County, such as monthly revenue distribution reports from the case management system. Further, the collection MOU agreement also reflects outdated information related to monies the Court owed the County as a result of a past State Controller audit of revenues and services the County no longer provides the Court related to health plan administrative services. According to the Court, the debt associated with the State Controller audit was resolved years ago and is no longer applicable. While this MOU is not expired as the agreement does not have an expiration date, because the MOU agreement is nearly a decade old, the Court and County should update the agreement to ensure that the Court still wants to provide additional collection services to the County related to probation fees and fines; the amount of reimbursement is adequate; and each entity's role is fully described. During audit fieldwork, the AOC and the Court began updating the Court's MOU covering collection activities to present to the County for discussion.

Recommendations

To ensure its interests are protected, the Court should:

42. Continue working with the AOC to draft and implement a formal MOU between the Court and County for general services provided, including clearly delineating terms and conditions related to grand jury services.
43. Seek reimbursement from the County for past Grand Jury expenses.
44. Continue to work with the AOC to update the agreement with the County covering collection activities, including ensuring the Court and County's roles and responsibilities are clearly described.
45. Court should consider if it is in the best interest of court resources to continue providing probation collection services to the County.

Superior Court Response

43. The Memorandum of Understanding referencing the relationship between Alpine County and the Alpine County Superior Court, and the Memorandum of Understanding for Collection Services as prepared by the Office of the General Counsel, Transactions and Business Operations Unit of the AOC was forwarded to the Alpine County CAO and County Counsel for review and submission to the Board of Supervisors on May 3, 2011. I am informed they are still reviewing the documents. The documents, as drafted, specifically deal with the issues listed above.
44. Completed.
45. See response to Recommendation number 43, above.
46. The approximate \$28,000 received as salary reimbursement from Alpine County is based upon court staff services rendered pertaining to the operation and management of the Enhanced Collections program, and collection of court ordered restitution of public defender fees and the collection of any payment that is a condition or consequence of probation. Proportionate time expended by staff is approximately 10%. We anticipate that TCAS may take over many accounting functions of Alpine County Superior Court, thus it would appear that these services may reasonably and cost efficiently be extended.

10.2 Some Court Contracts Should Be Updated to Reflect Current Billing Rates and One Contract Should be placed Out for Competitive Bid

We tested the Court's 11 current contracts to determine whether each contained the major elements of cost, schedule, scope, terms and conditions as well as were appropriately approved and signed. Overall, we found two contracts that do not reflect increased rates currently being charged to the Court, one of which should also be placed out for competitive bid. We found issues with two other contracts, one of which lacks specificity as to the hourly rates the Court is to be charged and the other contract is guided by an outdated participation agreement.

Specifically, the Court is operating under an outdated agreement with Official Payments Corporation which was originally in effect from 2007 to 2009 and automatically renewed. However, the agreement was never updated to reflect increased rates and, through our audit, the Court discovered they are currently paying higher rates for certain types of transactions than those stated in the original agreement. Specifically, the AOC has a contract with Official Payments Corporation to provide electronic check payment services to the Courts and the Alpine County Superior Court has a participation agreement for these services. During our audit, the Court discovered that the defendants are currently paying higher rates for certain types of transactions than those stated in the Court's current participation agreement. For example, the Court's current participation agreement states that Official Payments will charge \$3.00 for transaction fees; however, Official Payments is actually charging \$5.95 per transaction.

Further, FIN Manual section 7.01§ 6.1 requires contracts between courts and vendors contain five major elements—cost, schedule, scope of work, terms and conditions, and appropriate execution. While the contracts generally had description of schedule, scope, and terms, our testing revealed that two contracts did not have clear billing rates or were not appropriately executed by both parties. Specifically, the Court's contract with its accounting firm, David & Johnson, Ltd., was in the form of a business letter stating scope of work, terms and conditions, and the schedule; however, the contract did not have clearly stated billing rates nor was it signed by both parties. Additionally, the Court's copier lease with Canon Financial Services was signed by the Court but was missing a signature by Canon indicating the agreement had not been accepted and executed by both parties. In addition, the contract did not reflect the increased rates the Court is actually paying. Dated December 2009, the contract states the Court will make 12 monthly payments to Canon in the amount of \$234.00; however, less than one month later, the rates increased to \$250.41 per month. In order to protect the interests of the Court, the Court should fully execute its agreements prior to allowing the contractor to begin work or provide services.

The Court stated it selects vendors based on competitive prices whenever possible. However, the Court has not utilized a competitive bid process for one long-term contract – Canon Financial Services – since its first agreement was entered into over 10 years ago. The Court has an agreement with Canon in place to provide the Court with copier equipment. Because of its remote location and specialized needs, the Court is often limited in vendor selection to those who will deliver goods or services to the Court. As a result, the Court generally has long-term agreements with some of its vendors, such as its IT consultant that developed the Court's proprietary case management system. Even though the Court faces some difficulty in attracting vendors to its remote location, we recommend the Court revisit the contract with Canon and seek competitive alternatives by placing it out for bid to ensure the Court is paying the lowest prices.

Finally, the Court's Participation Agreement with Capital Access Services has not been updated since 2005 to reflect the new Master Agreement between the AOC and Capital Access Services issued in 2009. Per the FIN 7.01, 6.5, the trial court's files must contain an original, fully executed copy of every contract it enters into, including any amendments.

Recommendations

To ensure the Court's interests are protected and financial risk is minimized, the Court:

46. Must fully execute its contracts and agreements prior to beginning work or provide services.
47. Must maintain original, fully executed copies of all contracts entered into, including any amendments.
48. Should revisit their agreement with Canon Financial Services and place it out for competitive bid.

Superior Court Response

47. Agree. The contract with David & Johnson will be re-drafted to conform to requirements. The contract with Official Payments Corporation has been updated. It is agreed that these services should be placed out for competitive bid. By way of clarification, the reason that the monthly payment increased was because the Court upgraded the copier, however the contract terms should and will be updated.
48. Agree.
49. Agree.

10.3 Contract Services Should Be Verified Prior to Payment

It appears the Court can improve its monitoring of contracted services received. Specifically, we noted that many of the services were not monitored and approved by appropriate staff prior to payment of invoices. The Court is responsible for ensuring contract terms are met prior to payment of invoices. Specifically, we selected a payment sample for 5 of the contracts previously tested to determine if invoices were appropriately authorized, agreed to the contract, and were mathematically accurate. Among the five payment invoices we tested, three did not show evidence that work/services provided were monitored and approved by appropriate staff. Moreover, we noted one contractor was not properly adhering to contract terms. Specifically, the IT contract clearly states consultant will "provide receipts for any expenses" but, according to the Administrative Assistant and our testing, receipts are not submitted for any of the expenses listed on the monthly invoices. In addition, one invoice did not exhibit accurate charges for services provided. According to the Administrative Assistant, services provided for jury setup by the janitorial staff is done regularly but not reflected in the service contract. According to the Court, it is in the process of updating its agreement with the janitorial service to clearly state the scope of work and billing rates.

Recommendations

To ensure it receives the appropriate contracted services, the Court should:

49. Consistently monitor and approve all contracted services received.
50. Verify services were received by the Court prior to paying contractor invoices. In addition, the Court should require supporting documents prior to reimbursement of court-related expenses.
51. Ensure charges are in agreement with the scope of work prior to payment.

Superior Court Response

50. Completed. The Court monitors and approves all contracted services received pursuant to the Alpine County Superior Court Policy and Procedures regarding Vendor Invoice/Claims Processing, effective 02/2011.
51. Completed. The Court has initiated procedures requiring the receipt of supporting documentation specifically delineating goods and services provided outside the terms and conditions of the current contract prior to payment. These procedures are specifically set forth in the Alpine County Superior Court Policy and Procedures regarding Vendor Invoice/Claims Processing.
52. Completed. An addendum to the janitorial contract has been executed, whereby the vendor agrees to itemize and bill separately for any and all services rendered which are outside the terms and conditions of the current contract.

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11. Accounts Payable

During Fiscal Year 2009-2010, the Court expended approximately \$716,000 on operational activities with approximately \$477,400 in personnel salaries and benefits and \$233,700 in operating expenses and equipment. The Court is “self-input” and does not rely on the AOC for inputting invoices in the Phoenix-FI system. In fact, for the majority of the Court’s purchases, the Court simply submits requests to the AOC for vendor check payments to pay for purchases. Expenditures primarily include vendor invoices, travel reimbursements, in-court services, and jury payments. The posting of transactions is also performed by the Court; however, the AOC is responsible for the issuance of warrants/checks.

Overall, our audit revealed several areas where the Court’s accounts payable practices can be strengthened, such as requiring pre-approval for travel and verifying services received.

We found that most invoices and claims bore no evidence of receipt of goods/services (such as the receiver’s signature and date received) and that some invoices were not appropriately supported or reviewed prior to payment. Moreover, in one instance, we noted the Court charged an expense to the incorrect general ledger account. Specifically, an invoice for IT equipment was coded as “legal services” in the general ledger. In addition, our expenditure testing revealed no indication that pre-approval was obtained by court staff prior to conducting travel.

The Court’s accounts payable duties are handled primarily by the Administrative Assistant. Specifically, she is responsible for obtaining all accounts payable documentation, parking invoices in Phoenix, and storing relevant documentation related to the Court’s expenditures. While both the PJ and CEO are authorized to post/approve invoices in Phoenix, the CEO mainly performs this function. During our review, we noted functions related to accounts payable appear to be appropriately segregated. In addition, the Court adheres to appropriate expenditure approval levels for purchasing.

11.1 Inappropriate Use of Court Funds

To analyze the appropriate usage of court funds, we viewed the expenditure detail report for fiscal years 2008-2009 and 2009-2010, expenditure detail report covering 7/1/2010 through 11/15/2010 (date requested report), as well as reviewing various reconciliation packets of outside bank accounts. Through our review of the documentation, we found the following unusual expenditures:

- Community Outreach—Awards for school kids, holiday events and decorations
- Former Presiding Judge’s Retirement Party Facility Rental
- California Judges Association Travel Expenses (lodging, meals, and incidentals)
- Appreciation Plaque for a County Worker’s Retirement
- Gift Certificates as “Thank You” to two employees of a local business for offering to provide van transportation for jurors to murder scene; however, trip was cancelled.
- Meals and snacks for new courthouse advisory committee meetings

- Donuts for non-sequestered jurors

Recommendation

To ensure appropriate use of court funds, the Court should:

52. Ensure that all expenditures comply with rules and regulations and seek AOC guidance when in doubt prior to payment.

Superior Court Response

53. In the future we shall ensure that all expenditures comply with the FIN Manual rules and regulations, and should there be questions, will contact TCAS for further guidance and direction.

11.2 Verification of Receipt of Goods and Services Should Be Improved

Overall, our testing of 20 expenditure claims including vendor invoices, travel claims, and in-court services claims revealed several instances where payments were made on claims without any evidence that the services were rendered or goods were received. An appropriate control environment requires that in all procurements, verification of receipt of goods or services should be evident before approving payment; this verification should be provided by the individual responsible for overseeing the agreement and the delivery of the goods or services. Once receipt is confirmed by the individual responsible for overseeing delivery of the goods or services, the individual performing the accounts payable function must perform a 3-point match that agrees documentation showing:

- Goods/services were received using a packing list or verification by an appropriate party that services were delivered as requested;
- Goods/services were authorized in the contract, purchase order, or written document; and,
- Invoice appropriately reflects the cost provisions of the agreement, is mathematically accurate, and is appropriately supported.

Additionally, we found several payments on invoices that were not appropriately supported or reviewed as well as did not bear the CEO's approval signature.

Vendor Invoices

Of the thirteen vendor invoices tested, we found that seven invoices did not bear proper evidence of receipt of goods/services, such as packing slips or receipts and two invoices did not bear the CEO's approval signature. For example, the Court's IT consultant orders technology equipment on the Court's behalf. The consultant makes purchases through his company to obtain a discount for the Court. The Court reimburses the IT consultant based on the submitted invoices but does not require the actual receipts for the good purchased. Also, the Court does not require the IT consultant to provide detailed explanation for hours billed as "miscellaneous computer work." To ensure the Court is receiving the goods and services paid for, the Court should require original receipts for items purchased for the Court as well as detailed invoices for hours billed. Further, we found that two of the 13 invoices did not properly bear the CEO's approval signature. Because the CEO and the Presiding Judge are the only court employees who have

posting capabilities in Phoenix-FI, there is little of invoices being paid without proper authorization; however, to demonstrate consistent review of court expenditures, the CEO should sign all invoices approved for payment.

In-Court Services Claims

We tested four in-court service claims—three for court reporter fees and one for court transcript. While all four claims had appropriate approval signatures, evidence of receipt of services was lacking for three of the four claims tested. Specifically, while one court reporter fees claim had a “Received” stamp indicating services were provided, the remaining three claims were missing evidence that reporter and transcript services provided were verified and approved prior to payment. According to the Court, reporters complete and submit individual invoices to the Administrative Assistant who parks the payment in Phoenix-FI and forwards to the CEO for approval. While the Courtroom Clerks note the name of the court reporter in the minutes, the Administrative Assistant does not usually review the minutes to verify services were received. Additionally, the Court does not typically verify the number of folios prior to payment. Without such information, the Court cannot ensure the information provided is accurate and correct and its payments are appropriate. In order for the Court to ensure it is paying for services received, the Court should develop a process that requires in-court service claims to bear evidence (approval initials) that the services were verified as being appropriately rendered.

Moreover, while the AOC Payment Policies for Court Interpreters Memo and best practices require interpreter mileage claims to include a physical mailing address to be used in the calculation of actual mileage between the Court and the interpreter’s residence or business, one of the four interpreter claims tested did not include a home address—making it impossible to determine the accurate mileage for reimbursement. According to the Court, the Court relies on the interpreters to provide the mileage and if the mileage appears reasonable the Court approves the invoice for payment. However, the Court should review mileage claims for appropriateness prior to payment.

Travel Claims

We selected three travel claims for testing – two judges and one court employee. The employee travel claim tested did not include any indication of pre-approval as required by the FIN manual. According to the Administrative Assistant, travel pre-approval is given verbally by the CEO. Additionally, we noted that the Administrative Assistant approved her own travel claim and parked it in Phoenix but the CEO posted payment. FIN Manual section 8.01, 6.4 states “Court officials authorized to approve invoices shall not approve payment of their own purchases. Another level of approval will be required”.

Further, the two judges’ travel claims were paid even though the lodging rates were above the AOC limits of \$110 and \$140 for in-state lodging and there was no supporting documentation that a lodging exception request was approved. According to the FIN Manual Section 8.03, 6.1.6, a “request for a lodging exception is allowed for business travel when lodging above the maximum rate is the only lodging available, or when it is cost-effective”. Under these circumstances, the Fin Manual requires the submission of an “Exception Request for Lodging” form and supporting documentation in advance of travel and must be approved by the appointing power designee (Presiding Judge or designee).

Moreover, we noted that while the Court monitors the usage of the court-owned vehicle, mileage is not tracked prior to paying the gas card statement each. The Court has two Voyager gas cards used for the court-owned vehicle. One card is kept in the car and one is in the administrative office. The car is typically driven by the Presiding Judge and no receipts or tracking of mileage are submitted to the Court and, according to the Administrative Assistant, the gas card statement is paid each month without any support for the gas charges. In order to ensure only authorized court staff use the vehicle for court business, the Court should implement a formal method of checking the vehicle in and out, supporting gas charges with receipts, and tracking mileage used for court business.

Recommendations

To ensure proper controls over the invoices and payments as well as minimize the risk of unauthorized purchases, the Court should:

53. Consistently monitor and approve receipt of goods and services prior to making payment.
54. Require receipts from contracted vendors and consultants for purchases of court-related equipment as well as require detailed monthly invoices which have been monitored and reviewed by appropriate staff.
55. Verify the number of folios prior to payment.
56. Review mileage claims for appropriateness prior to payment, including ensuring physical mailing addresses are the basis of mileage claims.
57. Implement a formal pre-approval process related to travel.
58. Develop a process to utilize lodging exception forms when allowable lodging rates exceed AOC per diem limits.
59. Monitor the usage of the court-owned vehicle and the associated fuel cards.

Superior Court Response

54. Agree. This shall be accomplished pursuant to guidelines set forth in the Alpine County Superior Court Policy and Procedures Regarding Vendor Invoices/Claims Processing.
55. Completed. Court will continue to require processing of invoices pursuant to the Alpine County Superior Court Policy and Procedures Regarding Vendor Invoices/Claims Processing.
56. The Court will initiate the verification of folios prior to payment to ensure proper controls over invoices and payments and minimize the risk of unauthorized purchases.
57. Agree. As a point of clarification, the court reporters are paid mileage from their place of business to the Alpine County Superior Court, regardless of the place of their residence. Likewise for interpreters, who historically have been employees of the El Dorado County Superior Court, or other neighboring courts. Judges and court staff

would be paid appropriate mileage, as necessary, from portal to portal, that is, from the Alpine County Superior Court to their place of destination and back.

58. Agree. The Court shall implement a formal pre-approval process related to travel.

59. Completed. The Court has implemented a lodging exception form when allowing lodging rates which exceed AOC per diem limits.

60. Agree. In the future the Court shall utilize a log book which shall require all drivers of the court car to date and sign out the vehicle, with a notation of mileage prior to leaving. Additionally the driver shall be required to date and sign in the vehicle upon return, and note mileage utilized for the trip.

11.3 Court Should Pay Appropriate Court Reporter Rates per GC 69950

We tested four in-court service claims for court reporter fees and transcripts and noted that three of the four claims billed the Court between \$3.45 and \$3.60 per page of transcripts provided. Per GC 69950, the Court should review the number of pages transcribed and pay \$.85 per 100 words. However, the Court does not review the number of pages transcribed and simply pays the rate billed by the court reporter. To ensure the Court is complying with the General Code, the Court should review transcripts and ensure the appropriate rate is being billed to the Court.

Recommendation

To ensure proper controls over the invoices and payments as well as minimize the risk of unauthorized purchases, the Court should:

60. Review transcripts and pay the appropriate rate of \$.85 per 100 words per GC 69950.

Superior Court Response

61. Completed. The Court has amended the contract with the Capitol Reporters to reflect the appropriate rate of \$.85 per 100 words per GC 69950.

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12. Fixed Assets Management

According to its Consolidated Annual Financial Report (CAFR) worksheets for Fiscal Year 2009-2010, the Court reported fixed assets valued at over \$147,000.

12.1 Court Unable to Support Fixed Asset Balances Reported on Financial Reports

Currently, the Court does not have a list of fixed assets supporting the amount reported on financial reports and does not conduct annual physical inventories as required by FIN Manual Section 9.01, which states that courts establish and maintain a Fixed Asset Management System to record, control, and report court assets. The primary objectives of the system are to:

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

The Court reported \$147,473 in equipment fixed assets on its Fiscal Year 2009-2010 Comprehensive Annual Financial Report (CAFR) worksheets. However, because the recent change in court management, the Court was unable to provide support for this balance as it appears to have been merely carried over from the previous fiscal year. As a result, we cannot conclude on the accuracy of amounts reported. On a positive note, our current audit revealed that the CEO recently developed detailed fixed asset policies and procedures and recently completed an inventory of all court assets. The Court has plans to continue conducting annual asset inventories.

Recommendations

To better ensure adequate safeguarding and reporting of assets, the Court should:

62. Continue conducting inventory of its fixed assets in accordance with the FIN Manual suggests.
63. Utilize annual inventory listing to accurately value and report fixed asset balances on CAFR worksheets.

Superior Court Response

62. The Court's fixed asset list was updated during this audit process and shall be monitored and updated pursuant to the Alpine County Superior Court Policy and Procedures Regarding Fixed Assets, effective 02/2011.
63. This will be accomplished on an annual basis pursuant to the Alpine County Superior Court Policy and Procedures Regarding Fixed Assets.

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13. Audits

There are many legal requirements and restrictions surrounding the use of public resources that can lead to audits of trial court operations and finances. Courts must, as part of its standard management practice, conduct its operations and account for its resources in a manner that will withstand audit scrutiny. Moreover, courts must demonstrate accountability, efficient use of public resources, compliance with requirements, and correction of audit findings in a timely fashion.

In September 2006, the AOC's Internal Audit Services (IAS) issued two reports to the Alpine County Superior Court—an Operational Review and a CARS (now, Phoenix-FI) Readiness Review. These reports focused on the Court's operational and financial readiness to transition onto the statewide Phoenix-FI system. The audit report identified issues related to:

- Segregation of duties over banking and cash collection,
- Procurement and expenditure processes,
- Fiscal recording and reporting processes, and
- Building and Information Systems security.

As a result of these reports, several observations were presented to the Court that required management attention and correction. With recent changes to court executive management, the Court has just recently begun addressing some of the prior audit findings and recommendations. Thus, our current audit found that several of the 2006 issues still remain a concern for the current period reviewed as described throughout this report.

13.1 A Few Past Audit Issues Have Not Been Addressed

Subsequent to the 2006 audit, IAS conducted a brief follow-up visit to determine the status of corrective action. At that time, several actions to address recommendations were still considered incomplete. Since then, the Court has implemented several corrective actions to address the issues noted in the follow-up visit. For instance, the Court:

- Has created and incorporated a formal delegation of authority in place.
- Is working on a formal disaster recovery plan, but are already securing data via physical and logical security as well as near continual system and data backups and uninterruptable power supplies.
- Recently developed detailed fixed asset policies and procedures as well as recently completed an inventory of all court assets. The Court also plans to continue conducting annual asset inventories.

However, some previously identified issues still remain as shown below:

- Section 1.1, Recommendation #1 – Court should separate responsibilities for accepting cash and performing day-end close out reconciliations of the cash drawer to the CMS as well as recording in the fiscal system. At the time of the follow-up, the Court indicated that two account clerks with cash handling responsibilities had separated their duties so that one clerk accepted cash payments and the second clerk entered the payment into the

CMS. However, our current audit revealed that one of the staff responsible for accepting payments also reconciles the collections at the end of the week to the CMS and reconciles the Wells Fargo bank account where collections are deposited. Refer to Section 5 of this report where these issues are described in greater detail. As such, segregation of duties issues remain and must be resolved.

- Section 5.2, Recommendation #16 – Court should increase the frequency of fully backing up its case data from once per month to every other week to reduce the amount of data lost in case of a disaster. At the time of the follow-up, the Court indicated it performs full backups weekly, incremental backups daily, and transactional backups every two hours. Data is backed-up onto two external hard drives – one maintained on-site and the second maintained off-site by the IT consultant. The AOC expressed concerns regarding the Court's control over sensitive CMS data stored in the external hard drive by the IT consultant because the data backup and storage is not covered by the IT services contract. Our current audit revealed that the IT services contract has been updated to include secure storage of the Court's sensitive information in a fire-proof vault or safe off-site. However, at the time we began fieldwork on the current audit, not all of the Court's backup data is always securely stored as some is kept on tapes in the IT consultant's car trunk. According to the CEO, this issue has been resolved as all backup data is now securely stored off-site at the IT consultant's office.

A strong organizational structure, sound financial policies and oversight, and comprehensive operational policies and procedures, are critical components in ensuring court business is conducted responsibly and is consistent with statutes, rules of court, and standards of judicial administration. To better fulfill these goals, the Court should correct issues identified in this report, as well as those that remain outstanding from the 2006 audit and subsequent IAS follow-up visit.

Recommendation

64. The Court should correct issues identified in this report, as well as those discussed in IAS' 2006 report to the Court.

Superior Court Response

64. This Court will make every effort to address and correct any issues identified in this or the 2006 audit.

As to Section 1.1, Recommendation #1: The Court has continued to struggle with the reconciliation issue due to limitations in staffing. Further input or recommendation is requested.

As to Section 5.2, Recommendation #16 and as a point of clarification, the Court undertakes a differential back up of all case data every two hours from 8:00 a.m. to 5:00 p.m. A full system back up is performed every evening. The external hard drive is located in a fire-proof compartment at the office of the IT specialist is currently being reconfigured to increase storage. Full backup will be imaged off site by April, 2012.

14. Records Retention

According to FIN Manual 12.01, §3.0, “it is the policy of the trial 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.” Moreover, the Courts are required to apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records. This policy applies to all trial court officials and employees who create, handle, file, and reproduce accounting and financial records in the course of their official responsibilities.

Currently, the Alpine County Superior Court stores case files, financial records, and procurement documentation at the Court’s single courthouse for the current fiscal year and previous fiscal year. Older case files and fiscal records are stored offsite.

Since the CEO recently developed a formal record retention policy and the Court keeps financial and business records for at least five years and case files for an indefinite period of time in compliance with FIN Manual 12.01, we have no concerns to report in this area.

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15. Domestic Violence

In June 2003, the California Legislature requested IAS to audit court-ordered fines and fees in specified domestic violence cases in California. Associated with misdemeanor or felony domestic violence convictions are a number of fees and fines dictated by Penal Code (PC). Specifically, PC 1202.4 (b) requires a mandatory state restitution fine of a minimum \$100 to be assessed on misdemeanor convictions and \$200 on felony convictions. Additionally, if the defendant was granted formal probation, the Court is required to assess a domestic violence fee of \$400 pursuant to PC 1203.097. As part of this effort, IAS also agreed to test the assessment of fees and fines in domestic violence cases on an on-going basis.

The Alpine County Superior Court processes very few domestic violence cases—in fact, in the two and a half year period between July 1, 2008 through November 10, 2010 the Court only had four cases. According to the CEO, many of the domestic violence incidents occur at the nearby Indian Reservation and may not be brought to court due to cultural practices and tribal rules. Moreover, the Reservation also handles domestic violence incidents locally so the Court rarely hears these types of cases.

Of the four cases, the Judge dismissed two cases and charged the defendant jail time in a third case. In the fourth case, we determined whether mandated fees and fines were properly assessed by analyzing corresponding CMS case management system and case file information. We found that the Court assessed the correct state restitution and domestic violence fine as the defendant paid the \$400 domestic violence fee and \$100 State Restitution fine in full. However, as described in Section 6 of this report, it appears the Court improperly distributed the domestic violence fee.

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16. Exhibits

When exhibits are presented in criminal and civil cases, trial courts are responsible for properly handling, safeguarding, and transferring these exhibits as guided by statutes. Trial court and security personnel assigned these responsibilities should exercise different levels of caution depending on the types of exhibits presented. Extra precautions should be taken when handling weapons and ammunition, drugs and narcotics, money and other valuable items, hazardous or toxic materials, and biological materials. Further, because exhibit rooms maintained at courts can house precious and sensitive case data, unique court evidence could be compromised, lost, or stolen without the proper controls in place—all with potentially significant impacts to the outcome of a court case.

16.1 Processes Over Exhibits Appear Generally Reasonable; However, Court Should Determine the Proper Disposition of Old Civil Exhibits Currently Kept in Storage

Our review of the Court's exhibit handling processes revealed that while adequate controls were in place to safeguard exhibits at the Alpine County Superior Court, there are exhibits maintained in a storage facility related to old civil cases that need to be evaluated for disposal.

The Alpine County Superior Court does not have a permanent exhibit room or exhibit clerk as the Court has only 4 permanent employees, and a limited number of cases are heard each year. However, the new CEO recently developed formal written procedures guiding the handling of exhibits, which cover the following:

- Initial identification of exhibits (tagged, entered on case record, responsibility of clerk after received into evidence).
- Receipt of exhibits are received into evidence (Counsel offers exhibits to be received and court rules)
- Special handling of certain types of sensitive evidence (when not locked in courtroom, all sensitive exhibits are kept by the Sheriff's Office).

While the policies and procedures do not cover topics related to exhibit inventory practices, change of custody protocols, or exhibit destruction – these topics do not apply as the Court's practice is to return all exhibits after the conclusion of a trial.

Thus, the Court only retains custody over non-sensitive exhibits for the duration of the trial while the Sheriff's Office retains custody over the sensitive items. During a trial, once the involved parties bring the exhibits to the Court, there are three areas where case exhibits are stored depending on the type of the exhibit:

- Court Clerks Vault—Large items such as cardboards, boxes, and exhibits that by law cannot be destroyed until defendant is deceased are stored in this walk-in vault in the Clerk's Office.
- Courtroom Cabinet—Only exhibits that are needed for the trial and fit the cabinet. Courtroom clerks lock the exhibits in a cabinet located by the judge's bench directly in the courtroom.

- Sheriff's Department Evidence Room—All sensitive exhibits such as guns, drugs, and bodily fluids are turned over to the Sheriff by the District Attorney and parties who stores them in the Sheriff's vault for the length of the trial.

While the Court's practice is to not retain any exhibits after the conclusion of a trial, there are exhibits maintained in a storage facility related to old civil cases. The Court should work to determine how these exhibits should be destroyed.

Recommendations

The Court should:

65. Determine the best method for destruction of old civil exhibits currently in storage.

Superior Court Response

65. The Court has hired a part time employee for the primary purpose of destruction of old records, including exhibits, pursuant to acceptable guidelines. We hope to have this accomplished by the end of 2012.

17. Facilities

The Trial Court Facilities Act of 2002 (SB 1732) established the governance structure and procedures for transferring responsibilities over trial court facilities from counties to the State. Currently, the Alpine County Superior Court has one court location—the historic courthouse in Markleeville built in 1928. This facility shares space with County Sheriff and Probation offices and is considered an historic site—there is currently no agreement to transfer title to the State.

According to the Court, because the historic courthouse does not meet modern operational and security requirements and cannot be renovated or expanded in addition to additional space needed by the Court, there are plans to build a new courthouse. The new courthouse project is in the early stages and the Court anticipates it will be complete in 2014. According to the Court, the AOC has provided an initial estimate of local court responsibility for costs related to furniture and equipment that totals about \$223,000 plus an additional \$100,000 for consultants and services needed to help establish telecommunications and IT/audiovisual equipment.

As shown in Table 4, the Court spent nearly \$14,000 on rent, janitorial services, and maintenance and supplies during Fiscal Year 2009-2010 per Phoenix-FI records. A high-level review of facility expenses revealed no reportable issues.

Table 4. Fiscal Year 2009-2010 Facility-Related Expenses

G/L Account	Description	Account Balance
935200	RENT/LEASE ²	\$ 2,090.00
935300	JANITORIAL	\$ 11,387.50
935400	MAINTENANCE AND SUPPLIES	\$ 418.92
935500	GROUNDS	\$ 25.16
TOTAL FACILITY COSTS		\$ 13,921.58

² Lease for use of Turtle Rock Community Center for certain jury proceedings due to the Court's limited size.

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Appendix A: Financial Statements

According to the Governmental Accounting Standards Board (GASB), the paramount objective of financial reporting is accountability. GASB identified and defined one component of accountability—namely fiscal accountability, which is defined as the responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or one year).

Focus on Accountability

Consistent with the mission statement of the Judicial Council, the *Strategic Plan for California's Judicial Branch 2006 – 2012* entitled *Justice in Focus* that established a guiding principle that “Accountability is a duty of public service” with 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.” Two of the detailed policies include the following:

1. Establish fiscal and operational accountability standards for the judicial branch to ensure the achievement of and adherence to these standards throughout the branch.
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.

Toward this end, 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.”

Alpine County Superior Court Financial Statements

To assist in the fiscal accountability requirements of the branch, the statewide fiscal infrastructure system, Phoenix-FI, was established and implemented at the Court in 2006 with fiscal data processed through the Trial Court Administrative Services (TCAS) in Sacramento. The fiscal data on the following pages are from this system and present the un-audited Fiscal Year 2008-2009 financial statements of the Trial Court Operations Fund for the Court. Specifically, the three financial statements are as follows:

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

While the Fiscal Year 2008-2009 information is summarized into a total funds column that does not include individual fund detail, total columns for each year are provided only for “information purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial

information is un-audited, but is presumed to be presented, as required, on a modified accrual basis of accounting, recognizing 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 categories available for courts to use: Government, Proprietary and Fiduciary. The Alpine County Superior Court uses the following categories and types with the classifications.

Governmental Funds

General – Used as the primary operating fund to account for all financial resources except those required to be accounted for in a separate fund. Specifically, the Court operates two general funds—Operating Fund TCTF (110001) and Operating Fund NTCTF (120001).

Special Revenue – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received) or restricted in use. Court funds are as follows:

Special Revenue

1. Two percent Automation/Micrographics (180004)

Grants

1. AB 1058 Family Law Facilitator Program (1910581)
2. AB 1058 Child Support Commissioner Program (1910591)
3. Substance Abuse Focus Program (1910601)

Fiduciary Funds

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.”³ Fiduciary funds include several different types including 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.” Court monies included here involve activities such as deposits for criminal bail trust, civil interpleader, and eminent domain cases and are all recorded in one Trust Fund (320001).

Agency – Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government’s role is purely custodial, such as the receipt, temporary investment, and remittance of 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.

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. While this practice is appropriate for internal accounting purposes, GAAP expressly limits the use of fiduciary funds for external financial reporting purposes 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

³ GASB Statement No. 34, paragraph 69.

programs, such funds are specifically excluded from the government-wide financial statements.⁴ However, they are reported as part of the basic fund financial statements to ensure fiscal accountability.

Sometimes, a government entity such as the Alpine County Superior Court will hold escheat resources on behalf of another government. In that case, the use of an agency fund would be appropriate. The Court uses two agency funds—the Civil Filing Fees Fund (450000) and the Distribution Fund (400000).

The financial statement schedules that follow are compiled using the Phoenix Financial System and, as appropriate, the 4th quarter Quarterly Financial Statements.

⁴ GASB No. 34, paragraph 12.

Alpine Superior Court Trial Court Operations Fund Balance Sheet (Unaudited)								
For the month ended June								
Fiscal Year 2009/10								2008/09
	Governmental Funds						Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue		Capital Project	Proprietary Funds	Fiduciary Funds		
Non-Grant		Grant						
ASSETS								
Operations	66,982						66,982	31,729
Payroll	0						0	0
Jury								
Revolving	30,000						30,000	28,993
Other								
Distribution								0
Civil Filing Fees						1,421	1,421	3,350
Trust								
Credit Card								
Cash on Hand								0
Cash with County	118,855					20,951	139,806	124,965
Total Cash	215,837					22,372	238,209	189,036
Short Term Investment	330,732						330,732	402,103
Investment in Financial Institution								
Total Investments	330,732						330,732	402,103
Accrued Revenue	29,518						29,518	1,485
Accounts Receivable - General	0						0	0
Dishonored Checks								
Due From Employee								
Civil Jury Fees								
Trust								
Due From Other Funds								
Due From Other Governments								
Due From Other Courts	0						0	30,973
Due From State	0						0	3,080
Trust Due To/From								
Distribution Due To/From								
Civil Filing Fee Due To/From								
General Due To/From								
Total Receivables	29,518						29,518	35,538
Prepaid Expenses - General								
Salary and Travel Advances								
Counties								
Total Prepaid Expenses								
Other Assets								
Total Other Assets								
Total Assets	576,087					22,372	598,459	626,678
LIABILITIES AND FUND BALANCES								
Accrued Liabilities	25,459						25,459	10,893
Accounts Payable - General	2,164						2,164	0
Due to Other Funds								
Due to Other Courts								
Due to State	6,967						6,967	
TC145 Liability						1,421	1,421	3,350
Due to Other Governments	0						0	0
AB145 Due to Other Government Agency								
Due to Other Public Agencies								
Sales and Use Tax	(43)						(43)	92
Interest							0	0
Miscellaneous Accts. Pay. and Accrued Liab.								
Total Accounts Payable and Accrued Liab.	34,547					1,421	35,968	14,335
Civil								
Criminal								
Unreconciled - Civil and Criminal								
Trust Held Outside of the AOC						20,951	20,951	12,691
Trust Interest Payable								
Miscellaneous Trust								
Total Trust Deposits						20,951	20,951	12,691
Accrued Payroll								
Benefits Payable	(189)						(189)	(4,515)
Deferred Compensation Payable	0						0	150
Deductions Payable	7,622						7,622	7,127
Payroll Clearing	0						0	7,824
Total Payroll Liabilities	7,433						7,433	10,586
Revenue Collected in Advance								0
Liabilities For Deposits								
Jury Fees - Non-Interest								
Fees - Partial Payment & Overpayment								
Uncleared Collections								0
Other Miscellaneous Liabilities								
Total Other Liabilities								0
Total Liabilities	41,980					22,372	64,352	37,613
Fund Balance - Restricted								
Fund Balance - Unrestricted								
Designated	533,900						533,900	0
Undesignated	207						207	589,065
C/Y Excess (Deficit) of Rev. Over Expenses	0						0	0
Total Fund Balance	534,107						534,107	589,065
Total Liabilities and Fund Balance	576,087					22,372	598,459	626,678

Source: Phoenix Financial System and the 4th Quarter Financial Statements

Alpine Superior Court Trial Court Operations Fund Statement of Revenues, Expenditures and Changes in Fund Balances (Unaudited)										
For the month ended June										
Fiscal Year 2009/10								2008/09		
	Governmental Funds				Proprietary Funds	Fiduciary Funds	Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue		Capital Projects						
		Non-Grant	Grant							
REVENUES										
State Financing Sources										
Trial Court Trust Fund	580,970					580,970	567,940	621,726	615,713	
Trial Court Improvement Fund	167					167		250		
Judicial Administration Efficiency & Mod Fund										
Judges' Compensation (45.25)										
Court Interpreter (45.45)	140					140	1,250	1,637	1,500	
Civil Coordination Reimbursement (45.55)										
MOU Reimbursements (45.10 and General)	37,574					37,574	36,567	36,691	33,272	
Other Miscellaneous								141		
	618,851					618,851	605,757	660,445	650,485	
Grants										
AB 1058 Commissioner/Facilitator										
Other AOC Grants										
Non-AOC Grants										
Other Financing Sources										
Interest Income	3,248					3,248	8,000	8,322	6,500	
Investment Income										
Donations	0					0				
Local Fees										
Non-Fee Revenues								28,491		
Enhanced Collections	17,256					17,256	28,492	17,256	28,492	
Escheatment										
Prior Year Revenue	-416					-416		0		
County Program - Restricted							2,000			
Reimbursement Other	1,527					1,527		2,045		
Sale of Fixed Assets	20,407					20,407		17,562		
Other Miscellaneous										
	42,022					42,022	38,492	73,676	34,992	
Total Revenues	660,872					660,872	644,249	734,121	685,477	
EXPENDITURES										
Personal Services										
Salaries - Permanent	355,970					355,970	261,632	310,762	321,747	
Temp Help										
Overtime	2,113					2,113		781		
Staff Benefits	119,291					119,291	123,220	149,080	159,673	
	477,374					477,374	384,852	460,624	481,420	
Operating Expenses and Equipment										
General Expense	37,846					37,846	36,196	35,990	31,115	
Printing	1,221					1,221	1,620	1,169	825	
Telecommunications	8,176					8,176	8,900	16,367	10,250	
Postage	3,188					3,188	5,450	4,341	3,900	
Insurance	872					872	1,110	1,104		
In-State Travel	6,783					6,783	8,840	8,317	10,150	
Out-of-State Travel	497					497	800	530	250	
Training	835					835	750	250	950	
Security Services	13,214					13,214	15,000	14,653	11,200	
Facility Operations	13,922					13,922	13,450	14,760	15,475	
Utilities										
Contracted Services	92,934					92,934	80,291	77,445	113,837	
Consulting and Professional Services								60		
Information Technology	50,426					50,426	41,500	56,356	76,000	
Major Equipment									9,000	
Other Items of Expense	3,761					3,761	3,275	3,030	5,925	
	233,673					233,673	217,182	234,375	288,877	
Special Items of Expense										
Grand Jury	4,964					4,964	9,250	8,536		
Jury Costs	84					84	2,000	1,007	5,750	
Judgements, Settlements and Claims										
Debt Service										
Other										
Internal Cost Recovery										
Prior Year Expense Adjustment	-263					-263				
	4,785					4,785	11,250	9,543	5,750	
Total Expenditures	715,831					715,831	613,284	704,542	776,047	
Excess (Deficit) of Revenues Over Expenditures	-54,959					-54,959	30,965	29,579	-90,570	
Operating Transfers In (Out)									-56,984	
Fund Balance (Deficit)										
Beginning Balance (Deficit)	589,065					589,065	589,065	559,486	559,486	
Ending Balance (Deficit)	534,107					534,107	620,030	589,065	525,900	

Source: Phoenix Financial System

Alpine Superior Court Trial Court Operations Fund Statement of Program Expenditures (Unaudited)									
For the year ended June									
Fiscal Year 2009/10									
2008/09									
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
PROGRAM EXPENDITURES:									
Judges & Courtroom Support	178,025	67,790			-263	245,552	294,557	113,284	227,268
Traffic & Other Infractions							5,678	77,673	96,885
Other Criminal Cases									
Civil									
Family & Children Services		46,726				46,726		29,213	500
Probate, Guardianship & Mental Health Services									500
Juvenile Dependency Services									500
Juvenile Delinquency Services									500
Other Court Operations	112,436	1,781				114,217	27,328	90,891	84,392
Court Interpreters		42				42		1,306	1,500
Jury Services	24,167	306	84			24,557	43,517	1,581	5,750
Security		13,591				13,591	15,000	14,653	11,200
Trial Court Operations Program	314,628	130,235	84		-263	444,684	386,080	328,601	427,995
Enhanced Collections	18,185	154				18,340	23,800		
Other Non-Court Operations	12,123	890	4,964			17,977	16,515	8,595	3,000
Non-Court Operations Program	30,309	1,044	4,964			36,317	40,315	8,595	3,000
Executive Office	25,916	1,369				27,285	25,887	35,118	34,900
Fiscal Services	85,530	22,233				107,763	85,106	206,647	217,442
Human Resources	20,990	626				21,616	13,071	34,642	34,901
Business & Facilities Services		16,827				16,827	19,550	26,947	560
Information Technology		61,338				61,338	43,275	63,991	57,250
Court Administration Program	132,437	102,393				234,830	186,889	367,345	345,052
Prior Year Adjustments									
Total	477,374	233,673	5,048		-263	715,831	613,284	704,542	776,047

Source: Phoenix Financial System

Appendix B: Phoenix-FI Account Detail, Fiscal Year 2009-2010

Report Section 1: Accounts Related to Court Administration

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. Guidelines and requirements concerning court governance are specified in California Rules of Court (CRC) and the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), as established under Government Code Section 77009(i) and proceduralized under CRC 10.707. Yet, 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.

Table A reflects the Court’s Fiscal Year 2009-2010 expenditures primarily reviewed in this section of the audit IAS considers these accounts primarily related with the Court’s administrative decisions and governance responsibilities and associated with this section of the report.

Table A. Court Administration

G/L Account	Description	Sub-Account	Account Balance
Expenditures			
900300	SALARIES – PERMANENT		\$ 355,970.23
908300	OVERTIME		\$ 2,112.80
920500	DUES AND MEMBERSHIPS		\$ 30.00
933101	TRAINING	\$ 10.00	
933103	REGISTRATION FEES - TRAINING	\$ 825.00	
933100	TRAINING		\$ 835.00

Report Section 2: Accounts Related to Fiscal Management and Reporting

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 generally account for approximately 75 percent or more 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 procedures for requesting, evaluating, and approving new and reclassified positions. In Tables B and C below are Fiscal Year 2009-2010 balances from

the Court's general ledger that IAS considers primarily associated with fiscal management and reporting section of the audit report.

Table B. Salary and Benefit Liabilities

G/L Account	Description	Amount Balance
374101	RETIREMENT CONTRIBUTIONS	\$ (3,727.26)
374301	PAYROLL TAXES EE & ER	(3,894.62)
374701	HEALTH BENEFITS PAYABLE EE & ER	(25.52)
374702	BENEFITS PAYABLE – MEDICAL	(1,139.41)
374703	BENEFITS PAYABLE – DENTAL EE & ER	(821.77)
374704	BENEFITS PAYABLE – VISION EE & ER	(154.32)
TOTAL		\$ (9,762.90)

Table C. Salary and Benefit Expenditures

G/L Account	Description	Sub-Account	Account Balance
900300	SALARIES - PERMANENT		\$ 355,970.23
908300	OVERTIME		\$ 2,112.80
	SALARIES TOTAL		\$ 358,083.03
910301	SOCIAL SECURITY INSURANCE & MED	\$ 663.59	
910302	MEDICARE TAX	4,926.40	
910300	TAX		\$ 5,589.99
910401	DENTAL INSURANCE	\$ 4,334.41	
910501	MEDICAL INSURANCE	56,001.09	
910503	RETIREE BENEFIT	2,712.60	
910400	HEALTH INSURANCE		\$ 63,048.10
910601	RETIREMENT (NON-JUDICIAL)	\$32,158.66	
910600	RETIREMENT		\$ 32,158.66
912500	WORKERS' COMPENSATION		\$ 5,136.00
913301	UNEMPLOYMENT INSURANCE	\$ 9,635.05	
913501	LIFE INSURANCE	149.14	
913502	LONG-TERM DISABILITY	212.76	
913601	VISION CARE INSURANCE	760.87	
913699	OTHER INSURANCE	2,600.13	
912700	OTHER INSURANCE		\$ 13,357.95
913899	OTHER BENEFITS		\$ 5,298.75
	STAFF BENEFITS TOTAL		\$ 119,290.70
	PERSONAL SERVICES TOTAL		\$ 477,373.73

Report Section 3: Accounts Related to Fund Accounting

According to FIN Manual 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 Court’s 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 has been set up in Phoenix-FI to serve this purpose. Furthermore, the Judicial Council has approved a fund balance policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and provide uniform standards for fund balance reporting. Table D below, reflects the Court’s Fiscal Year 2009-2010 fund balances—additionally, there were no transfers in or out recorded in the system.

Table D. Fund Balances and Operating Transfers

G/L Account	Description	Sub-Account	Account Balance *
552001	FUND BALANCE – UNRESTRICTED	\$ (385,000.00)	
554001	FUND BALANCE – UNRESTRICTED	\$ (204,065.38)	
	TOTAL FUND BALANCE		\$ (589,065.38)

* Fund Balances shown are post-close/ending fund balance with FY 2009-2010 revenues and expenditures

Report Section 4: Accounts Related to Accounting Principles and Practices

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.

In Tables E and F are Fiscal Year 2009-2010 balances from the Court’s general ledger that IAS has primarily associated with accounting principles and practices section of the audit report.

Table E. Court Accounts Receivables, Payables, and Other Current Liabilities

G/L Account	Description	Sub-Account	Account Balance
130001	A/R - ACCRUED REVENUE	\$ 29,517.59	
Total Receivables			\$ 29,517.59
301001	A/P - GENERAL	\$ (2,164.00)	
321501	A/P – DUE TO STATE	(6,967.00)	
321600	A/P - TC145 LIABILITY	(1,420.50)	
323001	A/P – SALES & USE TAX	42.55	
330001	A/P - ACCRUED LIABILITIES	(25,458.89)	
Total Accounts Payables			\$ (35,967.84)
353090	FUNDS HELD OUTSIDE OF THE AOC	\$ (20,951.49)	
374101	RETIREMENT CONTRIBUTIONS	\$ (3,727.26)	
374301	PAYROLL TAXES EE & ER	(3,894.62)	
374701	HEALTH BENEFITS PAYABLE EE & ER	25.52	
374702	BENEFITS PAYABLE – MEDICAL	1,139.41	
374703	BENEFITS PAYABLE – DENTAL EE & ER	(821.77)	
374704	BENEFITS PAYABLE – VISION EE & ER	(154.32)	
Total Current Liabilities			\$ (28,384.53)

Table F. Court Revenue Sources and Prior Year Adjustments

G/L Account	Description	Sub-Account	Account Balance
812110	TCTF-PROGRAM 45.10-OPERATIONS	\$ (565,650.00)	
812144	TCTF-PROGRAM 45.10-CLERKS TRANSCRIPT APPEAL	(210.00)	
812146	TCTF-PROGRAM 45.10-COPY PREPARATION	(767.00)	
812148	TCTF-PROGRAM 45.10-MANUAL SEARCH RECORDS	(4,075.00)	
812159	TCTF-10-CIVIL ASSESSMENT	(10,267.00)	
812160	TCTF-10-MICROGRAPHICS	(31.00)	
812100	TCTF - PGM 10 OPERATIONS		\$ (580,970.00)
821200	ENHANCED COLLECTIONS – REVENUE		\$ (17,256.00)
823000	OTHER REVENUE		\$ (20,406.67)
825000	INTEREST INCOME		\$ (3,248.34)
SUB-TOTAL TRIAL COURTS REVENUE SOURCES			\$ (621,881.01)
832010	TCTF GENERAL MOU REIMBURSEMENTS	\$ (36,567.00)	
832011	TCTF-PGM 45.10- JURY	(1,007.00)	
832000	PROGRAM 45.10 - MOU/REIMBURSEMENTS		\$ (37,574.00)
834000	PROGRAM 45.45 – COURT INTERPRETER REIMBURSEMENTS		\$ (139.64)
837000	IMPROVEMENT FUND – REIMBURSEMENTS		\$ (167.00)
860000	REIMBURSEMENTS – OTHER		\$ (1,526.56)

G/L Account	Description	Sub-Account	Account Balance
<i>SUB-TOTAL TRIAL COURTS REIMBURSEMENTS</i>			\$ (39,407.20)
890000	PRIOR YEAR REVENUE		\$ 416.00
<i>REVENUE TOTAL</i>			\$ (660,872.21)

Report Section 5: Accounts Related to Cash Collections

The FIN Manual Section 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, 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, as well as accurate accounting of all payments.

In Table G below, are balances from the Court’s general ledger for Fiscal Year 2009-2010 that IAS considers to be primarily associated with this audit report section.

Table G. Cash Collections Accounts

G/L Account	Description	Account Balance
111000	CASH-OPERATIONS	92,360.67
111100	CASH-OPERATIONS CLEARING	25,378.18-
114000	CASH-REVOLVING	30,000.00
117500	CAHS-CIVIL FILING FEES	1,420.50
120002	CASH OUTSIDE OF AOC	139,806.42
120050	SHORT TERM INVESTMENTS-LA	330,731.87
Cash and Cash Equivalents		\$568,941.28

Report Section 6: Accounts Related to Information Systems

Information systems used by the Court include its homegrown Case Management System (CMS) that has an integrated cashiering module, Jury Plus for jury attendance and payroll, and Phoenix-FI and QuickBooks for recording of financial transactions. In Table H are balances from the Court’s general ledger that IAS considers to be primarily associated with the information systems section of the audit report.

Table H. Information Technology General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
943200	IT MAINTENANCE		\$ 2,314.83

G/L Account	Description	Sub-Account	Account Balance
943300	IT COMMERCIAL CONTRACTS		\$ 43,756.25
943501	IT REPAIRS & SUPPLIES	\$ 1,716.50	
943502	IT SOFTWARE & LICENSING FEES	337.17	
943503	COMPUTER SOFTWARE	1,250.99	
943504	PRINTER SOFTWARE	185.00	
943505	SERVER SOFTWARE	865.00	
943500	IT REPAIRS/SUPPLIES/LICENSES		\$ 4,354.66
INFORMATION TECHNOLOGY (IT) TOTAL			\$ 50,425.74

Report Section 7: Accounts Related to Banking and Treasury

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. FIN 13.01 establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. Currently, the Court deposits its operating funds in an AOC-established account as well as its AB 145 monies collected. However, the Court’s trust, civil assessment, and daily collections are still deposited into a local Wells Fargo Bank Account.

Table I. Banking and Treasury General Ledger Line Items

G/L Account	Description	Account Balance
111000	CASH-OPERATIONS ACCOUNT	\$ 92,360.67
111100	CASH-OPERATIONS CLEARING	(25,378.18)
114000	CASH-REVOLVING	30,000.00
117500	CASH CIVIL FILING FEES	1,420.50
120002	CASH OUTSIDE OF AOC	139,806.42
120050	SHORT TERM INVESTMENTS-LA	330,731.87
Cash and Cash Equivalents		\$ 568,941.28
825000	INTEREST INCOME	\$ (3,248.34)
Revenues		\$ (3,248.34)
920302	BANK FEES	\$ 6,924.19
Expenditures		\$ 6,924.19

Report Section 8: Accounts Related to Court Security

Appropriate law enforcement services are essential to trial court operations and public safety. Like almost all other trial courts in the State, the Alpine County Superior Court contracts with the County Sheriff for court security services. Table J presents balances from the Court’s general ledger that IAS considers to be associated with this section.

Table J. Court Security General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
934510	COURTROOM SECURITY – SHERIFF	\$ 13,213.92	
934500	SECURITY		\$ 13,213.92

Report Section 9: Accounts Related to Procurement

The FIN Manual provides uniform guidelines for trial courts to use in procuring necessary goods and services and documenting 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 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.

Policy Number FIN 7.01 establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors as well as Memorandums of Understanding with other government entities. Not only should trial courts issue a contract when entering into agreements for services or complex procurements of goods, but also 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.

All trial court vendor, supplier, consultant, and contractor invoices and claims shall be routed to the trial court accounts payable department for processing. The accounts payable staff shall process the invoices and claims in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices and claims 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.

Table K provides balances from the Court’s general ledger that IAS considers to be primarily associated with procurement, contracting, and payable activity of the audit report sections.

Table K. Procurement, Contracts, and Accounts Payable General Ledger Line Items

G/L Account	Description	Sub-Account	Account Balance
920300	FEES/PERMITS		\$ 7,904.74
920601	MISCELLANEOUS OFFICE SUPPLIES	\$ 1,934.33	

G/L Account	Description	Sub-Account	Account Balance
920603	FIRST AID/SAFETY SUPPLIES	13.58	
920606	TONER – PRINTER	1,501.51	
920607	TONER – FAX	145.23	
920609	ELECTRONIC RECORDING SUPPLIES	724.62	
920610	AUDIO CASSETTE TAPES	176.14	
920613	RUBBER STAMP	695.05	
920614	BATTERIES	131.50	
920615	BOTTLED WATER	49.94	
920616	DESK ACCESSORIES	361.36	
920620	COLOR PAPER	13.50	
920621	SPECIAL BOND PAPER	67.94	
920622	COPY PAPER	904.04	
920625	STORAGE BOXES	36.79	
920699	OFFICE EXPENSE	420.48	
920600	OFFICE EXPENSE		\$ 7,176.01
921700	MEETINGS, CONFERENCES, EXHIBITS		\$ 1,492.95
922300	LIBRARY PURCHASES AND SUPPLIES		\$ 12,435.31
922601	MINOR OFFICE EQUIPMENT/MACHINES	\$ 49.99	
922603	OFFICE FURNITURE – MINOR	166.98	
922610	COMPUTER ACCESSORIES	95.00	
922611	COMPUTER	3,565.79	
922612	PRINTERS	333.33	
922600	MINOR EQUIPMENT – UNDER \$5,000		\$ 4,211.09
922700	EQUIPMENT RENTAL/LEASE		\$ 4,477.02
922900	EQUIPMENT-REPAIRS		\$ 119.15
924500	PRINTING TOTAL		\$ 1,220.54
925100	TELECOMMUNICATIONS TOTAL		\$ 8,175.79
926200	STAMPS, STAMPED ENVELOPE		\$ 96.28
926300	POSTAGE METER		\$ 3,091.50
928800	INSURANCE		\$ 872.00
929200	TRAVEL IN-STATE		\$ 6,783.05
931100	TRAVEL OUT-OF-STATE		\$ 496.88
933100	TRAINING TOTAL		\$ 835.00
935200	RENT/LEASE		\$ 2,090.00
935300	JANITORIAL TOTAL		\$ 11,387.50
935400	MAINTENANCE AND SUPPLIES TOTAL		\$ 418.92

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Appendix C: Issues Control Log

Appendix C

Superior Court of California, County of Alpine

Issue Control Log

Note:

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

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

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

July 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1	Court Administration	1.1	Court Should Develop a Process to Identify, Monitor, and Manage Potential Employee Conflicts of Interest.					
			Continue to ensure all positions within the Court's organizational framework that have decision-making authority, where participating in decisions may be affected or conflict with personal economic interests complete and file Statements of Economic Interest Form 700.		C	The Alpine County Superior Court adopted the Conflict of Interest Code Superior Court of California County of Alpine, effective May, 2011. Applicable staff members signed an Employee Acknowledgment Form shortly thereafter. Employees, including the independent contractor for IT services, CEO, Administrative, Senior Courtroom Clerk and Courtroom Clerk 11 completed the FPPC Form 700 in March and May of 2011, which are on file with the CEO. The Alpine County Procurement Policy was amended effective 06/2011 to reflect the requirement for applicable employees to file the Form 700, likewise the Superior Court of the State of California County of Alpine Personnel Plan and Policies specifically sets forth that designated employees must file a Statement of Economic Interests. In the future applicable staff with decision-making authority, where participating in decisions may be affected or conflict with personal economic interests shall complete and file	CEO	June 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						Statements of Economic Interest Form 700 in January of each year. The Judges complete and file Statements of Economic Interest Form 700 as required, and shall continue to do so.		
2	Fiscal Management	2.1	Court Staff Would Benefit from Fiscal Training and Guidance					
			Identify all fiscal responsibilities of the Court and ensure staff performing the activities have sufficient knowledge and training.		C	Fiscal responsibilities are set forth in the job description of the Administrative Assistant/Fiscal Manager and in the Policies and Procedures regarding Accounting, Banking, Cash Handling, Escheatment, Financial Management, Fiscal Records, General Ledger, Grant Accounting, Procurement, Revenue Collection and Distribution, Court Security and Vendor Invoicing.	CEO	June 2011
			Work with the AOC to receive one-on-one procedural guidance from the TCAS on fiscal activities and responsibilities and the Phoenix-FI system—guidance and training could be provided to Court staff at a detailed procedural level as well as to management from a higher-level oversight and management perspective.		C	We have contacted the TCAS and hope to receive Phoenix-FI training in the very near future. Fiscal staff as well as the CEO will attend such training. Our Administrative Assistant/Fiscal Manager received detailed Phoenix Payroll training from Lisa Morris and Shaneen Williams for two days the end of June. Additionally, the Administrative Assistant//Fiscal Manager and backup clerk attended Phoenix training in Sacramento the week	CEO	June 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						of June 20 th , 2011. Such training will continue as necessary.		
			Revisit fiscal expertise requirements and develop job descriptions accordingly for staff performing fiscal activities.	I		The fiscal expertise requirements will be revisited after transfer of applicable external accounts to Bank of America through the AOC, and intensive Phoenix-FI training. Job descriptions will be redrafted accordingly.	CEO	
		2.2	Court's Fiscal Recording and Reporting Practices Need Improvement					
			Transfer \$28,000 (or a large portion) of the fund/ account balance out of the Revolving Fund into the Court's Operations Fund to realign the revolving fund balance to a more appropriate level (i.e. \$2,000).	I		After consultation with the judicial staff, the balance in the revolving bank account will be reduced to a more appropriate level. This will not take place, however, until such time as all accounts currently paid out of revolving are transferred to the Operations Fund and we have received adequate training including training in CalPERS payment processing. Excessive monies will then be transferred into the Court's Revolving Fund account.	CEO	
			Make vendor payments for future benefit/tax payments, including CalPERS payments through the standard park and post process through the Court's Operations Fund.	I		Pursuant to recent extensive Phoenix Payroll training, vendor payments for future benefit/tax payments, including payroll, taxes, and benefits such as insurance shall henceforth be processed by way of the standard park and post procedure through the Court's Operations Fund.	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						CalPERS payments will be processed through Phoenix as soon as we have made the appropriate arrangements with CalPERS.		
			Stop making payroll related expenditures through the revolving fund bank account and only use the revolving fund for its intended purpose— emergency, non-reoccurring purchases.	I		See previous response. In the future the Revolving Fund shall be limited to emergency, non-reoccurring purchases consistent with the Trial Court Financial Policy and Procedures Manual.	CEO	
			Work closely with TCAS staff to research and investigate source of funds in the Wells Fargo Civil Assessment bank account (XXXX-70947) to determine whether monies should be transferred into the Operations Fund or moved to restricted funds and then used only for designated purposes as applicable. Confirm the appropriate usage of these monies.		C	To our knowledge all monies deposited into the external account #XXXX-70947 since approximately 2000 have been appropriate monthly revenue distribution deposits. Likewise the County of Alpine has regularly received the \$10 prior's fee pursuant to Government Code § 40508.6. However, to assure compliance we will be happy to work with TCAS staff to verify, and correct if necessary, any and all entries in this account.	CEO	
			Work with TCAS to better understand the type of data that needs to be reported on financial statements, such as the QFS and CAFR reports, where that information would be gathered from, and how to ensure all appropriate data is captured and reported.	I		We welcome this training. It is reasonable to assume that not all appropriate data has been captured nor reported on financial statements, such as QFS and CAFR reports, as this court has never received any type of training on the Phoenix program. In that we were unable to enter data into Phoenix, is understandable that	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						automatically generated reports have been less than complete. The CEO has attempted to secure such training for staff since 2010, and is thankful that said training will now be provided.		
		2.3	Issues Related to Payroll Processing and Use of External Firm					
			Assign the responsibility of reviewing and analyzing payroll transactions and reports to spot errors and discrepancies to the CEO. Work with the TCAS payroll division to obtain related payroll processing training and to resolve existing discrepancies.	I		Agree. We look forward to transferring payroll responsibilities to TCAS. CEO is amenable to working with TCAS payroll division to obtain payroll processing training and to resolve existing discrepancies, if any. This should eliminate the need for these functions to be handled by the current external accounting firm, thereby reducing costs.	CEO	
			Ensure reimbursements received from the County are deposited in the Court's operations fund and has corresponding expenses. Ensure the reimbursement with the County is disclosed on the Schedule 7A.	I		My understanding is that the salary reimbursement received from the County has been deposited into the Court's operations fund; however no corresponding expenses have been tied to the reimbursement. Additionally the reimbursement amount seems to have not been disclosed on the Schedule 7A. It would seem that these issues will be alleviated once Alpine staff has been properly trained on Phoenix, and in the future the reimbursement will be disclosed on Schedule 7A.	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Discontinue receiving payroll processing and reporting services from the CPA firm in order to take advantage of cost savings and responsive support services via the AOC's contract with ADP for payroll related services and the AOC's TCAS payroll division for support.	I		Agree.	CEO	
			Discontinue contracting for fiscal-related services from the CPA firm, including preparing reports required by the AOC. Assign the responsibility to the CEO.	I		Under consideration. Transfer of report responsibility conditional upon intensive training of CEO by TCAS.	CEO	
			Work with TCAS to receive specific one-on-one guidance and assistance in crafting a checklist of activities or steps needed to address the following: - Preparing reports required by the AOC, including the Report of Revenues and the Schedule 7a; - Reviewing QFS information prepared by the AOC and completing required supplementary QFS data related to trust balances and compensated absences information); and, - Assisting with preparing the annual budget.	I		Agree. Checklists of activities/steps necessary to 1) prepare reports required by the AOC, including Schedule 7a; (2) reviewing AOC prepared QFS information and completing required supplementary QFS data related to trust balances and compensated absences; and (3) preparing the annual budget would be welcome.	CEO	
3	Fund Accounting	3.1	Trust Fund Management Requires Improvement					
			Develop and implement a process to perform a complete reconciliation of funds held in trust on a monthly basis that includes a comparison between CMS records, fiscal records, and bank balances. Reconcile, identify, and resolve any discrepancies and outstanding items in the trust balances between the fiscal system and case management systems	I		The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15,	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			ensure balances are accurate and reliable.			2011. We will then begin writing new programs to generate applicable reports and information to be utilized to perform a complete reconciliation of funds held in trust on a monthly basis that includes a comparison between CMS records, fiscal records and bank balances. Discrepancies and outstanding items in the trust balances between the fiscal system and CMS to ensure that balances are accurate and correct. We hope to have this application completed by April, 2012.		
			To facilitate the comprehensive trust fund reconciliation between fiscal balances and CMS balances, work with its IT consultant to create a standard CMS report that will list all trust fund balances at any given point in time.	I		The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including a standard CMS report that will list all trust fund balances at any given point in time. We hope to have this application completed by April, 2012.	CEO	
			Assign the responsibility to the CEO to formally review, approve, and sign monthly trust fund reconciliations between		C	Agree.	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			total fiscal balances and total CMS balances.					
			Continue to ensure that all traffic trust payments are deposited into trust when received and tracked through the CMS and fiscal system.		C	This process has been implemented and shall continue.	CEO	
			Develop practices and procedures, coordinating with its IT consultant, to capture and track the age of deposits on trust so the Court can better monitor its funds held in trust. Using aged schedules, research older trust cases to identify whether cases may have been closed and whether trust funds are eligible to be refunded, distributed, or escheated.	I		The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to track and capture the age of deposits in trust so the Court can better monitor such funds. We will then use the aged schedules to identify whether cases may have been closed and whether trust funds are eligible for refund, distribution or escheatment. We hope to have this application completed by April, 2012.	CEO	
			Develop a process to review old trust accounts for escheatment.		C	Alpine County Superior Court Policies and Procedures - Escheat were drafted, effective 05-2011.	CEO	May 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
4	Accounting Principles and Practices							
			No issues identified warranting a response.					
5	Cash Collections	5.1	Segregation of Duties Issues Increase Court Fiscal Risk and Must be Addressed					
			Eliminate the practice of the Administrative Assistant processing any payments into the CMS. Ensure staff that is responsible for daily collection (including trust) reconciliations and disbursements does not handle any cash, accept any payments, or perform bank deposits.		C	The Alpine County Superior Court Policies and Procedures Regarding Cash Handling, drafted, effective 03/2011 has been implemented and addresses these concerns. Additionally, a more detailed policy and procedure regarding payment processing was drafted and circulated to all staff on June 24, 2011.	CEO	March 2011
			Consider providing each staff member that is responsible for collecting payments with their own cash drawer.	I		This recommendation has been considered and dismissed as inappropriate at this time. The additional staff time requirements necessary to manage two drawers is simply not feasible at this time. We believe that any inconsistencies will be easily identified as there are only two cashiers.	CEO	
		5.2	Daily Cash Collection Reconciliation and Endorsement Processes Must be More Timely					
			Reconcile daily collections to CMS reports of collection prior to the end of the day.		C	The Alpine County Superior Court Policies and Procedures Regarding Revenue Collection and Distribution, effective 03/2011, as amended 06/2011 specifically sets forth that daily cash collections shall be reconciled to the CMS reports of collection prior to the end of each business day.	CEO	June 2011

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Immediately restrictively endorse all checks upon receipt.		C	The Alpine County Superior Court Policies and Procedures Regarding Revenue Collection and Distribution, effective 03/2011 specifically requires that all checks shall be restrictively endorsed immediately upon receipt.	CEO	March 2011
		5.3	Court Lacks Processes to Monitor Delinquent Cases Sent to Collections					
			Work with the Court's IT consultant to generate a CMS report of all cases sent to collections.	I		The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to generate a CMS report all cases sent to collections. We hope to have this application completed by April, 2012.	CEO	April 2012
			Request that the CMS vendor provide a comprehensive listing of all cases being worked on as well as the status of each case.	I		The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and	CEO	April 2012

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						information including an application to generate a CMS report all cases sent to collections. We hope to have this application completed by April, 2012.		
			Develop a process to monitor the Court cases sent to the vendor for enhanced collection efforts.	I		The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to monitor Court cases sent to the vendor for enhanced collection efforts. We hope to have this application completed by April, 2012.	CEO	April 2012
			Verify the amounts charged by the vendor to the defendant are appropriate and agree with the amounts reflected in the Court's contract with the vendor.		C	Vendor charges will be reconciled with current terms and conditions of the contract with that vendor.	CEO	
6	Information Systems	6.1	Certain Fine Distribution Calculations Were Incorrect					
			When changes are made to the Court's distribution tables, the Court should ensure the changes are correct and verify the distributions prior to making changes to the production environment. The Court should work with the AOC to ensure revenue distribution changes are accurate.		C	This has been implemented.	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Ensure the distribution formulas in CMS are correct to address the errors noted above and continue to ensure that all fee/fine revenue distributions comply with relevant laws, regulations, and guidance. If necessary, seek clarification and guidance from the AOC on configuring accurate distributions in the case management system.		C	This has been implemented.	CEO	
		6.2	Monitoring of Activity Associated with the Court's Automated Systems Requires Improvement					
			Perform periodic reviews exception reports listing fee and fine reductions as well as review the CMS audit trail report to look for unusual or inappropriate activity.	I		The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an exception report listing fee and fine reductions as well as review the CMS audit trail report to look for unusual or inappropriate activity. We hope to have this application completed by April, 2012. The periodic review shall be completed by the CEO.	CEO	April 2012
			Establish a monthly or periodic internal review process whereby an independent court employee selects a sample of CMS modifications to compare with actual case file records and judicial orders.	I		The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with	CEO	April 2012

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an exception report listing fee and fine reductions as well as review the CMS audit trail report to look for unusual or inappropriate activity. We hope to have this application completed by April, 2012. The internal review shall be completed by the CEO.		
			Perform periodic reviews of the DMV use activity reports to ensure data is not being improperly accessed and license holds are not being wrongfully released or added. This responsibility should be assigned to a Court employee that does not access the DMV system, such as the CEO.		C	The CEO shall undertake this review immediately.	CEO	
7	Banking and Treasury	7.1	Several Issues with Bank Account Management Issues must be Resolved					
			Transfer all local bank accounts to the AOC Bank of America accounts; in essence, transferring the majority of bank reconciliation activities to TCAS. Have TCAS assume responsibility for reconciling all Bank of America accounts.	I		The Wells Fargo bank account dealing with fines and fees has been reconciled to date. The transfer of external accounts is in process, but for the Civil Assessment bank account, which is pending judicial approval. Once TCAS assumes responsibility for these accounts, the only remaining account requiring court reconciling will be the Civil Assessment bank	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						account, pending transfer.		
			Once reconciliations are prepared, the CEO should review the bank reconciliations and indicate approval through signature and date.		C	This shall be implemented immediately.	CEO	
			Ensure that employees involved with accepting payments, verifying cash collected, and signing checks are not involved with any aspect of reconciling bank accounts.	I		This will prove difficult with our limited staff. Two clerks accept payments, the Fiscal Manager verifies cash collected and the Judicial Officers, Fiscal Manager and CEO sign checks. That leaves no one to reconcile accounts.	CEO	
			Work with TCAS to receive one-on-one training related to ensuring all Court activity is appropriately recorded in the Phoenix-FI system, including activity related to the bank accounts that will be transferred from Wells Fargo to the AOC Bank of America accounts.		C	The training process has been initiated and shall be ongoing as necessary.	CEO	
			Discontinue use and time/effort spent tracking local bank account activity in QuickBooks; instead, the Court should utilize Phoenix-FI system.	I		Agree, once Phoenix training is complete.	CEO	
8	Court Security							
9	Procurement	9.1	Court Should Improve its Procurement Processes by Utilizing Formal Purchasing Documents and Ensuring Consistent Verification of Receipt of Goods and Services					
			Work with the AOC to receive guidance and assistance in utilizing the Phoenix-FI system to create and issue purchase requisitions and purchase orders.	I		I assume this will be a topic of ongoing Phoenix training through the AOC. Once training is completed the recommendation will be implemented.	CEO	
			Utilize the Phoenix-FI system as part of its procurement process.	I		I assume this will be a topic of ongoing Phoenix training through the AOC. Once training is completed the recommendation will be	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						implemented.		
			Ensure 3-point match is conducted when goods are received and invoices are stamped "ok-to-pay" indicating services were appropriately received.		C	This procedure has been implemented in accordance with the Alpine County Superior Court Policy and Procedures Regarding Procurement, drafted 12/2010.	CEO	Dec 2010
10	Contracts	10.1	Court's MOUs with County Needs to be Formalized and Updated					
			Continue working with the AOC to draft and implement a formal MOU between the Court and County for general services provided, including clearly delineating terms and conditions related to grand jury services.	I		The Memorandum of Understanding referencing the relationship between Alpine County and the Alpine County Superior Court, and the Memorandum of Understanding for Collection Services as prepared by the Office of the General Counsel, Transactions and Business Operations Unit of the AOC was forwarded to the Alpine County CAO and County Counsel for review and submission to the Board of Supervisors on May 3, 2011. I am informed they are still reviewing the documents. The documents, as drafted, specifically deal with the issues listed above.	CEO	
			Seek reimbursement from the County for past Grand Jury expenses.		C	Completed.	CEO	
			Continue to work with the AOC to update the agreement with the County covering collection activities, including ensuring the	I		The Memorandum of Understanding referencing the relationship between	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Court and County's roles and responsibilities are clearly described.			Alpine County and the Alpine County Superior Court, and the Memorandum of Understanding for Collection Services as prepared by the Office of the General Counsel, Transactions and Business Operations Unit of the AOC was forwarded to the Alpine County CAO and County Counsel for review and submission to the Board of Supervisors on May 3, 2011. I am informed they are still reviewing the documents. The documents, as drafted, specifically deal with the issues listed above.		
			Court should consider if it is in the best interest of court resources to continue providing probation collection services to the County.	I		The approximate \$28,000 received as salary reimbursement from Alpine County is based upon court staff services rendered pertaining to the operation and management of the Enhanced Collections program, and collection of court ordered restitution of public defender fees and the collection of any payment that is a condition or consequence of probation. Proportionate time expended by staff is approximately 10%. We anticipate that TCAS may take over many accounting functions of Alpine County Superior Court, thus it would appear that these services	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
						may reasonably and cost efficiently be extended.		
		10.2	Some Court Contracts Should be Updated to Reflect Current Billing Rates and One Contract Should be Placed Out for Competitive Bid					
			Must fully execute its contracts and agreements prior to beginning work or provide services.	I		Agree. The contract with David & Johnson will be re-drafted to conform to requirements. The contract with Official Payments Corporation has been updated. It is agreed that these services should be placed out for competitive bid. By way of clarification, the reason that the monthly payment increased was because the Court upgraded the copier, however the contract terms should and will be updated.	CEO	
			Must maintain original, fully executed copies of all contracts entered into, including any amendments.	I		Agree.	CEO	
			Should revisit their agreement with Canon Financial Services and place it out for competitive bid.	I		Agree.	CEO	
		10.3	Contract Services Should be Verified Prior to Payment					
			Consistently monitor and approve all contracted services received.		C	Completed. The Court monitors and approves all contracted services received pursuant to the Alpine County Superior Court Policy and Procedures regarding Vendor Invoice/Claims Processing, effective 02/2011.	CEO	
			Verify services were received by the Court prior to paying contractor invoices. In addition, the Court should require supporting documents prior to		C	Completed. The Court has initiated procedures requiring the receipt of supporting documentation	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			reimbursement of court-related expenses.			specifically delineating goods and services provided outside the terms and conditions of the current contract prior to payment. These procedures are specifically set forth in the Alpine County Superior Court Policy and Procedures regarding Vendor Invoice/Claims Processing.		
			Ensure charges are in agreement with the scope of work prior to payment.		C	Completed. An addendum to the janitorial contract has been executed, whereby the vendor agrees to itemize and bill separately for any and all services rendered which are outside the terms and conditions of the current contract.	CEO	
11	Accounts Payable	11.1	Inappropriate Use of Court Funds					
			Ensure that all expenditures comply with rules and regulations and seek AOC guidance when in doubt prior to payment.		C	In the future we shall ensure that all expenditures comply with the FIN Manual rules and regulations, and should there be questions, will contact TCAS for further guidance and direction.	CEO	
		11.2	Verification of Receipt of Goods and Services Should be Improved					
			Consistently monitor and approve receipt of goods and services prior to making payment.		C	Agree. This shall be accomplished pursuant to guidelines set forth in the Alpine County Superior Court Policy and Procedures Regarding Vendor Invoices/Claims Processing.	CEO	
			Require receipts from contracted vendors and consultants for purchases of		C	Completed. Court will continue to require processing of invoices	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			court-related equipment as well as require detailed monthly invoices which have been monitored and reviewed by appropriate staff.			pursuant to the Alpine County Superior Court Policy and Procedures Regarding Vendor Invoices/Claims Processing.		
			Verify the number of folios prior to payment.		C	The Court will initiate the verification of folios prior to payment to ensure proper controls over invoices and payments and minimize the risk of unauthorized purchases.	CEO	
			Review mileage claims for appropriateness prior to payment, including ensuring physical mailing addresses are the basis of mileage claims.		C	Agree. As a point of clarification, the court reporters are paid mileage from their place of business to the Alpine County Superior Court, regardless of the place of their residence. Likewise for interpreters, who historically have been employees of the El Dorado County Superior Court, or other neighboring courts. Judges and court staff would be paid appropriate mileage, as necessary, from portal to portal, that is, from the Alpine County Superior Court to their place of destination and back.	CEO	
			Implement a formal pre-approval process related to travel.		C	Agree. The Court shall implement a formal pre-approval process related to travel.	CEO	
			Develop a process to utilize lodging exception forms when allowable lodging rates exceed AOC per diem limits.		C	Completed. The Court has implemented a lodging exception form when allowing lodging rates which exceed AOC per diem limits.	CEO	
			Monitor the usage of the court-owned vehicle and the		C	Agree. In the future the Court shall utilize a log	CEO	

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			associated fuel cards.			book which shall require all drivers of the court car to date and sign out the vehicle, with a notation of mileage prior to leaving. Additionally the driver shall be required to date and sign in the vehicle upon return, and note mileage utilized for the trip.		
		11.3	Court Should Pay Appropriate Court Reporter Rates per GC 69950					
			Review transcripts and pay the appropriate rate of \$.85 per 100 words per GC 69950.		C	Completed. The Court has amended the contract with the Capitol Reporters to reflect the appropriate rate of \$.85 per 100 words per GC 69950.	CEO	
12	Fixed Assets Management	12.1	Court Unable to Support Fixed Asset Balances Reported on Financial Reports					
			Continue conducting inventory of its fixed assets in accordance with the FIN Manual suggests.		C	The Court's fixed asset list was updated during this audit process and shall be monitored and updated pursuant to the Alpine County Superior Court Policy and Procedures Regarding Fixed Assets, effective 02/2011.	CEO	Feb 2011
			Utilize annual inventory listing to accurately value and report fixed asset balances on CAFR worksheets.		C	This will be accomplished on an annual basis pursuant to the Alpine County Superior Court Policy and Procedures Regarding Fixed Assets.	CEO	
13	Audits	13.1	A Few Past Audit Issues Have Not Been Addressed					
			The Court should correct issues identified in this report, as well as those discussed in IAS' 2006 report to the Court.	I		This Court will make every effort to address and correct any issues identified in this or the 2006 audit.	CEO	
14	Records Retention							
			No issues identified warranting					

FUNCTION		RPT NO.	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			a response.					
15	Domestic Violence							
			See Section 6.2					
16	Exhibits	16.1	Processes Over Exhibits Appear Generally Reasonable; However, Court Should Determine the Proper Disposition of Old Civil Exhibits Currently Kept in Storage					
			Determine the best method for destruction of old civil exhibits currently in storage.	I		The Court has hired a part time employee for the primary purpose of destruction of old records, including exhibits, pursuant to acceptable guidelines. We hope to have this accomplished by the end of 2012.	CEO	Dec 2012
17	Facilities							
			No issues identified warranting a response.					

I = Incomplete; Court response and/or corrective action plan does not fully address issue and thus, remains incomplete.

C = Complete; Court response and/or corrective action plan addresses issue and is considered completed.

Appendix D: Court's Full Response

The Superior Court of California

Alpine County

P.O. Box 518 Markleeville, CA 96120

David DeVore

Presiding Judge

Thomas Kolpacoff

Judge

Margaret Sackrider-White

Court Executive Officer/

Jury Commissioner

Telephone 530.694.2113

FAX 530.694.2119

July 12, 2011

John Judnick, Senior Manager

Internal Audit Services

Administrative Office of the Courts

455 Golden Gate Avenue, 7th Floor

San Francisco, CA 94102

Please accept the following responses to the Audit of the Superior Court of California, County of Alpine:

1. The Alpine County Superior Court adopted the Conflict of Interest Code Superior Court of California County of Alpine, effective May, 2011. Applicable staff members signed an Employee Acknowledgment Form shortly thereafter. Employees, including the independent contractor for IT services, CEO, Administrative, Senior Courtroom Clerk and Courtroom Clerk 11 completed the FPPC Form 700 in March and May of 2011, which are on file with the CEO. The Alpine County Procurement Policy was amended effective 06/2011 to reflect the requirement for applicable employees to file the Form 700, likewise the Superior Court of the State of California County of Alpine Personnel Plan and Policies specifically sets forth that designated employees must file a Statement of Economic Interests. In the future applicable staff with decision-making authority, where participating in decisions may be affected or conflict with personal economic interests shall complete and file Statements of Economic Interest Form 700 in January of each year.

The Judges complete and file Statements of Economic Interest Form 700 as required, and shall continue to do so.

2. Fiscal responsibilities are set forth in the job description of the Administrative Assistant/Fiscal Manager and in the Policies and Procedures regarding Accounting, Banking, Cash Handling, Escheatment, Financial Management, Fiscal Records, General Ledger, Grant Accounting, Procurement, Revenue Collection and Distribution, Court Security and Vendor Invoicing.
3. We have contacted the TCAS and hope to receive Phoenix-FI training in the very near future. Fiscal staff as well as the CEO will attend such training. Our Administrative Assistant/Fiscal Manager received detailed Phoenix Payroll training from Lisa Morris and Shaneen Williams for two days the end of June. Additionally, the Administrative Assistant/Fiscal Manager and backup clerk attended Phoenix training in Sacramento the week of June 20th, 2011. I assume such training will continue as necessary.

4. The fiscal expertise requirements will be revisited after transfer of applicable external accounts to Bank of America through the AOC, and intensive Phoenix-FI training. Job descriptions will be redrafted accordingly.
5. After consultation with the judicial staff, the balance in the revolving bank account will be reduced to a more appropriate level. This will not take place, however, until such time as all accounts currently paid out of revolving are transferred to the Operations Fund and we have received adequate training including training in CalPERS payment processing. Excessive monies will then be transferred into the Court's Revolving Fund account.
6. Pursuant to recent extensive Phoenix Payroll training, vendor payments for future benefit/tax payments, including payroll, taxes, and benefits such as insurance shall henceforth be processed by way of the standard pay and post procedure through the Court's Operations Fund. CalPERS payments will be processed through Phoenix as soon as we have made the appropriate arrangements with CalPERS.
7. See response to recommendation number 6 above. In the future the Revolving Fund shall be limited to emergency, non-reoccurring purchases consistent with the Trial Court Financial Policy and Procedures Manual.
8. To our knowledge all monies deposited into the external account #XXXX-70947 since approximately 2000 have been appropriate monthly revenue distribution deposits. Likewise the County of Alpine has regularly received the \$10 prior's fee pursuant to Government Code § 40508.6. However, to assure compliance we will be happy to work with TCAS staff to verify, and correct if necessary, any and all entries in this account.
9. We welcome this training. It is reasonable to assume that not all appropriate data has been captured nor reported on financial statements, such as QFS and CAFR reports, as this court has never received any type of training on the Phoenix program. In that we were unable to enter data into Phoenix, it is understandable that automatically generated reports have been less than complete. The CEO has attempted to secure such training for staff since 2010, and is thankful that said training will now be provided.
10. Agree. We look forward to transferring payroll responsibilities to TCAS. CEO is amenable to working with TCAS payroll division to obtain payroll processing training and to resolve existing discrepancies, if any. This should eliminate the need for these functions to be handled by the current external accounting firm, thereby reducing costs.
11. My understanding is that the salary reimbursement received from the County has been deposited into the Court's operations fund; however no corresponding expenses have been tied to the reimbursement. Additionally the reimbursement amount seems to have not been disclosed on the Schedule 7A. It would seem that these issues will be alleviated once Alpine staff has been properly trained on Phoenix, and in the future the reimbursement will be disclosed on Schedule 7A..
12. Agree.
13. Under consideration. Transfer of report responsibility conditional upon intensive training of CEO by TCAS.
14. Agree. Checklists of activities/steps necessary to 1) prepare reports required by the AOC, including Schedule 7a; (2) reviewing AOC prepared QFS information and completing required supplementary QFS data related to trust balances and compensated absences; and (3) preparing the annual budget would be welcome.
15. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information to be utilized to perform a complete reconciliation of funds held in trust on a monthly basis that includes a comparison

between CMS records, fiscal records and bank balances. Discrepancies and outstanding items in the trust balances between the fiscal system and CMS to ensure that balances are accurate and correct. We hope to have this application completed by April, 2012.

16. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including a standard CMS report that will list all trust fund balances at any given point in time. We hope to have this application completed by April, 2012.
17. Agree.
18. This process has been implemented and shall continue.
19. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to track and capture the age of deposits in trust so the Court can better monitor such funds. We will then use the aged schedules to identify whether cases may have been closed and whether trust funds are eligible for refund, distribution or escheatment. We hope to have this application completed by April, 2012.
20. Alpine County Superior Court Policies and Procedures - Escheat were drafted, effective 05-2011.
21. The Alpine County Superior Court Policies and Procedures Regarding Cash Handling, drafted, effective 03/2011 has been implemented and addresses these concerns. Additionally, a more detailed policy and procedure regarding payment processing was drafted and circulated to all staff on June 24, 2011.
22. This recommendation has been considered and dismissed as inappropriate at this time. The additional staff time requirements necessary to manage two drawers is simply not feasible at this time. We believe that any inconsistencies will be easily identified as there are only two cashiers.
23. The Alpine County Superior Court Policies and Procedures Regarding Revenue Collection and Distribution, effective 03/2011, as amended 06/2011 specifically sets forth that daily cash collections shall be reconciled to the CMS reports of collection prior to the end of each business day.
24. The Alpine County Superior Court Policies and Procedures Regarding Revenue Collection and Distribution, effective 03/2011 specifically requires that all checks shall be restrictively endorsed immediately upon receipt.
25. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to generate a CMS report all cases sent to collections. We hope to have this application completed by April, 2012.
26. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to generate a comprehensive listing of all delinquent cases being worked on as well as the status of each case. We hope to have this application completed by April, 2012.
27. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is

expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an application to monitor Court cases sent to the vendor for enhanced collection efforts. We hope to have this application completed by April, 2012.

28. Vendor charges will be reconciled with current terms and conditions of the contract with that vendor.
29. This has been implemented.
30. This has been implemented.
31. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an exception report listing fee and fine reductions as well as review the CMS audit trail report to look for unusual or inappropriate activity. We hope to have this application completed by April, 2012. The periodic review shall be completed by the CEO.
32. The Court's CMS system is well over 10 years old and, as such, is inadequate. The schema is currently being updated and rewritten to effectively interface with the CCMS program. The rewrite is expected to be completed by the end of July and should be up and running by August 15, 2011. We will then begin writing new programs to generate applicable reports and information including an exception report listing fee and fine reductions as well as review the CMS audit trail report to look for unusual or inappropriate activity. We hope to have this application completed by April, 2012. The internal review shall be completed by the CEO.
33. The CEO shall undertake this review immediately.
34. The Wells Fargo bank account dealing with fines and fees has been reconciled to date. The transfer of external accounts is in process, but for the Civil Assessment bank account, which is pending judicial approval. Once TCAS assumes responsibility for these accounts, the only remaining account requiring court reconciling will be the Civil Assessment bank account, pending transfer.
35. This shall be implemented immediately.
36. This will prove difficult with our limited staff. Two clerks accept payments, the Fiscal Manager verifies cash collected and the Judicial Officers, Fiscal Manager and CEO sign checks. That leaves no one to reconcile accounts.
37. The training process has been initiated and shall be ongoing as necessary.
38. Agree, once Phoenix training is complete.
39. I assume this will be a topic of ongoing Phoenix training through the AOC. Once training is completed the recommendation will be implemented.
40. I assume this will be a topic of ongoing Phoenix training through the AOC. Once training is completed the recommendation will be implemented.
41. This procedure has been implemented in accordance with the Alpine County Superior Court Policy and Procedures Regarding Procurement, drafted 12/2010.
42. The Memorandum of Understanding referencing the relationship between Alpine County and the Alpine County Superior Court, and the Memorandum of Understanding for Collection Services as prepared by the Office of the General Counsel, Transactions and Business Operations Unit of the AOC was forwarded to the Alpine County CAO and County Counsel for review and submission to the Board of Supervisors on May 3, 2011. I am informed they are still reviewing the documents. The documents, as drafted, specifically deal with the issues listed above.
43. Completed.

44. See response to Recommendation number 43, above.
45. The approximate \$28,000 received as salary reimbursement from Alpine County is based upon court staff services rendered pertaining to the operation and management of the Enhanced Collections program, and collection of Court ordered restitution of public defender fees and the collection of any payment that is a condition or consequence of probation. Proportionate time expended by staff is approximately 10%. We anticipate that TCAS may take over many accounting functions of Alpine County Superior Court, thus it would appear that these services may reasonably and cost efficiently be extended.
46. Agree. The contract with David & Johnson will be re-drafted to conform to requirements. The contract with Official Payments Corporation has been updated. It is agreed that these services should be placed out for competitive bid. By way of clarification, the reason that the monthly payment increased was because the Court upgraded the copier, however the contract terms should and will be updated.
47. Agree.
48. Agree.
49. Completed. The Court monitors and approves all contracted services received pursuant to the Alpine County Superior Court Policy and Procedures regarding Vendor Invoice/Claims Processing, effective 02/2011.
50. Completed. The Court has initiated procedures requiring the receipt of supporting documentation specifically delineating goods and services provided outside the terms and conditions of the current contract prior to payment. These procedures are specifically set forth in the Alpine County Superior Court Policy and Procedures regarding Vendor Invoice/Claims Processing
51. Completed. An addendum to the janitorial contract has been executed, whereby the vendor agrees to itemize and bill separately for any and all services rendered which are outside the terms and conditions of the current contract.
52. In the future we shall ensure that all expenditures comply with the FIN Manual rules and regulations, and should there be questions, will contact TCAS for further guidance and direction.
53. Agree. This shall be accomplished pursuant to guidelines set forth in the Alpine County Superior Court Policy and Procedures Regarding Vendor Invoices/Claims Processing.
54. Completed. Court will continue to require processing of invoices pursuant to the Alpine County Superior Court Policy and Procedures Regarding Vendor Invoices/Claims Processing.
55. The Court will initiate the verification of folios prior to payment to ensure proper controls over invoices and payments and minimize the risk of unauthorized purchases.
56. Agree. As a point of clarification, the court reporters are paid mileage from their place of business to the Alpine County Superior Court, regardless of the place of their residence. Likewise for interpreters, who historically have been employees of the El Dorado County Superior Court, or other neighboring courts. Judges and court staff would be paid appropriate mileage, as necessary, from portal to portal, that is, from the Alpine County Superior Court to their place of destination and back.
57. Agree. The Court has implemented a formal pre-approval process related to travel.
58. Completed. The Court has implemented a lodging exception form when allowing lodging rates which exceed AOC per diem limits.
59. Agree. In the future the Court shall utilize a log book which shall require all drivers of the court car to date and sign out the vehicle, with a notation of mileage prior to leaving.
60. Completed. The Court has amended the contract with the Capitol Reporters to set forth the appropriate rate of \$.85 per 100 words per GC 69950.

61. The Court's fixed asset list was updated during this audit process and shall be monitored and updated pursuant to the Alpine County Superior Court Policy and Procedures Regarding Fixed Assets, effective 02/2011.
62. This will be accomplished on an annual basis pursuant to the Alpine County Superior Court Policy and Procedures Regarding Fixed Assets.
63. This Court will make every effort to address and correct any issues identified in this or the 2006 audit.

As to Section 1.1, Recommendation #1: The court has continues to struggle with the reconciliation issue due to limitations in staffing. Further input or recommendation is requested. In the meantime, in that the CEO has no actual cash handling or input responsibility, she will perform such reconciliations.

As to Section 5.2, Recommendation #16 and as a point of clarification, the Court undertakes a differential back up of all case data every two hours from 8:00 a.m. to 5:00 p.m. A full system back up is performed every evening. The external hard drive is located in a fire-proof compartment at the office of the IT specialist is currently being reconfigured to increase storage. Full back-up will be imaged off site by April, 2012.
64. The Court has hired a part time employee for the primary purpose of destruction of old records, including exhibits, pursuant to acceptable guidelines. We hope to have this accomplished by the end of 2012.

Should you have any questions, concerns or comments please feel free to contact me.

Margaret White
Court Executive Officer
MW:ttm