



Audit of the
Superior Court Of California,
County of Amador

REPORT OF
INTERNAL AUDIT SERVICES

APRIL 2011



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

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Superior Court of California, County of Amador

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MANAGEMENT SUMMARY

Introduction

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

The audit of the Superior Court of California, County of Amador (Court) was initiated by IAS in June 2010. Depending on the size of the court, the audit process typically involves three or four audit cycles encompassing the following primary areas:

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

IAS audit plans cover all four of the above areas. The audit process involves the review of the Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS contracted with Sjoberg Evashenk Consulting, LLC to perform an Agreed-Upon Procedures Review of the Court's fiscal operations in August 2003. IAS also initiated an audit of the Court in June 2006 with a focus on the Court's readiness for implementation of the Court Accounting and Reporting System (CARS), now known as the Phoenix Financial System. IAS followed up on the issues identified in the 2006 audit to determine whether the Court adequately resolved previous issues.

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

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

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

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

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

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

Audit Issues Overview

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

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

Court Distribution of Collections

The Court did not correctly distribute certain fines, fees, penalties, and other assessments it collected. State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. The Judicial Council and the State Controller's Office publish guidelines courts use to calculate and distribute these court collections. Courts use either manual or automated systems to make and track the often

complex calculations and distributions required by law. The Court uses a case management system (CMS) that automatically calculates and distributes the fines, penalties, fees, and other assessments the Court collects. Our review of the Court's calculations and distributions of court collections noted various calculation and distribution errors.

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

Trust Account Reconciliations

The Court does not maintain current reconciliations of all its trust accounts, and its reconciliation procedures could be improved. Trial courts receive and hold trust funds in a fiduciary capacity on behalf of others and are responsible for properly managing, monitoring, and safeguarding these funds, including performing complete reconciliations of associated bank accounts. A complete reconciliation would involve reconciling the bank account, the fiscal system, and the detailed subsidiary record system for trust account activity, usually the CMS. The FIN Manual also requires that reconciliations be signed by both the preparer and the reviewer. However, our review determined that the Court has not kept up-to-date reconciliations of its criminal and traffic trust funds that it deposited in the County Treasury. Additionally, for all trust accounts either deposited with the County or in a bank account established and maintained by the AOC, the Court relies on its spreadsheet of trust account activity rather than the official record of trust balances maintained in its CMS. Finally, the Court has not required nor implemented a secondary review and approval process for the local account reconciliations its staff perform.

The Court agreed with the audit recommendations and indicated planned corrective action to address the noted issues.

STATISTICS

The Court operates one courthouse in the city of Jackson, and has 2.3 judges and subordinate judicial officers who handled 10,480 cases in FY 2008–2009. Further, the Court employed 33 full-time-equivalent staff to fulfill its administrative and operational activities, with total trial court expenditures of more than \$3.4 million for the fiscal year ended June 30, 2010.

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

The charts that follow contain general Court statistical information.

County Population (Estimated as of January 1, 2010)	38,022
Source: California Department of Finance	
Number of Case Filings in FY 2008–2009:	
Criminal Filings:	
▪ Felonies	341
▪ Non-Traffic Misdemeanor	260
▪ Non-Traffic Infractions	58
▪ Traffic Misdemeanors	739
▪ Traffic Infractions	7,434
Civil Filings:	
▪ Civil Unlimited	222
▪ Family Law (Marital)	186
▪ Family Law Petitions	320
▪ Probate	69
▪ Limited Civil	457
▪ Small Claims	164
Juvenile Filings:	
▪ Juvenile Delinquency – Original	44
▪ Juvenile Delinquency – Subsequent	14
▪ Juvenile Dependency – Original	34
▪ Juvenile Dependency – Subsequent	0
Source: Judicial Council of California's 2010 Court Statistics Report	

Number of Court Locations	1
Number of Courtrooms	3
Source: Superior Court of California, County of Amador	
Judicial Officers as of June 30, 2010:	
Authorized Judgeships	2.0
Authorized Subordinate Judicial Officers	0.3
Source: Judicial Council of California's 2010 Court Statistics Report	
Court Staff as of June 30, 2010:	
Total Authorized FTE Positions	37.62
Total Filled FTE Positions	33.02
Total Fiscal Staff	3.0
Source: Fourth Quarter FY 2009–2010 Quarterly Financial Statements and FY 2009-2010 Schedule 7A	
Select FY 2009-2010 Financial Information:	
Trial Court Trust Fund Total Financing Sources	\$ 3,358,838
Trial Court Trust Fund Expenditures	\$ 3,408,875
Non-Trial Court Trust Fund Total Financing Sources	\$ 85,061
Non-Trial Court Trust Fund Expenditures	\$ 10,668
Total Personal Services Costs (TCTF)	\$ 2,369,293
Total Temporary Help Costs (TCTF)	\$ 0
Total Personal Services Costs (NTCTF)	\$ 0
Total Temporary Costs (NTCTF)	\$ 0
Source: Fourth Quarter FY 2009–2010 Quarterly Financial Statements	
FY 2009–2010 Average Daily Cash Collections	\$ 10,900
Source: Superior Court of California, County of Amador	

FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the Administrative Office of the Courts (AOC) developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of Amador (Court), implemented this fiscal system on July 1, 2007, and processes fiscal data through the AOC

Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years.

The three schedules are:

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

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

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

- **Governmental**
 - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
 - **Special Revenue** – Used to account for certain revenue sources "earmarked" for specific purposes (including grants received). Funds included here are:
 - **Special Revenue**
 1. Enhanced Collections – 120007
 - **Grants**
 1. AB1058 Child Support Commissioner – 1910591
 2. Substance Abuse Focus – 1910601
- **Fiduciary**
 - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used "to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs."¹ Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to "a trust agreement that affects the degree of management involvement and the length of time that the resources are held." Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:
 - Trust – 320001

¹ GASB Statement No. 34, paragraph 69.

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

² GASB Statement No. 34, paragraph 12.

Amador Superior Court
 Trial Court Operations Fund
 Balance Sheet
 As of June 30
 (Unaudited)

	2010					2009
	Governmental Funds			Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue				
		Non-Grant	Grant			
ASSETS						
Operations	622,535	-	-	-	622,535	827,442
Revolving	54,685	-	-	-	54,685	54,630
Civil Filing Fees	-	-	-	5,732	5,732	76,404
Trust	-	-	-	8,373	8,373	10,272
Cash on Hand	880	-	-	-	880	880
Cash Held Outside of the AOC	28,437	-	-	75,813	104,250	44,856
Total Cash	706,537	-	-	89,918	796,455	1,014,484
Short Term Investment	275,788	-	-	80,744	356,532	-
Total Investments	275,788	-	-	80,744	356,532	-
Accrued Revenue	2,007	-	-	-	2,007	1,734
Accounts Receivable - General	16,187	750	-	-	16,937	45,190
Due From Employee	-	-	-	-	-	620
Due From Other Funds	139,588	-	-	-	139,588	104,184
Due From Other Governments	6,097	-	-	-	6,097	9,835
Due From Other Courts	10,752	-	-	-	10,752	3,918
Due From State	62,673	-	145,554	-	208,227	194,917
Total Receivables	237,305	750	145,554	-	383,609	360,398
Prepaid Expenses - General	1,584	-	85	-	1,669	2,004
Total Prepaid Expenses	1,584	-	85	-	1,669	2,004
Total Assets	1,221,214	750	145,639	170,662	1,538,265	1,376,885
LIABILITIES AND FUND BALANCES						
Accrued Liabilities	36,598	-	1,260	-	37,858	41,917
Accounts Payable - General	910	-	65	-	975	(7)
Due to Other Funds	-	750	138,832	7	139,589	104,184
Due to State	10,058	-	-	-	10,058	-
TC145 Liability	-	-	-	86,468	86,468	76,404
Due to Other Governments	108,858	-	5,482	-	114,340	70,849
Sales and Use Tax	-	-	-	-	-	152
Interest	-	-	-	7	7	-
Total Accounts Payable and Accrued Liab.	156,424	750	145,639	86,482	389,295	293,500
Civil	-	-	-	5,497	5,497	8,554
Trust Held Outside of the AOC	-	-	-	75,813	75,813	9,340
Trust Interest Payable	-	-	-	53	53	53
Total Trust Deposits	-	-	-	81,363	81,363	17,947
Accrued Payroll	70,975	-	-	-	70,975	66,172
Benefits Payable	998	-	-	-	998	4,232
Total Payroll Liabilities	71,974	-	-	-	71,974	70,404
Liabilities For Deposits	280	-	-	252	532	532
Jury Fees - Non-Interest	-	-	-	1,650	1,650	1,050
Fees - Partial Payment & Overpayment	-	-	-	915	915	361
Total Other Liabilities	280	-	-	2,817	3,097	1,943
Total Liabilities	228,678	750	145,639	170,662	545,729	383,793
Fund Balance - Restricted	157,000	-	-	-	157,000	111,776
Fund Balance - Unrestricted	-	-	-	-	-	-
Designated	835,536	-	-	-	835,536	881,316
Undesignated	-	-	-	-	-	-
Total Fund Balance	992,536	-	-	-	992,536	993,092
Total Liabilities and Fund Balance	1,221,214	750	145,639	170,662	1,538,265	1,376,885

Source: Phoenix Financial System and Quarterly Financial Statements.

**Amador Superior Court
Trial Court Operations Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30,
(Unaudited)**

	2010					2009		
	Governmental Funds			Fiduciary Funds	Total Funds	Current Budget	Total Funds	Final Budget
	General	Special Revenue			(Info. Purposes Only)	(Annual)	(Info. Purposes Only)	(Annual)
		Non-Grant	Grant					
REVENUES								
State Financing Sources								
Trial Court Trust Fund	3,018,003	-	-	-	3,018,003	2,991,949	3,176,212	3,177,420
Trial Court Improvement Fund	5,546	-	-	-	5,546	5,129	111	5,129
Judicial Administration Efficiency & Mod Fund	15,700	-	-	-	15,700	-	-	-
Court Interpreter (45.45)	39,074	-	-	-	39,074	39,000	43,032	40,500
MOU Reimbursements (45.10 and General)	114,388	-	-	-	114,388	118,970	169,766	241,470
Other Miscellaneous	-	-	-	-	-	16,694	16,694	21,694
	3,192,711	-	-	-	3,192,711	3,171,742	3,405,815	3,486,213
Grants								
AB 1058 Commissioner/Facilitator	9,654	-	142,187	-	151,841	173,500	166,351	171,869
Other AOC Grants	-	-	13,528	-	13,528	19,000	18,216	19,000
	9,654	-	155,715	-	165,369	192,500	184,567	190,869
Other Financing Sources								
Interest Income	181	-	-	-	181	7,500	7,102	19,250
Investment Income	-	-	-	-	-	-	-	-
Donations	900	-	-	-	900	-	-	-
Local Fees	1,351	-	-	-	1,351	4,300	29,261	8,500
Non-Fee Revenues	76,375	-	-	-	76,375	61,300	64,549	55,000
Prior Year Revenue	(19,958)	-	(4,954)	-	(24,912)	-	5,374	-
Reimbursement Other	7,012	-	-	-	7,012	1,900	20,108	31,531
Other Miscellaneous	-	-	-	-	-	200	20,702	3,500
	65,861	-	(4,954)	-	60,907	75,200	147,096	117,781
Total Revenues	3,268,226	-	150,761	-	3,418,987	3,439,442	3,737,478	3,794,863
EXPENDITURES								
Personal Services								
Salaries - Permanent	1,563,625	-	85,006	-	1,648,631	1,625,642	1,820,235	1,789,568
Staff Benefits	720,662	-	-	-	720,662	789,527	765,030	760,535
	2,284,287	-	85,006	-	2,369,293	2,415,169	2,585,265	2,550,103
Operating Expenses and Equipment								
General Expense	96,619	-	4,183	-	100,802	91,493	259,509	222,533
Printing	7,283	-	28	-	7,311	11,000	12,332	17,000
Telecommunications	33,459	-	1,417	-	34,876	32,000	32,670	43,000
Postage	18,310	-	802	-	19,112	17,600	5,043	25,150
Insurance	1,362	-	-	-	1,362	1,500	1,319	2,000
In-State Travel	2,115	-	1,034	-	3,149	5,250	9,544	10,000
Out-of-State Travel	266	-	-	-	266	-	2,385	2,000
Training	22,955	-	-	-	22,955	3,000	16,615	18,000
Security Services	405,659	-	21,942	-	427,601	554,663	452,427	588,710
Facility Operations	20,943	-	889	-	21,832	21,250	22,020	23,100
Contracted Services	331,672	-	21,598	-	353,270	360,150	479,370	457,427
Consulting and Professional Services	2,922	-	-	-	2,922	3,432	3,432	3,250
Information Technology	37,343	-	1,290	-	38,633	27,250	46,373	27,650
Major Equipment	6,566	-	288	-	6,854	-	20,579	-
Other Items of Expense	2,322	-	-	-	2,322	1,500	1,378	2,500
	989,796	-	53,471	-	1,043,267	1,130,088	1,364,998	1,442,320
Special Items of Expense								
Jury Costs	6,983	-	-	-	6,983	7,400	8,110	10,500
Internal Cost Recovery	(17,015)	-	17,015	-	-	-	-	-
Prior Year Expense Adjustment	-	-	-	-	-	-	-	-
	(10,032)	-	17,015	-	6,983	7,400	8,110	10,500
Total Expenditures	3,264,051	-	155,492	-	3,419,543	3,552,657	3,958,373	4,002,923
Excess (Deficit) of Revenues Over Expenditures	4,175	-	(4,731)	-	(556)	(113,215)	(220,895)	(208,060)
Operating Transfers In (Out)	(4,731)	-	4,731	-	-	-	-	(560,962)
Fund Balance (Deficit)								
Beginning Balance (Deficit)	993,092	-	-	-	993,092	993,092	1,213,987	1,213,987
Ending Balance (Deficit)	992,536	-	-	-	992,536	879,877	993,092	1,566,889

Source: Phoenix Financial System.

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

	For the month ended June 30,								
	2010						2009		
	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	618,337	104,812	-	-	-	723,149	621,944	741,746	746,118
Traffic & Other Infractions	182,126	-	-	-	-	182,126	197,165	155,293	225,483
Other Criminal Cases	162,561	14	-	-	-	162,575	165,701	162,817	162,561
Civil	255,122	37,487	-	-	-	292,609	250,578	388,817	311,091
Family & Children Services	89,440	155,216	-	(68)	-	244,588	350,700	261,308	336,634
Probate, Guardianship & Mental Health Services	-	835	-	-	-	835	-	2,542	-
Juvenile Dependency Services	-	7,355	-	-	-	7,355	28,050	140,692	122,950
Juvenile Delinquency Services	271	19,053	-	68	-	19,392	(400)	17,690	(325)
Other Court Operations	8,721	-	-	-	-	8,721	9,621	41,512	33,639
Court Interpreters	-	34,813	-	-	-	34,813	39,000	33,367	-
Jury Services	122,675	11,533	6,984	-	-	141,192	54,391	140,817	62,819
Security	-	427,738	-	-	-	427,738	554,663	464,962	588,710
Trial Court Operations Program	1,439,253	798,856	6,984	-	-	2,245,093	2,271,413	2,551,563	2,589,680
Enhanced Collections	-	430	-	-	-	430	500	1,260	-
Other Non-Court Operations	-	-	-	-	-	-	-	-	-
Non-Court Operations Program	-	430	-	-	-	430	500	1,260	-
Executive Office	430,659	1,426	-	-	-	432,085	448,493	490,962	412,488
Fiscal Services	235,745	53,967	-	-	-	289,712	282,108	290,357	274,982
Human Resources	45,248	26,123	-	-	-	71,371	130,176	69,218	102,923
Business & Facilities Services	115,946	124,457	-	-	-	240,403	277,840	266,419	378,659
Information Technology	102,442	38,007	-	-	-	140,449	142,127	288,595	244,191
Court Administration Program	930,040	243,980	-	-	-	1,174,020	1,280,744	1,405,550	1,413,243
Prior Year Adjustments	-	-	-	-	-	-	-	-	-
Total	2,369,293	1,043,266	6,984	-	-	3,419,543	3,552,657	3,958,373	4,002,923

Source: Phoenix Financial System.

PURPOSE AND SCOPE

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

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

The scope of audit work included reviews of the Court's major functional areas, including: cash collections, fixed assets, contracts and procurement, accounts payable, payroll, financial accounting and reporting, case management, information technology, domestic violence, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2009–2010.

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

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on June 14, 2010.

The entrance meeting was held with the Court on June 29, 2010.

Audit fieldwork commenced on August 2, 2010.

Fieldwork was completed in January 2011.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary exit meeting to review the audit results was held on March 4, 2011, with:

- Hugh K. Swift, Court Executive Officer
- Shannon Gibson, Fiscal Services Supervisor

IAS received the Court's final management responses to the IAS recommendations on March 28, 2011. IAS incorporated the Court's final responses in the audit report and subsequently

provided the Court with a draft version of the audit report for its review and comment on April 4, 2011. On May 3, 2011, the Court provided its final comments and suggestions concerning its review of the audit report and indicated it did not consider another review of the report necessary before IAS presented the pending report to the Judicial Council for acceptance as final.

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Background

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

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

The table below presents general ledger account balances from the Superior Court of California, County of Amador (Court), that are considered associated with court administrative decisions. A description of the areas and how they have been reviewed as a part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
920599 DUES AND MEMBERSHIP	1,150	1,125	25	2
* 920500 - DUES AND MEMBERSHIPS	1,150	1,125	25	2
933101 TRAINING	22,955	16,615	6,340	38
** TRAINING TOTAL	22,955	16,615	6,340	38

We assessed the Court's compliance related to trial court management, including duties of the presiding judge (PJ), duties of the court executive officer (CEO), and management of human resources, with CRC and FIN Manual requirements through a series of questionnaires and tests. Primary tests included an evaluation of:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch* (operating guidelines). Requirements include restrictions on the payment of professional association dues for individuals making over \$100,000 a year.
- Compliance with CRC relating to cases taken under submission.
- Notification requirements regarding lawsuits.
- Approval requirements regarding training.

- Controls over judicial officer facsimile stamps. (Tested during cash work. See Section 8.2 of this report regarding security over sensitive items.)

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

There were no significant issues to report to management.

2. Fiscal Management and Budgets

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Liabilities				
374705 BENEFITS PAYABLE-LIFE EE	606		(606)	
374706 BENEFITS PAYABLE-FLEX SPE	(1,920)	(3,095)	(1,175)	(38)
374707 BENEFITS PAYABLE-LTD EE A	315		(315)	
374709 BENEFITS PAYABLE-SUPP INS		(1,136)	(1,136)	(100)
375001 ACCRUED PAYROLL	(70,975)	(66,172)	4,803	7
*** Current Liabilities	(156,433)	(90,293)	66,139	73
Expenditures				
900301 SALARIES - PERMANENT	1,613,604	1,720,101	(106,497)	(6)
900320 LUMP SUM PAYOUTS	1,811	37,216	(35,406)	(95)
900321 HOLIDAY PAY	61,303	62,716	(1,413)	(2)
900323 ADMINISTRATIVE LEAVE		201	(201)	(100)
900350 FURLOUGH & SALARY REDUCTI	(74,501)		(74,501)	
900351 FURLOUGH CLOSURE (NON-JUD	46,414		46,414	
* 900300 - SALARIES - PERMANENT	1,648,631	1,820,235	(171,604)	(9)
** SALARIES TOTAL	1,648,631	1,820,235	(171,604)	(9)
910301 SOCIAL SECURITY INS & MED	97,517	106,917	(9,400)	(9)
910302 MEDICARE TAX	23,053	25,430	(2,377)	(9)
* 910300 - TAX	120,570	132,347	(11,777)	(9)
910401 DENTAL INSURANCE		9,060	(9,060)	(100)
910501 MEDICAL INSURANCE	251,976	254,652	(2,676)	(1)
* 910400 - HEALTH INSURANCE	251,976	263,712	(11,736)	(4)
910601 RETIREMENT (NON-JUDICIAL	300,771	311,365	(10,594)	(3)
* 910600 - RETIREMENT	300,771	311,365	(10,594)	(3)
912501 STATUTORY WORKERS COMP	42,191	46,993	(4,802)	(10)
* 912500 - WORKERS' COMPENSATION	42,191	46,993	(4,802)	(10)
913301 UNEMPLOYMENT INSURANCE	1,325	5,263	(3,938)	(75)
913501 LIFE INSURANCE		533	(533)	(100)
913502 LONG-TERM DISABILITY	1,952	1,880	72	4
913601 VISION CARE INSURANCE		1,019	(1,019)	(100)
* 912700 - OTHER INSURANCE	3,277	8,696	(5,418)	(62)

913899 OTHER BENEFITS	1,877	1,918	(41)	(2)
* 913800 - OTHER BENEFITS	1,877	1,918	(41)	(2)
** STAFF BENEFITS TOTAL	720,662	765,030	(44,368)	(6)
*** PERSONAL SERVICES TOTAL	2,369,293	2,585,265	(215,972)	(8)

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

We also evaluated the Court's payroll controls through interviews with Court employees and review of payroll reports and reconciliation documents. We validated payroll expenditures for a sample of employees to supporting documentation, including timesheets, payroll registers, withholding documents, and benefits administration files to determine whether timesheets were appropriately approved and payroll was correctly calculated. Furthermore, we reviewed the Court's Personnel Manual and bargaining agreements at a high level to determine whether differential pay, leave accruals, and various benefits were issued in accordance with these agreements.

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

2.1 The Court Needs to Better Segregate Its Payroll Related Duties and Ensure Appropriate Approvals

Background

The FIN Manual, FIN 1.03, 3.0 (1), requires courts to maintain effective internal control systems as an integral part of their management practices. Section 6.3.3 (6), relating to appropriate segregation of duties, an internal control activity, requires that work be assigned to court employees in such a fashion that no one person is in a position to initiate and conceal errors and/or irregularities in the normal course of his or her duties. Payroll-related duties that must not be assigned to only one individual include, but are not limited to, approving or recording time records and preparing payroll, preparing payroll and updating information in the personnel master files, and processing payroll and reconciling bank statements. If segregation of duties cannot be achieved due to staffing limitations, court management must apply alternate control methods to mitigate the risks.

Additionally, FIN 1.01, 6.4 (4) requires that any alternative procedure that is different from what is included in the FIN Manual or the county's policy document (a trial court can continue to follow local county policies and procedures as long as they are consistent with the policies and procedures in the FIN Manual) must first be approved by the AOC.

Issues

Court staff rely on an electronic time-keeping application (EZLM) to record their hours worked and leave taken. Information recorded in EZLM is then transferred to ADP, the Court’s contract payroll processor, for payroll processing. Our review of the Court’s time reporting and approval procedures, and its payroll processing activities, identified the following control weaknesses:

1. The Court has not adequately segregated various time-approval and payroll processing duties. Assigning any one duty or capability to any one individual may not result in an internal control risk. However, assigning multiple payroll-related duties or capabilities to any one individual must be done with care and thought to avoid assigning incompatible activities that may create an unnecessary risk to the Court.

Specifically, as shown in the table and described in the associated bullets below, we identified examples where the Court may be exposed to unnecessary risk because the time approval and payroll processing duties and capabilities it assigned to various individuals are not sufficiently segregated:

Duties/Capabilities	Fiscal Services Supervisor	Sr. Fiscal Analyst	Fiscal Analyst	Business Services Supervisor (former)	Administrative Technician
EZLM Admin Rights	x	x	x	x	x
Change ADP Employee Records	x	x	x	x	x
Approve EZLM Time Reports	x			x	
Upload EZLM Hours to ADP	x	x	x		
Distribute Payroll Checks		x			
Reconcile Payroll	x	x	x		

- Too many employees, including the Fiscal Services Supervisor and her two staff, the Business Services Supervisor (who separated from the Court after our payroll review), and the Administrative Technician, have administrative rights on EZLM. Administrative rights allow the EZLM user to access and modify the time records of all other EZLM users.
- Too many employees can change ADP employee records. Specifically, the same five employees noted in the bullet above may also make changes to employee records in ADP. These changes include establishing new employees, updating employee information, entering leave events, and removing employees from the payroll system. ADP provides the Court with a report of changes made from the last pay period. Although the Court could review this report to ensure ADP transactions are appropriate and to detect any suspicious or inappropriate

transactions, this report is sent to the Fiscal Services Supervisor, who is one of the five employees that can make changes to employee records on ADP.

- The Fiscal Services Supervisor and her two staff have EZLM administrative rights, can change ADP employee records, and may upload hours recorded in EZLM to ADP for payroll processing which, combined, allows them the ability to process payroll related transactions from beginning to end.
- The Senior Fiscal Analyst is assigned key time and payroll processing duties and capabilities, and also distributes payroll checks to employees.
- The Fiscal Services Supervisor and the Senior Fiscal Analyst have key EZLM and ADP duties and capabilities, and may also perform various payroll reconciliation activities, including reconciling payroll deductions to vendor payments.

Because the Court has not adequately segregated its time approval and payroll processing duties and capabilities as noted above, it has not sufficiently minimized the risk of paying unauthorized amounts or fictitious employees.

2. The current approval structure the Court configured in EZLM does not ensure that employee time reporting is consistently reviewed and approved only by individuals at the appropriate approval levels. For example, because the CEO does not approve timesheets on EZLM, he has designated other individuals to approve in EZLM the time and leave reported by peers and other individuals who do not report directly to them. Specifically, the CEO delegated to the Fiscal Services Supervisor and the then Business Services Supervisor—separated from Court employment after we conducted our payroll review—the ability to approve in EZLM the hours worked and leave taken reported by the individuals the CEO is responsible for overseeing, as well as approve each other's reported work and leave time. However, to ensure appropriate supervision and oversight, all employee time worked and leave taken should be reviewed and approved by the direct supervisor, or above if the supervisor is not available, before forwarding the approved time for payroll processing.
3. The Court could not demonstrate that the CEO's declaration of time was approved by his appropriate approval level, the PJ, for the pay period under review. Specifically, since the Court has not set up an account in EZLM for the PJ to approve the CEO's time, the CEO follows an alternative process in which he submits to the PJ for approval a declaration of his time worked and any PTO leave requests for each bi-weekly pay period. The Fiscal Services Supervisor is supposed to verify these PJ approved documents before processing and approving the CEO's work and leave time in EZLM. However, although the Court could demonstrate that the PJ approved the CEO's PTO requests for the period under review, the most recent PJ approved CEO declaration of time the Court had on file was from two pay periods earlier. As a result, because the Fiscal Services Supervisor did not ensure that the PJ approved the CEO's declaration of time before processing and approving the CEO's time in EZLM

for payroll processing, the Court cannot be sure it appropriately accounted for all the time worked and PTO leave taken by the CEO before processing and disbursing the CEO's pay.

Recommendations

To ensure it maintains and follows an effective internal control system as an integral part of its payroll processing practices, the Court should consider the following:

1. Better segregate its time approval and payroll processing duties to prevent any one individual from having the ability to perform conflicting duties such as time-approval, employee master file update, payroll processing, and payroll reconciliation activities. For instance, staff that have administrative rights to EZLM should not have the ability to add, change, or delete employee records in ADP. Additionally, Fiscal Services staff involved in payroll processing and reconciliation activities should not have administrative rights to EZLM or the ability to add, change, or delete employee records in ADP. Further, individuals who may approve and/or enter hours and leave events in EZLM should also not have administrative rights to EZLM or the ability to add, change, or delete employee records in ADP. If certain conflicting duties cannot be segregated due to staffing restrictions, the Court should establish alternative control procedures to mitigate the associated risk and submit these alternative control procedures to the AOC for review and approval.
2. Require all managers and supervisors to approve the time records of employees they are responsible for overseeing. Therefore, the CEO should approve, on paper or paperless in EZLM, the time records of employees that report directly to him.
3. Require the Fiscal Services Supervisor to ensure the PJ's approval of the CEO's time is consistently documented and retained on file to demonstrate compliance with the Court's alternative time-approval process for the CEO, and before approving on behalf of the PJ the CEO's time in EZLM for payroll processing.

Superior Court Response

The Court will change the time approval and payroll processing duties to reflect the information presented in the table below. The duties that have a P in the table indicate who has the primary responsibility, and S indicates the secondary responsibility.

Duties/Capabilities	Fiscal Services Supervisor	Sr. Fiscal Analyst	Fiscal Analyst	Business Services Supervisor (former)	HR Analyst
EZLM Admin Rights			S		P
Change ADP Employee Records			S		P
Approve EZLM Time Reports	P				
Upload EZLM Hours to ADP	S	P			
Distribute Payroll Checks			S		P
Reconcile Payroll	S	P			

The payroll system has been changed to ensure that only the employee's supervisor can approve an employee's time records. The CEO currently approves all direct reports time records.

The Fiscal Services Supervisor will ensure the receipt of the PJ's approval of the CEO's time before approving time records in EZLM.

3. Fund Accounting

Background

Trial courts must account for their receipt and use of public funds using the fund accounting and reporting standards published by the Government Accounting Standards Board. To assist courts in meeting this objective, the FIN Manual provides guidelines for courts to follow. The FIN Manual, FIN 3.01 3.0 requires trial courts to establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the courts' financial operations. FIN 3.01, 6.1.1 defines a "fund" as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. A set of governmental, fiduciary, and proprietary funds have been set up in the Phoenix Financial System to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Fund Balance				
552001 FUND BALANCE-RESTRICTED	(111,776)	(56,102)	55,674	99
553001 FUND BALANCE - UNRESTRICT	(881,316)	(1,157,885)	(276,569)	(24)
*** Fund Balances	(993,092)	(1,213,987)	(220,895)	(18)
Revenue				
812110 TCTF-PROGRAM 45.10-OPERAT	(2,918,841)	(3,104,085)	(185,244)	(6)
812140 TCTF-PROGRAM 45.10-SMALL	(760)	(580)	180	31
812141 TCTF-PROGRAM 45.10-ADMIN	(150)	(225)	(75)	(33)
812142 TCTF-PROGRAM 45.10-ADMIN	(150)	(275)	(125)	(45)
812144 TCTF-PROGRAM 45.10-CLERKS	(2,031)	(200)	1,831	916
812146 TCTF-PROGRAM 45.10-COPY P	(6,168)	(6,231)	(63)	(1)
812148 TCTF-PROGRAM 45.10-MANUAL	(990)	(285)	705	247
812150 TCTF-PROGRAM 45.10-ESTATE	(75)	(30)	45	150
812151 TCTF-10-CUSTODY/VISITATIO	(675)	(540)	135	25
812152 TCTF-PROGRAM 45.10-RETURN	(50)		50	
812153 TCTF-PROGRAM 45.10-GUARDI	(600)	(675)	(75)	(11)
812154 TCTF-PROGRAM 45.10-INFO P	(160)	(60)	100	167
812155 TCTF-PROGRAM 45.10-ASSESS	(7,801)	(9,125)	(1,324)	(15)
812158 TCTF-10-CUSTODY/VISITATIO	(450)	(360)	90	25
812159 TCTF-10-CIVIL ASSESSMENT	(76,937)	(52,573)	24,365	46
812160 TCTF-10-MICROGRAPHICS	(965)	(969)	(4)	(0)
812164 TCTF-PRG45.10-PETITION DE	(1,200)		1,200	
** 812100-TCTF - PGM 10 OPERATIONS	(3,018,003)	(3,176,212)	(158,209)	(5)
816110 OTHER STATE RECEIPTS		(16,694)	(16,694)	(100)
** 816000-OTHER STATE RECEIPTS		(16,694)	(16,694)	(100)

821121 LOCAL FEE 1	(2,100)	(3,600)	(1,500)	(42)
821123 LOCAL FEE 3	(1)	(2)	(1)	(50)
821161 FC3112 CUSTODY INVESTIGAT	1,200	600	600	100
821162 FC3153 CAC-CHILD		(25,959)	(25,959)	(100)
821163 FC9002 STEP PARENT ADOPTI	(450)	(300)	150	50
** 821000-LOCAL FEES REVENUE	(1,351)	(29,261)	(27,910)	(95)
822103 NON-FEE REV 3	(342)	(307)	35	11
822105 NON-FEE REV 5	(65,611)	(53,650)	11,961	22
822107 NON-FEE REV 7	(100)	(500)	(400)	(80)
822110 NON-FEE REV 10		(360)	(360)	(100)
822120 CRC3.670f COURT CALL	(5,630)	(4,020)	1,610	40
822121 GC13963f RESTITUTION REBA	(4,692)	(5,712)	(1,020)	(18)
** 822000-LOCAL NON-FEES REVENUE	(76,375)	(64,549)	70,663	1,237
823001 MISCELLANEOUS REVENUE		(20,702)	(20,702)	(100)
823011 JUDGES VOLUNTARY DONATION	(900)		900	
** 823000-OTHER - REVENUE	(900)	(20,702)	(19,802)	(96)
831010 GF-AB2030/AB2695 SERVICE	(2,880)	(3,000)	(120)	(4)
831012 GF-PRISONER HEARING COST	(54,477)	(41,374)	13,103	32
** 831000-GENERAL FUND - MOU/REIMBUR	(57,357)	(44,374)	12,983	29
832010 TCTF MOU REIMBURSEMENTS	(56,079)	(50,819)	5,260	10
832011 TCTF-PGM 45.10-JURY	(953)	(5,709)	(4,756)	(83)
832012 TCTF-PGM 45.10-CAC		(68,864)	(68,864)	(100)
** 832000-PROGRAM 45.10 - MOU/REIMBU	(57,032)	(125,392)	(68,361)	(55)
836010 MODERNIZATION FUND	(15,700)		15,700	
** 836000-MODERNIZATION FUND - REIMB	(15,700)		15,700	
837010 IMPROVEMENT FUND REIMBURS	(5,546)	(111)	5,435	4,896
** 837000-IMPROVEMENT FUND - REIMBUR	(5,546)	(111)	5,435	4,896
861010 CIVIL JURY REIMBURSEMENT	(6,930)	(1,989)	4,942	249
861011 MISCELLANEOUS REIMBURSEME	(82)	(18,119)	(18,038)	(100)
** 860000-REIMBURSEMENTS - OTHER	(7,012)	(20,108)	(13,096)	(65)
899910 PRIOR YEAR ADJUSTMENTS -	24,912	(5,374)	(30,286)	(564)
** 890000-PRIOR YEAR REVENUE	24,912	(5,374)	(30,286)	(564)

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

We also reviewed the Court's fiscal year-end fund balance reserves to determine whether they conform to the Judicial Council approved policy and are supported by the Court's financial statements.

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

4. Accounting Principles and Practices

Background

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

Since migrating onto the Phoenix Financial System in 2007, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services Division (TCAS). Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger. Since much of the accounting procedures have been centralized with TCAS, we kept our review of the Court's individual financial statements at a high level.

The Court receives various federal and state grants passed through to it from the AOC. Restrictions on the use of these funds and other requirements are documented in the grant agreements. The grants received by the Court are reimbursement type agreements that require it to document its costs to received payment. The Court must separately account for financing sources and expenditures for each grant. As a part of the annual single audit of the State of California performed by the Bureau of State Audits, the AOC requests courts to list and report the federal grant awards they received.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
130001 A/R-ACCRUED REVENUE	2,008	1,734	273	16
131201 ACCOUNTS RECEIVABLE (CUST	4,264	45,190	(40,926)	(91)
131204 A/R-DUE FROM AOC (CUSTOME	12,673		12,673	
131601 A/R - DUE FROM EMPLOYEE		620	(620)	(100)
140001 A/R - DUE FROM OTHER FUND	139,588	104,184	35,404	34
150001 A/R - DUE FROM OTHER GOVE	6,097	9,835	(3,738)	(38)
151000 A/R-DUE FROM COURTS	10,752	3,918	6,835	174
152000 A/R-DUE FROM STATE	208,227	194,917	13,310	7
** Receivables	383,609	360,398	23,212	6
172001 PREPAID EXPENSES	1,669	2,004	(335)	(17)
** Prepaid Expenses	1,669	2,004	(335)	(17)
*** Accounts Receivable	385,278	362,401	22,877	6

Liabilities

301001 A/P - GENERAL	(975)	7	981	14,759
311401 A/P - DUE TO OTHER FUNDS	(139,588)	(104,184)	35,404	34
321501 A/P DUE TO STATE	(10,058)		10,058	
321600 A/P - TC145 LIABILITY	(86,468)	(76,404)	10,064	13
322001 A/P - DUE TO OTHER GOVERN	(114,340)	(70,849)	43,491	61
323001 A/P - SALES & USE TAX		(152)	(152)	(100)
323010 TREASURY INTEREST PAYABLE	(7)		7	
330001 A/P - ACCRUED LIABILITIES	(37,858)	(41,917)	(4,059)	(10)
*** Accounts Payable	(389,295)	(293,500)	95,795	33

Revenue

838010 AB1058 GRANTS	(151,841)	(166,351)	(14,510)	(9)
838020 OTHER AOC GRANTS	(13,528)	(18,216)	(4,688)	(26)
** 838000-AOC GRANTS - REIMBURSEMENT	(165,369)	(184,567)	(19,198)	(10)

We compared year-end general ledger account balances between the prior two fiscal year trial balances and reviewed accounts with material balances that experienced significant variances from year-to-year. We also assessed the Court's procedures for processing and accounting trust deposits, disbursements, and refunds to determine whether it is adequate controls over trust funds. Additionally, we reviewed various FY 2009 – 2010 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant guidance. We reviewed selected grants that the Court administered in the fiscal year audited. For these grants, we determined whether the Court properly accounted for grant activity, complied with specific grant requirements, and claimed reimbursement for allowable expenditures.

There were no significant issues to report to management.

5. Cash Collections

Background

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

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

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

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

We also reviewed the Court's comprehensive collections program for compliance with applicable statutory requirements to ensure that delinquent accounts are monitored and timely referred to its collections agency, and that collections are timely posted and reconciled.

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

5.1 Court Supervisors Did Not Ensure That All Voids Were Approved and Adequately Documented

Background

The FIN Manual, FIN 10.02, 6.3.8 (1), requires supervisory review and approval of all voided transactions. Additionally, this procedure requires the trial court to retain all void receipts, including details of any re-receipting of the original voided transactions. Therefore, where possible, the security access levels to the CMS should be configured so that supervisory employees must approve a void transaction before it takes effect in the system. Also, the court must ensure that sufficient documentation of the void transaction is retained for audit trail purposes.

Issues

Our review determined that the Court relies on a manual void approval process in which it allows counter clerks to void transactions in CMS and requires them to retain voided receipts for later review and approval by an authorized supervisor. Clerks attach the approved void receipts to the end-of-day closeout report and submit the end-of-day closeout package to Fiscal Services for verification. However, our review of the Court's void approval and monitoring process revealed the following exceptions and control deficiencies:

1. Court supervisors do not always sign or initial void documents to demonstrate their review and approval of the void transactions. Further, clerks do not always retain on file the original receipt that was voided. Specifically, our review of 10 selected void transactions that the Court voided in June 2010 identified one that did not contain supervisory signatures or initials to demonstrate that the void transaction was reviewed and approved by an authorized supervisor. In addition, for six of the void transactions, the Court retained the void receipt on file but did not retain the original receipt that was voided.

These exceptions occurred, in part, because supervisors are not always ensuring that they document their review and approval of void transactions. Also, supervisors are not ensuring that clerks document and retain the original receipts that were voided. Further, during the daily closeout and balancing process, Fiscal Services only verified that collections balanced to the amount reported in the CMS, but did not verify that all voided CMS transactions were supported by the original receipts that were voided and signed or initialed by a supervisor to demonstrate supervisory review and approval of the void transaction. A similar issue relating to Fiscal Service's closeout and balancing process was identified in the 2006 audit. Without documented review and approval by a supervisor, and this verification by Fiscal Services, the Court cannot adequately ensure that all voids were appropriate.

Recommendations

To ensure appropriate oversight and documentation of void transactions, the Court should consider the following:

1. Require supervisors to sign or initial void transaction documents to indicate their review and approval of the void transaction. Also, supervisors should ensure that clerks retain with their closeout documentation the original receipt that was voided.
2. Require Fiscal Services, as part of the closeout and balancing process, to verify that each void transaction was reviewed and approved by an authorized supervisor and supported by the original and void receipts. When supervisor approval signatures or original and void receipts are missing, Fiscal Services should follow up with the appropriate supervisor and document the reasons why these approvals were not obtained or the receipts not retained.

Superior Court Response

Previously the Court did not have a time or cost effective way of tracking all voids in the system. Since this was discovered, the Court has created a report that identifies all voids in the case management system. The court was unable to do this in the past without incurring a significant cost. During the closeout and balancing process, Fiscal Services reviews this report and ensures that each void has been turned into Fiscal Services with the appropriate backup documentation as well as the appropriate approval. There has been additional communications between Fiscal Services and Operations about the appropriate backup that needs to be attached before the supervisor can sign a void.

6. Information Systems

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
943201 IT MAINTENANCE	7,465	3,595	3,870	108
* 943200 - IT MAINTENANCE	7,465	3,595	3,870	108
943301 IT COMMERCIAL CONTRACTS	22,987	20,655	2,332	11
* 943300 - IT COMMERCIAL CONTRACT	22,987	20,655	2,332	11
943501 IT REPAIRS & SUPPLIES	1,826	6,034	(4,209)	(70)
943503 COMPUTER SOFTWARE	6,356	16,089	(9,733)	(60)
* 943500 - IT REPAIRS/SUPPLIES/LICE	8,182	22,124	(13,942)	(63)
** INFORMATION TECHNOLOGY TOTAL	38,633	46,373	(7,740)	(17)

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

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

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

6.1 The Court Did Not Distribute Certain Collections in Accordance with Statutes and Guidelines

Background

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

Issues

The Court records collections in its CMS, Courtview, which automatically distributes these collections using both base-up (for standard fines) and top-down (for non-standard judge-ordered fines) distribution methodologies. To determine whether the Court distributed collections in accordance with applicable statutes and guidelines, we selected 17 cases to review that the Court collected between January 1, 2009, and June 30, 2010. We focused our review on cases with more frequent violations, such as Speeding and Proof of Corrections (POC), and on cases with violations involving complex or special distributions, such as Driving Under the Influence (DUI) and Red Light. Our review of the Court’s distribution of collections for the cases we selected to review identified the following issues:

1. The Court did not correctly apply the GC §68090.8 – 2 Percent State Automation (2 percent) distribution for violations that require special base fine distributions. For instance, in the Proof of Insurance case we reviewed, the Court did not deduct 2 percent from the special base fine distributions of \$30.50 (\$17.50 to a county special account, \$10 to the State General Fund, and \$3 to the State Transportation Fund) pursuant to PC §1463.22. We communicated to the Court’s Project Manager other instances where the Court did not correctly apply the 2 percent distribution, including DUI, Reckless Driving, Child Passenger Seat Restraint, and Fish and Game base fine distributions.
2. The Court did not correctly distribute the collections on cases with traffic school dispositions as follows:
 - Although the Court correctly added the \$49 Traffic School Fee, it incorrectly distributed collections as standard bail forfeitures rather than as traffic school dispositions for two of the four cases we reviewed. These two exceptions may have been caused by clerk error. For example, according to the Courtview case history for one of these cases, the Court originally distributed the case collections as bail forfeiture. However, when the defendant later decided to attend traffic school, the clerk added the \$49 Traffic School Fee but did not correct the distribution to a traffic school disposition.

- For the other two cases that the Court distributed as traffic school dispositions and that we reviewed, the Court did not correctly distribute the State Court Construction Penalty Assessment pursuant to GC §70372 (state construction assessment). Specifically, it misapplied the 2 percent distribution to the state construction assessment. In addition, the Court distributed the entire state construction assessment amount to the State Court Facilities Construction Fund, rather than distributing a portion of that assessment to the State Immediate and Critical Needs Account (State ICNA).
3. The Court also did not correctly distribute the collections on Red Light cases we reviewed as follows:
- For the Red Light cases that were city arrests, the Court transposed the city and county base fine percentage splits, thus incorrectly distributing 25 percent of the base fine to the city and 75 percent to the county.
 - For the Red Light bail forfeiture cases, the Court did not reduce the state construction assessment by 30 percent for distribution to the city or county pursuant to PC §1463.11.
 - The Court also did not correctly apply the 30 percent distribution in Red Light traffic school cases pursuant to VC §42007.3. According to the Court, it has not programmed Courtview to automatically distribute Red Light traffic school cases, so clerks have to manually adjust the Courtview-calculated distributions. However, the ability to manually adjust distribution may have allowed the clerk to inadvertently suspend the 20 Percent State Surcharge in one of these cases.
4. For cases with prior convictions, the Court did not distribute the \$10 enhancement for prior violations with the base fine. Although the Court correctly calculated the penalty assessments and surcharges using the enhanced base fine amount, the Court did not distribute the \$10 base fine enhancement for prior convictions with the base fine, but instead incorrectly distributed this base fine enhancement to two local penalty assessment funds. This distribution error understates the base fine distributions and subsequently impacts the Maintenance-of-Effort reporting to the State.
5. For the POC cases we reviewed with multiple correctible offenses, the Court correctly distributed the initial \$25 POC fee, but did not correctly distribute the additional \$25 POC fees associated with the other correctible offenses on a citation. Specifically, the Court distributed the additional \$25 POC fees on a citation in the same manner as the initial POC fee - \$10 to various State and local funds and \$15 to the State ICNA. However, only the first \$10 of the initial POC fee on a citation is distributed to the various State and local funds. The remaining \$15 of the initial POC fee and any additional POC fees on a citation are distributed 100 percent to the State ICNA.

Recommendations

To ensure that the Court distributes fines, fees, penalties, and other assessments in accordance with applicable statutes and guidelines, it should consider the following:

1. Apply the 2 percent distribution to each base fine distribution component for violations that require special base fine distributions, including Proof of Insurance, DUI, Reckless Driving, Child Passenger Seat Restraint, and Fish and Game violations.
2. Ensure that it correctly distributes traffic school cases by doing the following:
 - Determine whether it is feasible to implement monitoring capabilities into Courtview to flag for supervisory review cases that were not distributed as a traffic school disposition, yet the \$49 Traffic School Fee was assessed.
 - Discontinue applying the 2 percent distribution to the state construction assessment for standard traffic school distributions. Additionally, distribute the correct proportions of the state construction assessment to the State Court Facilities Construction Fund and State ICNA, as it already does for non-traffic school cases.
3. Ensure that it correctly distributes Red Light cases by doing the following:
 - Evaluate and correct any errors in the base fine percentage split between the city and county for Red Light cases with city arrests.
 - For Red Light bail forfeitures, reduce the state construction assessment by the 30 percent Red Light allocation. According to the SCO Appendix C, the 30 percent Red Light allocation is taken from the following distribution components: base fine, State/County penalty assessments pursuant to PC §1464, local penalty assessments pursuant to GC §76000, and the state construction assessment.
 - Determine the feasibility of programming Courtview to automatically distribute Red Light traffic school cases pursuant to VC §42007.3, thus reducing the need for manual adjustments that are susceptible to human error.
4. For cases with base fine enhancements for prior violations, include the \$10 enhancement amount with the base fine then distribute the enhanced base fine.
5. Correct the distribution of the additional POC fees for POC cases with multiple correctible offenses on a citation. According to statute and the Judicial Council's guidance on VC §40611 distributions, the remaining \$15 of the initial \$25 POC fee and each additional \$25 POC fee on a citation is distributed 100 percent to the State ICNA.

Superior Court Response

The court agrees with all recommendations and is working to make the recommended changes. This should be completed by July 2011.

6.2 The Court Does Not Adequately Control and Monitor Access to Sensitive Department of Motor Vehicle Information**Background**

The California Department of Motor Vehicles (DMV) and California Superior Courts agree to cooperate and share information when each court enters into a mutually beneficial Memorandum of Understanding (MOU) with DMV. For example, courts need certain DMV data to assist them in determining appropriate judgments in traffic cases. Similarly, DMV needs certain traffic case information from each court to assist it in carrying out its motor vehicle and driver license program responsibilities. These MOUs provide courts with the ability to access and update DMV data on-line, such as data in the DMV vehicle registration and driver license files.

Before DMV allows courts to access and update sensitive and confidential DMV data, DMV requires each court to agree to certain conditions spelled out in an MOU. For example, DMV may require courts to agree to the following conditions in an MOU:

- Maintain a current list of individuals who are authorized to access DMV files.
- Establish security procedures to protect the confidentiality of DMV records and access information, including ensuring that each employee or person working on behalf of the court having direct or incidental access to DMV records has signed an individual security statement that contains, at a minimum, the same provisions as DMV's Information Security Statement.
- Ensure that any additional access control program used by the Court requires, at a minimum, verification of unique individual user identification and verification of manually keyed, user-selected passwords for initiation of an access session.
- Electronically log and store all DMV record access information for a minimum period of two-years from the date of the transaction. The log information must be preserved for audit purposes and include, at a minimum, the following: (a) transaction and information codes, (b) court code, (c) record identifiers, (d) individual user identifiers, (e) date and time of transaction, and (f) terminal ID.

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

Issues

Court staff may access sensitive DMV data in two ways. Some Court employees have a computer program application installed in their desktop computers that allows them to retrieve information from and send updates to DMV directly. Court staff may also use the CMS to view DMV information that is stored in the CMS, and to send batch updates to DMV. Our review of Court procedures to control and monitor access to sensitive DMV data identified the following control weaknesses:

1. The Court did not ensure that court employees with direct or incidental access to DMV records completed and signed individual Information Security Statements as required by the MOU with DMV. The Court informed us that 2010 was the first year court employees signed the certification statement. Our review of the signed Information Security Statements revealed that only 12 court employees with direct access to DMV data signed the statement in calendar year 2010, but documentation provided by the Court indicated that an additional six employees with direct access to DMV data did not sign the Information Security Statement. In addition, court employees signed the annual recertification portion of the same statement rather than each employee completing and signing an individual statement intended for initial certification of each employee. Furthermore, we were unable to determine which employees have incidental access to DMV records since the Court does not maintain a list of these employees.
2. The Court does not log DMV record access information as required by the MOU with DMV. According to the Court's Senior IT Analyst, he is unsure whether direct DMV record inquiry can be logged.

Recommendations

To ensure that access to sensitive DMV data is properly controlled and monitored in compliance with terms and conditions of the MOU with DMV, the Court should consider the following:

1. Compile and maintain a list of individuals with access to sensitive DMV record information, identifying those with direct access and those with incidental access, and require each of these individuals to complete and sign individual Information Security Statements. After completing and signing individual statements, the Court should retain these statements on file for at least two years. Rather than complete statements each year, individuals may re-certify in the annual recertification portion of their statements in subsequent years.
2. Continue working to identify a method to log access to DMV records. Once such access information is logged, the Court should use this information to produce reports to actively monitor and identify inappropriate record access.

Superior Court Response

1. Agree. The Court will compile and maintain a list of individuals with access to sensitive DMV record information, identifying those with direct access and those

with incidental access, and require each of these individuals to complete and sign individual Information Security Statements. The Court will retain the list for at least two years and Information Security Statements will be re-certified annually.

2. The Court will continue to work to identify a method to log and monitor access to DMV records. The Court has contacted its case management system vendor, as well as Microsoft, the developer of the software used on the DMV interface server. The Court also identified another court with a similar DMV interface configuration and will work collaboratively with that court to resolve this issue.

7. Banking and Treasury

Background

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. The FIN Manual, Policy Number FIN 13.01 establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury. The Court deposits in AOC-established accounts allocations to the trial court for court operations; trust deposits for civil cases; and filing fees, most other civil fees, civil assessments, and court-ordered sanctions under AB 145. The Court opened a locally-managed bank account that is used as its revolving account. The Court still deposits with the County criminal and traffic fines, fees, and bail trust.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Assets				
100000 POOLED CASH	739,523	944,188	(204,664)	(22)
100025 DISB CHECK-OPERATIONS	(110,410)		(110,410)	
100026 DISB CHECK-TRUST	(355)		(355)	
100027 DISB OUTGOING EFT	(192)		(192)	
111000 CASH-OPERATIONS ACCOUNT	3,000		3,000	
111100 CASH-OPERATIONS CLEARING	(3,300)	(116,745)	113,446	(97)
114000 CASH-REVOLVING	54,685	54,630	55	0
117500 CASH CIVIL FILING FEES		76,404	(76,404)	(100)
118000 CASH-TRUST ACCOUNT	9,073	10,422	(1,349)	(13)
118100 CASH-TRUST CLEARING	(700)	(150)	(550)	366
119001 CASH ON HAND - CHANGE FUN	680	880	(200)	(23)
119002 CASH ON HAND - PETTY CASH	200		200	
120001 CASH WITH COUNTY	75,813	9,340	66,473	712
120002 CASH OUTSIDE OF AOC	28,437	35,516	(7,079)	(20)
120051 SHORT TERM INVESTMENTS-CA	356,532		356,532	
*** Cash and Cash Equivalents	1,152,985	1,014,484	138,501	14

Liabilities – Trust

351001 LIABILITIES FOR DEPOSITS-	(280)	(280)	0	0
353002 CIVIL TRUST-CONDEMNATION	(72)	(572)	(500)	(87)
353003 CIVIL TRUST-OTHER(RPRTR		(283)	(283)	(100)
353004 JURY FEES- NON-INTEREST B	(1,650)	(1,050)	600	57
353021 CIVIL TRUST - INTERPLEADE	(5,050)		5,050	
353022 CIVIL TRUST - COURT REPOR		(7,208)	(7,208)	(100)
353023 CIVIL TRUST - APPEAL TRAN	(185)	(401)	(216)	(54)
353024 CIVIL TRUST - SMALL CLAIM	(100)		100	
353025 CIVIL TRUST - EVICTION DE	(90)	(90)	0	0
353030 PARTIAL PAYMENT OF FEES	(355)	(301)	54	18

353031 OVERPAYMENT OF FEES	(560)	(60)	500	833
353080 LIABILITIES FOR DEPOSITS	(252)	(252)	0	0
353090 FUNDS HELD OUTSIDE OF THE	(75,813)	(9,340)	66,473	712
353999 TRUST INTEREST PAYABLE	(53)	(53)	0	1

Revenue

825010 INTEREST INCOME	(181)	(7,102)	(6,921)	(97)
** 825000-INTEREST INCOME	(181)	(7,102)	(6,921)	(97)

Expenditures

920302 BANK FEES	15,572	15,875	(303)	(2)
920303 LATE FEES		49	(49)	(100)
* 920300 - FEES/PERMITS	15,572	15,924	(351)	(2)

As with other Phoenix courts, the Court relies on Trial Court Trust and Treasury Services for many banking services, such as performing monthly reconciliations of bank balances to the general ledger, overseeing the investment of trial court funds, and providing periodic reports to trial courts and other stakeholders. Therefore, we only reviewed the following procedures associated with funds not deposited in bank accounts established by the AOC, including funds on deposit with the County and in a locally managed bank account:

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

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

7.1 Trust Account Reconciliations are Not Current and are Not Reviewed and Approved by a Supervisor

Background

Trial courts receive and hold trust funds in a fiduciary capacity on behalf of others and are responsible for properly managing, monitoring, and safeguarding these funds. Specifically, the FIN Manual requires courts to implement procedures and controls to manage and safeguard these funds. For example, FIN 13.01, 6.6 (1) requires trial courts to reconcile all bank accounts for which court employees are authorized signers, such as local revolving and jury bank accounts, at least monthly, and more frequently if required, to maintain adequate control over trial court funds. FIN 13.01, 6.2 (4) of this procedure also requires that courts keep a detailed record of all money received in trust by a trial court such as for bail, litigation deposits, jury fee deposits, and payments on judgments, monies for which trial courts have a fiduciary responsibility to hold in trust. This record must be maintained by case number at a sufficient level of detail to properly account for all funds held by the court. Records must contain at a minimum the following information: date received, from whom payment was received, purpose, purpose, case number, payments received, disbursements made, and

method of payment. Therefore, a complete reconciliation would involve reconciling the bank account, the fiscal system, and the detailed subsidiary record system for trust account activity, usually the CMS.

Additionally, FIN 13.01, 6.6 (2) states that the person who prepares the court's monthly bank reconciliation cannot also approve it. The monthly bank reconciliation must be signed and dated by both the person who prepared it and the person who reviewed it.

Issues

The Court deposits civil trust, jury fees, and partial and overpayment of fees into a trust bank account established and maintained by the AOC, while traffic and criminal bail trust funds are deposited into the County Treasury. To aid in its monthly reconciliation process, the Court maintains a spreadsheet to track trust account activity, including deposits, forfeitures, and refunds. During our review of the Court's trust reconciliation procedures, we identified the following issues:

1. The Court acknowledged that it has not kept up-to-date reconciliations of its criminal and traffic trust funds. Our September 2010 review of its reconciliations noted that the last reconciliation the Court performed was for November 2009, or nine months behind schedule to be current in its reconciliations.
2. The Court's trust reconciliation process does not reconcile to the CMS system records. Specifically, the Court's current process for reconciling its criminal and traffic trust funds involves reconciling its internally-maintained spreadsheet to a County fiscal system report. However, rather than reconciling to its spreadsheet of trust account activity, the Court should instead reconcile to the official record of trust account balances maintained in the CMS. The CMS system is a more reliable record of trust account activity and balances when compared to the internal spreadsheet because the CMS system contains more detailed records related to each trust deposit, has better access controls, and logs entries by user ID.

Similarly, the Court's process for reconciling civil trust deposits also does not reconcile to the CMS system records. Specifically, Phoenix Shared Services staff performs monthly reconciliations between the fiscal system and bank accounts, while the Court is responsible for reconciling the fiscal system to its record of trust deposits. However, similar to its process for reconciling criminal and traffic trust account balances, the Court relies on its internal spreadsheet of trust activity rather than the official record of trust account activity and balances maintained in the CMS system.

3. The Fiscal Services Supervisor performs trust account reconciliations as well as reconciliations of the Court's revolving account that is maintained locally. However, the Court has not required nor implemented a secondary review and approval process for these Court reconciliations.

Recommendations

To ensure it maintains proper control over trust accounts and bank accounts held locally, we recommend that the Court consider the following:

1. It should continue to work toward bringing its reconciliation of criminal and traffic trust accounts up-to-date.
2. Require that fiscal staff reconcile fiscal system reports to trust records maintained in the CMS system rather than to its spreadsheet of trust account activity for all types of trust accounts.
3. Delegate the reconciliation duties to Fiscal Services staff rather to the Fiscal Services Supervisor so that the supervisor may perform the secondary review and approval of the monthly reconciliations.

Superior Court Response

The Court agrees that the criminal and traffic reconciliations need to be brought current. Fiscal Services has developed a plan to bring these reconciliations current within 6 months. There will be a three-way reconciliation of the CMS system to the County treasury system to the detailed trust worksheet maintained by the Court. Even though the reconciliations are not current, the Court does currently reconcile its trust worksheet to the monthly statements sent to the county for all of the current month's cash activity. Because of the monthly reconciliation of activity, the court is reasonably ensured that the court's trust worksheet is current and accurate.

The bank reconciliation responsibility will be as follows:

<u>Account Type</u>	<u>Monthly Activity</u>	<u>Reconciled By</u>	<u>Approved By</u>
Crim/Traffic Trust	Fiscal Analyst	Senior Fiscal Analyst	Fiscal Services Supervisor
Civil Trust	Senior Fiscal Analyst	Fiscal Analyst	Fiscal Services Supervisor
Local Bank Accounts	Fiscal Services Supervisor	Senior Fiscal Analyst	CEO

8. Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff services and perimeter security services. The sheriff specifies the level of security services it agrees to provide and the associated costs, and these services and costs are included in the MOU that also specifies the terms of payment. The Court entered into an MOU with the County Sheriff for court security services, including stationing bailiffs in courtrooms, staffing deputies at the weapons screening checkpoint located at the entrance to the courthouse, monitoring the perimeter of the security using a closed circuit television and door monitoring system, and retaining control of in-custodies transported to the courthouse.

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
934503 PERIMETER SECURITY-SHERIF	99,585	93,703	5,881	6
934510 COURTROOM SECURITY-SHERIF	326,347	355,184	(28,837)	(8)
934512 ALARM SERVICE	1,670	3,540	(1,870)	(53)
* 934500 - SECURITY	427,602	452,427	(24,826)	(5)
941101 SHERIFF - REIMBURSEMENTS	2,490	3,000	(510)	(17)
* 941100 - SHERIFF	2,490	3,000	(510)	(17)

We reviewed the Court's security controls through interviews with Court management and county sheriff service providers, observation of security conditions, and review of documents. We also reviewed the Court's security agreements with the county sheriff, compared budgeted and actual security expenditures, and reviewed selected county sheriff invoices to determine whether costs billed are allowable by statute and comply with MOU requirements.

There were no significant issues to report to management.

9. Procurement

Background

The FIN Manual provides uniform guidelines for trial courts to use in procuring necessary goods and services and to document their procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and documents approval by an authorized individual. The requestor identifies the correct account codes(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the superior court employee responsible for approving the purchase, verifying that the correct account codes(s) are specified, and assuring that funding is available. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases.

The Administrative Technician at the Court performs the duties of the Procurement Officer, including making direct purchases for goods and services without having to set up a purchase order. The Court also relies on its assigned Trial Court Central Procurement Support Unit staff to establish purchase orders on the Phoenix Financial System and to provide other procurement services.

We reviewed the Court's procurement practices to determine whether purchasing, approval, receipt, and payment roles are segregated. We also performed substantive testing on selected purchases to determine whether the Court obtained approvals from authorized individuals, followed open and competitive procurement practices, and complied with other FIN Manual procurement requirements.

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

9.1 The Court Did Not Document Appropriate Approvals for Certain Purchases

Background

The purpose of the FIN Manual, Policy Number FIN 6.01 is to establish uniform guidelines for the trial court to use in procuring necessary goods and services and to document that court procurement practices are fair and reasonable, and provide for economical use of public funds. FIN 6.01, 6.1 of this procedure specifies that the procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee who has been given the responsibility for approving the requisition. This

is a separate and distinct process from approving the purchase order or executing the contract. Requisition approval authority may be delegated by organizational structure (e.g., manager of a unit) or by the type of goods or services requested (e.g., equipment or services under \$5,000). The individual who approves the requisition is responsible for assessing the need for the requested good or services and assuring that funds are available in the court's budget and that appropriate account codes are provided for the proposed purchase.

Issue

The Court did not ensure that all purchases were pre-approved by authorized individuals. Specifically, our review of available procurement documents for selected goods and services the Court purchased in FY 2009-2010 identified 14 of 19 procurements that were not supported by a signed requisition or comparable document to show that the procurement was pre-approved by an authorized individual acting within his or her approval limits. The Court only prepared purchase requisitions for procurements with a purchase order set up in the Phoenix Financial System, but not for its other procurements. In fact, only 3 of the 19 procurements we reviewed were supported by an approved purchase requisition, and 2 procurements were supported by documentation of the CEO's approval for items to be ordered.

Although 5 of 14 procurements were supported by agreements that were approved by the PJ or CEO, the purchase requisition process is separate and distinct from the process of approving the purchase order or executing the contract. Specifically, submission and approval of the initial purchase requisition pre-dates the approval of the purchase order or execution of the contract.

Recommendation

To ensure that it can demonstrate good purchasing practices when using public funds, the Court should require that all purchases for goods and services be pre-approved by authorized individuals acting within their approval limits. These purchase approvals may be documented on a standard purchase requisition form or comparable document, such as a supply order form or e-mail request. Even if the Court does not set up a purchase order on the Phoenix Financial System, the Court may still use the hardcopy purchase requisition form to document proper authorization of the procurement, assessment of the need for the requested goods or services, assurance that funds are available for the procurement, and that appropriate account codes are provided. The Court should also document the procurement method used on the requisition, such as listing competing bids or quotes or providing a sole-source justification explaining why competing bids or quotes were not obtained.

Superior Court Response

The Court will begin to utilize an internal requisition document to approve all purchases if a purchase order is not set up in the Phoenix Financial System. This document will be required to be approved by authorized individuals acting within their approval limits. This documentation will also be utilized to document the receipt of goods or services. Upon receipt of goods or services, this documentation will be given to Fiscal Services after the purchase is made and will be retained with the invoice in the vendor accounts payable file.

10. Contracts

Background

FIN Manual, 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. The trial court shall issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures – Contracted Services				
938301 ACCOUNTING SERVICES	13,112	13,021	92	1
938401 GENERAL CONSULTANTS & PRO	68,558	64,626	3,932	6
938404 ADMINISTRATIVE SERVICE	25,283	25,283	0	0
* 938300 - GENERAL CONSULTANT AND P	106,953	102,929	4,024	4
938601 COURT REPORTERS SERVICES	36,100	45,375	(9,275)	(20)
* 938600 - COURT REPORTER SERVICES	36,100	45,375	(9,275)	(20)
938701 COURT TRANSCRIPTS	33,726	33,310	416	1
* 938700 - COURT TRANSCRIPTS	33,726	33,310	416	1
938801 DEPENDENCY COUNSEL CHRGS	175	57,198	(57,023)	(100)
938802 DEPENDENCY COUNSEL CHRGS	3,248	74,089	(70,841)	(96)
938803 COURT-APPOINTED COUNSEL C	108,084	102,001	6,084	6
938899 COURT APPOINTED COUNSEL C	14	14		
* 938800 - COURT APPOINTED COUNSEL	111,521	233,288	(121,766)	(52)
938901 INVESTIGATIVE SERVICES		489	(489)	(100)
938905 FINGERPRINT PROCESSING	64	138	(74)	(54)
* 938900 - INVESTIGATIVE SERVICES	64	627	(563)	(90)
939001 COURT-ORDERED INVESTIGATI	767	1,690	(923)	(55)
939002 PSYCHIATRIC EVALUATIONS	11,150	5,450	5,700	105
* 939000 - COURT ORDERED PROFESSIO	11,917	7,140	4,777	67
939101 MEDIATORS/ARBITRATORS	12,810	18,370	(5,560)	(30)
* 939100 - MEDIATORS/ARBITRATORS	12,810	18,370	(5,560)	(30)
939201 CIVIL ASSESSMENT COMMISSI	430	513	(83)	(16)
* 939200 - COLLECTION SERVICES	430	513	(83)	(16)
939402 LABOR NEGOTIATIONS		747	(747)	(100)
939420 SMALL CLAIMS ADVISORY SER	4,800	4,800	0	0
* 939400 – LEGAL	4,800	5,547	(747)	(13)
Expenditures – County Provided Services				
942301 COUNTY - FISCAL SERVICES		36	(36)	(100)
942901 COUNTY - OTHER SERVICES	432	396	36	9
* 942100 - COUNTY-PROVIDED SERVICES	432	432	0	0

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

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

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

11. Accounts Payable

Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Revenue – Contract Court Interpreters				
834010 PROGRAM 45.45-COURT INTER	(39,074)	(43,032)	(3,958)	(9)
** 834000-PROGRAM 45.45 - REIMBURSEM	(39,074)	(43,032)	(3,958)	(9)
Expenditures – Contract Court Interpreters				
938502 COURT INTERPRETER TRAVEL	9,107	6,156	2,951	48
938504 COURT INTERPRETERS - CERT	19,272	18,470	802	4
938505 COURT INTERPRETERS - NONR	733	902	(169)	(19)
938507 COURT INTERPRETERS - AMER		200	(200)	(100)
938509 COURT INTERPRETER - MILEA	5,837	6,543	(706)	(11)
* 938500 - COURT INTERPRETER SERVIC	34,949	32,271	2,677	8
Expenditures – Travel				
929299 TRAVEL IN STATE	3,149	9,544	(6,395)	(67)
** TRAVEL IN STATE TOTAL	3,149	9,544	(6,395)	(67)
931101 OUT-OF-STATE TRAVEL EXPEN	266	2,385	(2,119)	(89)
** TRAVEL OUT OF STATE TOTAL	266	2,385	(2,119)	(89)
Expenditures				
920201 LABORATORY TESTS	19	56	(37)	(66)
* 920200 - LABORATORY EXPENSE	19	56	(37)	(66)
920601 MISCELLANEOUS OFFICE SUPP	17,130	27,021	(9,891)	(37)
920606 TONER - PRINTER		0	(0)	(100)
920632 AWARDS (SERVICE RECOGNITI	1,969	2,864	(894)	(31)
* 920600 - OFFICE EXPENSE	19,099	29,885	(10,786)	(36)

921501 PERSONNEL ADS		431	(431)	(100)
* 921500 - ADVERTISING		431	(431)	(100)
921799 MEETINGS, CONFERENCES, EX	527	3,556	(3,029)	(85)
* 921700 - MEETINGS, CONFERENCES, E	527	3,556	(3,029)	(85)
922303 LEGAL PUBLICATIONS-HARDCO	19,633	16,044	3,589	22
922304 LEGAL PUBLICATIONS-ON-LIN	4,441	4,180	261	6
922399 LIBRARY PURCHASES AND SUB	110	839	(729)	(87)
* 922300 - LIBRARY PURCHASES AND SU	24,183	21,063	3,120	15
922702 COPIERS-RENTAL-LEASE	15,787	15,103	685	5
922705 POSTAGE MACHINE-RENTAL-LE	1,144	1,580	(436)	(28)
* 922700 - EQUIPMENT RENTAL/LEASE	16,931	16,682	249	1
922999 EQUIPMENT REPAIRS	5,294	11,895	(6,601)	(55)
* 922900 - EQUIPMENT REPAIRS	5,294	11,895	(6,601)	(55)
923999 GENERAL EXPENSE-SERVICE	1,055	878	177	20
* 923900 - GENERAL EXPENSE - SERVIC	1,055	878	177	20
924599 PRINTING	7,310	12,332	(5,022)	(41)
** PRINTING TOTAL	7,310	12,332	(5,022)	(41)
925101 TELECOMMUNICATIONS	32,456	30,029	2,426	8
925103 CELL PHONES/PAGERS	2,420	2,640	(220)	(8)
* 925100 - TELECOMMUNICATIONS	34,876	32,670	2,206	7
926199 STAMPS, STAMPED ENVELOPES	155	81	75	92
* 926200 - STAMPS, STAMPED ENVELOPE	155	81	75	92
926399 POSTAGE METER	18,956	4,962	13,994	282
* 926300 - POSTAGE METER	18,956	4,962	13,994	282
928801 INSURANCE	1,362	1,319	43	3
** INSURANCE TOTAL	1,362	1,319	43	3
935301 JANITORIAL SERVICES	4,675	2,300	2,375	103
935303 JANITORIAL CLEANING SUPPL	5,245	6,487	(1,242)	(19)
* 935300 - JANITORIAL	9,920	8,787	1,133	13
935499 MAINTENANCE & SUPPLIES		111	(111)	(100)
* 935400 - MAINTENANCE AND SUPPLIES		111	(111)	(100)
935502 PARKING MAINTENANCE		1,096	(1,096)	(100)
* 935500 - GROUNDS		1,096	(1,096)	(100)
935799 OTHER FACILITY COSTS - GO	2,075	1,462	613	42
* 935700 - OTHER FACILITY COSTS - G	2,075	1,462	613	42
935899 OTHER FACILITY COSTS - SE	1,381	1,142	239	21
* 935800 - OTHER FACILITY COSTS - S	1,381	1,142	239	21
** FACILITY OPERATION TOTAL	21,832	22,020	(188)	(1)
965101 JURORS - FEES	5,730	6,680	(950)	(14)
965102 JURORS - MILEAGE	1,254	1,430	(177)	(12)
* 965100 - JUROR COSTS	6,984	8,110	(1,127)	(14)

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with fiscal staff involved in accounts payable. We then reviewed selected invoices and claims processed in FY 2009 – 2010 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

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

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

11.1 The Court Did Not Consistently Approve and Match Invoices to Purchase Agreements Prior to Payment

Background

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

FIN 8.01, 6.2.1 requires that the CEO or an authorized representative approve all invoices for payment. As described under FIN 8.01, 6.2.3, the court shall list employees permitted to commit court resources and approve invoices for payment, as well as their dollar limits and scope of authority, on an authorization matrix. To ensure the court maintains appropriate segregation of duties, FIN 6.01, 6.9 (2) requires that, unless the AOC has previously approved other procedures for the court, different employees must be responsible for procurement activities and payment approval.

FIN 8.01, 6.3.2 requires the court to perform a "three-point-match" when processing vendor invoices. This procedure consists of matching a vendor invoice to a purchase agreement, such as a purchase order or contract, and to proof of receipt and acceptance of goods or services, such as a packing slip signed by the requestor or acceptance form signed by the project manager. Accounts payable employees must not process vendor invoices for payment without completing the "three-point-match" procedure. If one element is missing (for example there is no evidence of receipt of goods and services), the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

Issues

The Court has a local policy that identifies those invoices that require the CEO's approval and those that do not prior to payment processing. For certain categories of invoices that do not require the CEO's approval, the CEO has delegated to various court staff the responsibility to verify and approve the invoice before it is routed to Fiscal Services to be processed for payment. Our review of 30 randomly selected invoices and claims the Court paid in FY 2009-2010 identified the following issues:

1. Three invoices were not verified or approved by the authorized individual in accordance with the Court's local policy. Nevertheless, Court accounts payable staff processed the invoices for payment.
2. For three additional invoices, the Court's local policy did not require CEO approval nor designated an alternate verifier and approver. Therefore, the Court paid these three invoices without any indication that an appropriate individual reviewed the invoice nor performed a "three-point-match" to ensure that the amounts billed were correct and that the goods or services were received or provided prior to payment. As a result, for two of these three invoices for monthly copier charges, the Court paid billing rates that were higher than the rates specified in the corresponding copier lease agreements the Court had on file.
3. Three invoices for office or janitorial supplies were verified and approved for payment by the Administrative Technician in accordance with the Court's local policy. However, the purchasing and invoice approval duties were not sufficiently segregated because the same individual that approved payment of the invoice, the Administrative Technician, also ordered the goods.
4. Ten invoices and claims were paid even though they were not supported by a purchase agreement, such as a purchase order or executed contract. As a result, the Court could not perform the "three-point-match" to verify that payments were made in accordance with pre-approved or negotiated rates.

Five of these claims were submitted by court-appointed counsel or dependency counsel who billed for services at an hourly rate. However, the rates billed were not documented in a written agreement. The Court has since begun to enter into individual agreements or relied on the AOC to enter into agreements on behalf of the Court with these services providers to specify the rates and amounts the Court agreed to compensate, thus resolving the issue concerning these claims. However, the remaining five invoices and claims still lack written agreements.

Recommendations

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

1. Require Fiscal Services staff responsible for accounts payable processing to obtain the necessary verification and approval signatures from authorized individuals before processing invoices and claims for payment.
2. Revisit its local policy and re-evaluate those invoices that currently do not require approval by the CEO or verification and approval by a designated Court employee, and require that a "three-point-match" be completed of all invoices prior to payment. Invoices for goods may be supported by a packing slip signed by the appropriate individual acknowledging receipt of the goods, and invoices for services may be

- approved by an authorized individual within his or her approval limits to acknowledge receipt of satisfactory services.
3. Ensure that the same individual does not perform the entire procurement and invoice approval process for goods, such as office and janitorial supplies that are ordered by the Administrative Technician. Instead, the Court should use a process in which duties are sufficiently segregated, such as a court employee submitting a purchase requisition or supply order form to an authorized individual such as the CEO, manager, or supervisor for approval; the Administrative Technician obtaining quotes or bids, preparing a purchase order, obtaining approval signatures on the purchase order, and ordering the goods; the employee who requested the goods documenting and reporting the receipt of goods; and accounts payable staff completing the “three-point match” prior to payment processing.
 4. Document in a purchase order, contract, or other comparable procurement document, the rates the Court agreed to pay for the goods and services purchased. A procurement document may include but is not limited to written communication between the service provider and authorized court individual specifying agreed-upon services and rates, or an internal policy approved by an authorized court individual setting rates for court appointed services. A copy of the procurement document should be maintained by accounts payable staff to verify the billed rates with the agreed-upon rates when performing the “three-point-match” prior to processing invoices and claims for payment.

Superior Court Response

The court is restructuring its purchasing process. A Per-Purchase Authorization, PO, or contract will need to be signed prior to any purchase. The employee who orders cannot be the approver or the receiver of the goods ordered. The invoice will not be paid without a pre-purchase authorization, PO, Contract or a documented monthly invoice amount on the Court's Master AP Approval Sheet signed and authorized by the CEO. The court will also maintain an agreed upon internal policy approved by the CEO and PJ setting rates for court appointed services. These items will be maintained by accounts payable staff to verify the rates billed when performing the “three-point-match” before processing the invoice for payment. However, because court-appointed services are made by Judicial Order, and Judges review and approve these associated invoices, there may be occasions when a judge may approve payment of a rate different than the Court standard rate.

12. Fixed Assets Management

Background

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

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
922611 COMPUTER	13,884	10,767	3,117	29
922612 PRINTERS	302	874	(572)	(65)
922699 MINOR EQUIPMENT - UNDER \$	2,786	146,373	(143,588)	(98)
* 922600 - MINOR EQUIPMENT - UNDER	16,972	158,015	(141,043)	(89)
945205 MAJOR EQUIPMENT-VEHICLE		22,295	(22,295)	(100)
946601 MAJOR EQUIPMENT - IT		(1,715)	1,715	
945301 MAJOR EQUIPMENT - NON-IT	6,853		6,853	
** MAJOR EQUIPMENT(OVER \$5,000) TOTA	6,853	20,579	(13,726)	(67)

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

Specific tests include:

- Determining the accuracy of the Court's reported fixed assets by comparing the information reported in the Comprehensive Annual Financial Report (CAFR) worksheet statements 18 and 19 to the supporting accounting records.
- Verification of supporting invoices for selected expenditures to ensure that expenditures were appropriately classified in the general ledger accounts.
- Review the completeness and accuracy of the asset inventory and software license listings and the most recent physical inventory of assets. Traced selected items on the listings to the physical item and vice-versa, including validation of the existence of selected major asset purchases through physical observation.
- Evaluated controls and procedures over disposal of fixed assets and inventory items.

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

13. Audits

Background

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

We reviewed prior audits conducted on the Court to obtain an overview of the issues identified and to determine during the course of our audit whether these issues have been corrected or resolved. Specifically, IAS initiated an audit of the Court in 2006 that included a review of various fiscal and operational processes. Issues from the 2006 audit that have not been corrected or resolved, and repeat issues are identified in various sections of this report.

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Amador County for the period of July 1, 2001 through June 30, 2004. The report, which was issued in September 2006, identified several issues related to the Court. We revisited these issues during our review of the calculation and distribution of various traffic and criminal fines and fees. Any issues identified are addressed in the Information Systems section of the audit report.

There were no significant issues to report to management.

14. Records Retention

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	June 30, 2010	June 30, 2009		
Expenditures				
935203 STORAGE	8,456	9,422	(966)	(10)
* 935200 - RENT/LEASE	8,456	9,422	(966)	(10)

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

There were no significant issues to report to management.

15. Domestic Violence

Background

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

We identified the statutory requirements for assessments of criminal domestic violence fines, fees, penalties, and assessments, and obtained an understanding of how the Court ensures compliance with these requirements. We also selected a sample of FY 2009 – 2010 criminal domestic violence convictions, and reviewed corresponding CMS and case file information to determine whether the Court assessed the mandated fines and fees.

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

15.1 Certain Criminal Domestic Violence Fines and Fees Were Not Entered into the Case Management System or Assessed

Background

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

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

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

- Penal Code (PC) 1202.4 (b) State Restitution Fine

Courts must impose a separate and additional State Restitution Fine of not less than \$200 for a felony conviction and not less than \$100 for a misdemeanor conviction in every case where a person is convicted of a crime. Courts must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason not to impose this restitution fine, but may be considered only in assessing the amount of fine in excess of the minimum.

- PC 1202.44 (or PC 1202.45) Probation (or Parole) Revocation Restitution Fine
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed.
- PC 1203.097 (a)(5) Domestic Violence Fee
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee if a person is granted probation for committing domestic violence crimes. The legislation that amended the Domestic Violence Fee from \$200 to \$400 sunset on January 1, 2010, but a bill enacted on August 13, 2010, amended the fee back to \$400. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1465.8 (a)(1) Court Security Fee
Effective August 17, 2003, courts must impose a \$20 (\$30 effective July 28, 2009, and \$40 effective October 19, 2010) Court Security Fee on each criminal offense conviction.
- Government Code (GC) 70373 Criminal Conviction Assessment
Effective January 1, 2009, courts must impose a \$30 Criminal Conviction Assessment for each misdemeanor or felony and an amount of \$35 for each infraction.

Issues

The Court provided a report listing a total of 37 cases with criminal DV convictions in FY 2009-2010. We judgmentally selected to review 12 cases to determine whether the Court imposed the mandatory fines, fees, and assessments. Our review of the case files and the CMS docket entries for these cases identified the following exceptions:

1. The Court did not ensure that all DV fines and fees assessed were entered into the CMS. For two cases, the Probation Order or Abstract of Judgment indicated that the Court assessed a State Restitution Fine; however, the Court did not record the fine in the CMS. For a third case, the Probation Order indicated that a Domestic Violence Fee was assessed, but again the Court did not record the fee in the CMS.

2. For 8 of the 12 DV cases we reviewed where the defendant was sentenced to probation, the Court did not consistently assess the statutorily required DV fines, fees, and assessments related to a probation sentencing as follows:
 - a. For all eight cases, the Court did not assess the Probation Revocation Restitution Fine pursuant to PC 1202.44. Additionally, the Probation Revocation Restitution Fine is not itemized on the Probation Order similar to other fines, fees, and assessments.
 - b. For three of the eight cases, the Court assessed the incorrect Domestic Violence Fee amount. Specifically, the Court assessed \$200, but should have assessed \$400 since these defendants were sentenced in calendar year 2009.
 - c. In one instance, the Court did not assess the Domestic Violence Fee. Specifically, the defendant was convicted of PC 273.6(a), which is a violation of a protective order. According to the *California Judges Benchguide 74: Sentencing Guidelines for Common Misdemeanors and Infractions* updated in 2010, the court must impose conditions specified for crimes of domestic violence under PC 1203.097 if probation is granted for PC 273.6(a) convictions.

Recommendations

To ensure that statutorily required minimum fines, fees, and assessments are imposed on criminal DV convictions, the Court should consider the following:

1. Determine whether it is feasible to implement monitoring capabilities, where appropriate, into the CMS to flag for supervisory review cases where mandatory fines, fees, and assessments such as the State Restitution Fine and Domestic Violence Fee were not assessed.
2. Create a bench schedule of domestic violence fines and fees as a tool for use by judicial officers and update the Order of Probation for Domestic Violence form to ensure it reflects all statutorily required assessments. For instance, the Abstract of Judgment Form for felony convictions contains a line item for entry of a Parole Revocation Restitution Fine amount that is suspended unless parole is revoked. The Court may add a similar line item on the Order of Probation for the Probation Revocation Restitution Fine pursuant to PC 1202.44. Additionally, the Court should ensure that the Domestic Violence Fee on the Order of Probation is updated to \$400.

Superior Court Response

1. Monitor DV Cases – Agree. The Court will determine if it is feasible to generate reports from the Court's CMS to verify all mandatory fines, fees and assessments. Assuming these reports can be generated, the Court will implement a policy to periodically (quarterly) review those cases in which defendants are convicted of a domestic violence offense to verify the appropriate fines, fees and assessments were imposed.

2. Create a bench schedule of domestic violence fines, fees and assessments – Agree. The Court will prepare a reference sheet for judicial officers to use when sentencing defendants convicted of a domestic violence offense.
3. Revise Order for Formal Probation/Domestic Violence – Agree. The Court will update its Order for Formal Probation/Domestic Violence to reflect the correct Domestic Violence Fee (\$400.00) and the Probation Revocation Restitution Fine required by Penal Code Section 1202.44.

16. Exhibits

Background

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

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

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

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

17. Bail

Background

In general, bail is used to ensure the presence of the defendant before the court and is most commonly submitted in the form of cash or a surety bond. Surety bonds are contracts guaranteeing that specific obligations will be fulfilled and may involve meeting a contractual commitment, paying a debt, or performing certain duties. Bail bonds are one type of surety bond. If someone is arrested on a criminal charge he may be held in custody until trial, unless he furnishes the required bail. The posting of a bail bond acquired by or on behalf of the incarcerated person is one means of meeting the required bail. When a bond is issued, the bonding company guarantees that the defendant will appear in court at a given time and place. Bail bonds are issued by licensed "Bail Agents" who specialize in their underwriting and issuance and act as the appointed representatives of licensed surety insurance companies. California Rules of Court (CRC) 3.1130(a) outlines certain conditions for insurance companies to meet prior to being accepted or approved as a surety on a bond:

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

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

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

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

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

APPENDIX A

**Superior Court of California,
County of Amador**

Issue Control Log

Note:

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

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

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

April 2011

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration			No issues to report.					
2 Fiscal Management and Budgets								
	2.1		The Court Needs to Better Segregate Its Payroll Related Duties and Ensure Appropriate Approvals					
		3	The Court has not adequately segregated various time-approval and payroll processing duties.	I		The Court will change the time approval and payroll processing duties to reflect the information presented in the table below. The duties that have a P in the table indicate who is the primary responsibilities and S indicates the secondary responsibility.	Shannon Gibson, Fiscal Services Supervisor	July 2011
		3	The current approval structure the Court configured in EZLM does not ensure that employee time reporting is consistently reviewed and approved only by individuals at the appropriate approval levels.	C		The payroll system has been changed to ensure that only the employee's supervisor can approve an employee's time records. The CEO currently approves all direct reports time records.	Shannon Gibson, Fiscal Services Supervisor	Completed
		3	The Court could not demonstrate that the CEO's declaration of time was approved by his appropriate approval level, the PJ, for the pay period under review.	C		The Fiscal Services Supervisor will ensure the receipt of the PJ's approval of the CEO's time before approving time records in EZLM.	Shannon Gibson, Fiscal Services Supervisor	Completed
		Log	According to the Court, it issued an emergency payout of accrued paid time off (PTO) for \$1,811 in FY 2009-2010 to one Court employee. Although the Court's personnel policy authorizes PTO payouts under specific circumstances, this payout was an exception to the policy. The CEO approved the payout via e-mail; however, the Court did not retain sufficient documentation - such as a formal employee request with a compelling reason - to demonstrate that the reason for the payout was appropriate and justified.	C		If an emergency payout is made in the future, the Court will document that the payout was appropriate and justified. The payout in question was the only one ever requested or approved. The reasons were compelling and constituted a legitimate basis for making the payment.	Sherri Arnold, Human Resources Analyst	Completed
3 Fund Accounting								
		Log	The Court used the same general ledger account 822105 to account for two different local revenue sources in FY 2009-2010. It should consider using separate general ledger accounts to track different local revenue sources.	I		Even though this general ledger account is used for two different local revenue sources, when the deposit journal entries are submitted, the description used for the two revenue sources are different. The Court has the ability to run reports on this account and separate the two revenue sources by the journal entry description. During FY 2011-2012 budgeting process the Court will look for a way to put these two revenue sources into two general ledger accounts.	Shannon Gibson, Fiscal Services Supervisor	February 2012
		Log	The Court is not separately tracking funding and expenditures related to enhanced collections on the Phoenix Financial System. It should consider using fund 120007 and a separate WBS element code for this purpose.	I		The court is already in the process of tracking enhanced collections in fund 12007. FY 2010/2011 end of year reports will have all the funding and expenditures related to enhanced collections reported in fund 120007.	Shannon Gibson, Fiscal Services Supervisor	October 2011
4 Accounting Principles and Practices			No issues to report.					

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
5	Cash Collections							
		5.1	Court Supervisors Did Not Ensure That All Voids Were Approved and Adequately Documented					
		1	Court supervisors do not always sign or initial void documents to demonstrate their review and approval of the void transactions, and clerks do not always retain on file the original receipt that was voided.		C	There has been additional communications between Fiscal Services and Operations about the appropriate backup that needs to be attached before the supervisor can sign a void.	Shannon Gibson, Fiscal Services Supervisor	Completed
		1	During the daily closeout and balancing process, Fiscal Services did not verify that all voided CMS transactions were supported by the original receipts that were voided and signed or initialed by a supervisor, indicating supervisory review and approval of the void transaction.		C	Previously the Court did not have a time or cost effective way of tracking all voids in the system. Since this was discovered, the Court has created a report that identifies all voids in the case management system. The court was unable to do this in the past without incurring a significant cost. During the closeout and balancing process, Fiscal Services reviews this report and ensures that each void has been turned into Fiscal Services with the appropriate backup documentation as well as the appropriate approval.	Shannon Gibson, Fiscal Services Supervisor	Completed
		Log	The Court assigned system administrative rights to CMS users who do not require these rights, including the CEO and County Probation Department.		C	The Court corrected this issue. Neither the CEO or Probation have administrative rights at this time.	Janet Davis, Court Manager	Completed
		Log	A Court employee deposits collections twice a week at the County and at Bank of America. This arrangement puts the individual at risk of theft because depositing multiple days worth of collections result in a higher dollar amount per deposit and the individual is making the deposit by herself. The Court informed us that it plans to procure armored courier service once it sets up a distribution account with Bank of America.	I		The Court is working on the steps necessary to use an armored car service to make deposits. The Court will enhance its case management system to accept online credit card payments. As part of this project the Court will establish its own distribution account through the Bank of America.	Shannon Gibson, Fiscal Services Supervisor	September 2011
		Log	During FY 2009-2010, the Court did not refund two \$30 overpayments. Instead, it posted the amounts into the overpayment docket that is reserved for overages of \$10 and under to be retained as local revenue. The Court subsequently informed us that it will refund the payments.	I		The two \$30 overpayments are in the process of being refunded. The court has also developed a process to ensure that all overpayments posted to the overpayment docket are \$10 or less.	Shannon Gibson, Fiscal Services Supervisor	June 2011
6	Information Systems							
		6.1	The Court Did Not Distribute Certain Collections in Accordance with Statutes and Guidelines					
		7	The Court did not correctly apply the GC §68090.8 – 2 Percent State Automation (2 percent) distribution for violations that require special base fine distributions.	I		The court agrees with all recommendations and is working to make the recommended changes.	Christie Johnson, Project Manager	July 2011
		7	The Court did not correctly distribute the collections on cases we reviewed with traffic school dispositions.					
		7	The Court also did not correctly distribute the collections on Red Light cases we reviewed.					
		7	For cases with prior convictions, the Court did not distribute with the base fine the \$10 enhancement for prior violations.					
		7	For the POC cases we reviewed with multiple correctible offenses, the Court correctly distributed the initial \$25 POC fee, but did not correctly distribute the additional \$25 POC fees associated with the other correctible offenses on a citation.					

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	For cases we selected to review with standard bail forfeiture distributions, the State/County Penalty Assessment was slightly understated and the remaining penalty assessments were slightly overstated by the same amount. Although the variance per case was insignificant, it may be significant when multiplied by the total number of cases affected. However, the variance has been reduced in cases reflecting the increased Additional DNA Penalty Assessment from 1 per 10 to 3 per 10 effective June 30, 2010.	I		Penalty Assessment Variance Analysis report received from AOC Auditor. Project Manager will modify APA docket in CMS to comply with correct remittance.	Christie Johnson, Project Manager	June 2011
		Log	Although this penalty is listed on the Court's DUI Fine History chart, the Court did not consistently assess the \$50 Alcohol Abuse and Education Penalty pursuant to PC 1463.25 for DUI cases. Specifically, the Court assessed the penalty in one DUI case we reviewed, but did not assess the penalty in a second DUI case we reviewed.	I		This appears to be an oversight by the Court. Overall, the \$50 Alcohol Abuse and Education Penalty is assessed for DUI cases. The Court will verify that the penalty is being consistently assessed over the past six months. If not, corrective action will be taken.	Christie Johnson, Project Manager	June 2011
		Log	The Court's <i>DUI Fine History</i> chart calculates total assessment amounts using a base fine of \$390 pursuant to VC 23152(a)-(c), but does not list calculations using other possible DUI base fine amounts. Specifically, the base fine is \$450 for violation of VC 23152(d) and \$500 for VC 23153, both of which are also DUI convictions.	I		Project Manager will update the Court's DUI Fine History chart to include other base fine amounts, including \$450 and \$500.	Christie Johnson, Project Manager	June 2011
		Log	In one case we selected to review where the defendant was convicted of Reckless Driving pursuant to VC 23103, the Court assessed a base fine of \$220, but the base fine for this violation should be \$145 according to the Judicial Council's <i>Uniform Bail and Penalty Schedule</i> .		C	Judicial Staff is in possession of the current Uniform Bail and Penalty Schedule (2011) in chambers and on the benches.	Christie Johnson, Project Manager	Completed
	6.2		The Court Does Not Adequately Control and Monitor Access to Sensitive Department of Motor Vehicle Information					
		6	The Court did not ensure that court employees with direct or incidental access to DMV records completed and signed individual Information Security Statements.	I		Agree. The Court will compile and maintain a list of individuals with access to sensitive DMV record information, identifying those with direct access and those with incidental access, and require each of these individuals to complete and sign individual Information Security Statements. The Court will retain the list for at least two years and Information Security Statements will be re-certified annually.	Sherri Arnold, Human Resources Analyst	July 2011
		6	The Court does not log DMV record access information.	I		The Court will continue to work to identify a method to log and monitor access to DMV records. The Court has contacted its case management system vendor, as well as Microsoft, the developer of the software used on the DMV interface server. The Court also identified another court with a similar DMV interface configuration and will work collaboratively with that court to resolve this issue	Theo Gerou, Senior Information Technology Analyst	October 2011
		Log	The Court does not have written agreements with the owners and/or facility managers of each potential alternate facility site as required by the Continuity of Operations Plan instructions.	I		The Court will obtain agreements with owners/managers of potential alternate facilities.	Hugh Swift, Court Executive Officer	October 2011
		Log	Although the Court has identified vital records, systems, and data as critical to its operations during continuity disruptions in Annex G of the Continuity of Operations Plan, it has not adequately specified plans for protection, duplication, and movement of these records.	I		The Court will continue to update its COOP and will address the protection, duplication and movement of these records.	Hugh Swift, Court Executive Officer	October 2011

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court does not store its backup IT data offsite, but instead backs up its data onto a secondary server located onsite. The Court is considering temporarily backing up the data to a removable hard-drive and storing the hard-drive at its Jackson record storage facility while it investigates an alternative long-term solution.	I		The Court is in the process of procuring a temporary backup solution.	Theo Gerou, Senior Information Technology Analyst	July 2011
		Log	Time restrictions are not placed on user accounts for a specified period of inactivity, such as automatically logging off a user after 30 minutes of inactivity. Although the risk of inappropriate access is mitigated by having most computer terminals located in secured areas not accessible by the public, there are two counter terminals in the jury waiting room that may be at risk of inappropriate access.	I		The Court will establish a session lock policy that will terminate the session of any user after a predetermined period of inactivity.	Hugh Swift, Court Executive Officer	October 2011
		Log	Court management does not perform periodic reviews of user accounts to ensure that access rights are commensurate with job responsibilities. The IT Analyst only changes access rights for user accounts upon receiving notification from the Court Manager that the job responsibilities of a particular user has changed.	I		The Court will adopt a policy requiring annual review of users accounts.	Sherri Arnold, HR Analyst	October 2011
		Log	Although the "Technology Use and Privacy" section of the Personnel Manual addresses general access to and usage of Court technology resources, it does not include policies and procedures for remote (e.g. VPN) access granted to certain Court managers.	I		The Court is amending it Personnel Manual which includes a section on Technology Use, The new Personnel Manual will address this issue.	Hugh Swift, Court Executive Officer	October 2011
7	Banking and Treasury							
		7.1	Trust Account Reconciliations are Not Current and are Not Reviewed and Approved by a Supervisor					
		2	The Court has not kept up-to-date reconciliations of its criminal and traffic trust funds.	I		The Court agrees that the criminal and traffic reconciliations need to be brought current. Fiscal Services has developed a plan to bring these reconciliations current within 6 months.	Shannon Gibson, Fiscal Services Supervisor	December 2011
		2	The Court's process for reconciling trust deposits does not reconcile to official record in the CMS. It relies on its spreadsheet of trust account activity rather than the official record of trust balances maintained in the CMS.	I		The Court will implement a three-way reconciliation of the CMS system to the County treasury system to the detailed trust worksheet maintained by the Court. Even though the reconciliations are not current, the Court does currently reconcile its trust worksheet to the monthly statements sent to the county for all of the current month's cash activity. Because of the monthly reconciliation of activity, the court is reasonably ensured that the court's trust worksheet is current and accurate.	Shannon Gibson, Fiscal Services Supervisor	December 2011
		2	The Court has not required nor implemented a secondary review and approval process for reconciliations of its trust accounts and the locally maintained revolving account.	I		The Court developed and will implement its bank reconciliation responsibility matrix. This matrix indicates that the monthly activity and reconciliations for its trust accounts and the local revolving fund are performed by different individuals. Also, the fiscal services supervisor or the CEO will review and approved the reconciliations.	Shannon Gibson, Fiscal Services Supervisor	December 2011
		Log	The Court does not retain voided revolving account checks for audit purposes as required by the FIN Manual.		C	The court is now retaining any voided revolving account checks for audit purposes. The court has only had one voided revolving account check per year for the last three years.	Shannon Gibson, Fiscal Services Supervisor	Completed
8	Court Security		No issues to report.					

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
9 Procurement								
	9.1		The Court Did Not Document Appropriate Approvals for Certain Purchases					
		5	Fourteen of nineteen procurements we selected to review were not supported by a signed requisition or comparable document demonstrating that the procurement was pre-approved by an authorized individual acting within his or her approval limits.		C	The Court will begin to utilize an internal requisition document to approve all purchases if a purchase order is not set up in the Phoenix Financial System. This document will be required to be approved by authorized individuals acting within their approval limits. This documentation will also be utilized to document the receipt of goods or services. Upon receipt of goods or services, this documentation will be given to Fiscal Services after the purchase is made and will be retained with the invoice in the vendor accounts payable file.	Shannon Gibson, Fiscal Services Supervisor	Completed
		Log	The Administrative Technician acting as Procurement Officer is authorized to approve office and printer supply purchases under \$1,000; however, the purchasing duties and the purchase approval authority are incompatible activities.		C	This process has been changed in conjunction with IM #5. An internal purchase requisition will be used for these types of purchases.	Sherri Arnold, Human Resources Analyst	Completed
		Log	For one procurement costing more than \$10,000, the Court did not have documentation that it followed a competitive procurement process. Specifically, the Court paid its Peer Drug Court Coordinator \$13,550 in FY 2009-2010 and informed us that it has historically contracted with the same individual to provide this service. However, the Court did not have documentation of formal competitive written offers nor a sole-source justification for this procurement.	I		Due to uncertainty related to the funding of the Collaborative Justice Grant ("Peer Court Grant"), it is difficult to use the competitive bidding process. As an example, it was not until approximately Dec. 2010, that the Court learned how much it would receive in funding for the current fiscal year. Rather than suspend the program until funding was obtained, the current coordinator agreed to continue with the expectation he would make the necessary adjustment in his contract when funding amounts were determined. The Court will provide sufficient sole source justification for this contract.	Sherri Arnold, Human Resources Analyst	July 2011
		Log	For two "micro" purchases, defined as a procurement costing from \$500 to \$2,500, the Court did not have documentation that it obtained as least three telephone or internet offers, or a sole-source justification for why offers were not obtained.		C	This process has been changed in conjunction with IM #5. An internal purchase requisition including the needed details will be used for these types of purchases.	Sherri Arnold, Human Resources Analyst	Completed
		Log	The Court used its purchase card to procure services in FY 2009-2010, but does not have procedures to track and report these potentially taxable payments on a 1099-MISC form.		C	This process has been changed in conjunction with IM #5. An internal purchase requisition including the needed details will be used for these types of purchases.	Sherri Arnold, Human Resources Analyst	Completed
10 Contracts								
		Log	The Court did not have a current certificate of insurance on file for three of the four contracts we selected to review.	I		The Court will review its contracts to ensure all required certificates of insurance are provided.	Sherri Arnold, Human Resources Analyst	October 2011
		Log	The agreement for Peer Court Coordinator funded lacks some terms and conditions that may help protect the Court's interest, including an availability of funds clause, audit rights clause, confidentiality clause, and a detailed dispute resolution clause.	I		FY 2011/2012 Peer Court Coordinator agreement will be reviewed and terms and conditions will be added.	Hugh Swift, Court Executive Officer	October 2011
11 Accounts Payable								
	11.1		The Court Did Not Consistently Approve and Match Invoices to Purchase Agreements Prior to Payment					

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		8	Three invoices were not verified or approved by the authorized individual in accordance with the Court's local policy.	I		The court is restructuring its purchasing process. A Pre-Purchase Authorization, PO, or contract will need to be signed prior to any purchase. The employee who orders cannot be the approver or the receiver of the goods ordered. The invoice will not be paid without a pre-purchase authorization, PO, Contract or a documented monthly invoice amount on the Court's Master AP Approval Sheet signed and authorized by the CEO. The court will also maintain an agreed upon internal policy approved by the CEO and PJ setting rates for court appointed services. These items will be maintained by accounts payable staff to verify the rates billed when performing the "three-point-match" before processing the invoice for payment. However, because court-appointed services are made by Judicial Order, and Judges review and approve these associated invoices, there may be occasions when a judge may approve payment of a rate different than the Court standard rate.	Shannon Gibson, Fiscal Services Supervisor	July 2011
		8	For three additional invoices, the Court's local policy did not require CEO approval nor designate an alternate verifier and approver. As a result, the Court did not adequately review two of these three invoices before payment as it paid billing rates that were higher than the rates specified in the agreements.					
		8	Three invoices for office or janitorial supplies were verified and approved for payment by the Administrative Technician, the same individual who performed the incompatible activity of ordering the goods.					
		8	Ten invoices and claims were paid even though they were not supported by a purchase agreement, such as a purchase order or executed contract.					
		Log	Twenty-six of thirty invoices and claims reviewed were not date-stamped.		C	Fiscal Services will ensure that the received stamp date on the envelope of the invoice is transferred to all invoices.	Dawn Harmon, Fiscal Analyst	Completed
		Log	All five court transcript claims we reviewed do not contain sufficient detailed information for the claims reviewer or approver to verify that the amounts claimed are in accordance with statutory requirements.	I		The Court will adopt a policy that invoices/claims for reporters' transcripts include sufficient information to verify claims are consistent with statutory requirements.	Shannon Gibson, Fiscal Services Supervisor	July 2011
		Log	For two of four contract interpreter claims we reviewed, the mileage reimbursements paid were not in accordance with the <i>AOC Court Interpreter Payment Policy</i> . For one claim, the Court reimbursed the claimant for the 56 miles claimed, but the AOC policy only allows mileage reimbursement for travel that is at least 60 miles roundtrip. For a second claim, the Court reimbursed 100 miles, but three separate online map services calculated a distance of only 82 miles.		C	The court will have the interpreter coordinator to check the mileage claims.	Sherri Arnold, Human Resources Analyst	Completed
		Log	One court reporter claim for appearance fees did not contain case identifying information and a copy of the court authorized payment/billing amounts.	I		Invoice for court reporter appearances would not have case identifying information because the reporter would most likely be here for many cases heard on one day. The invoices are reviewed first by the Court's Senior Court Reporter to verify that the reporter was present on that day. The Court will also keep a copy of the agreed upon rates in the Fiscal Office for verification.	Shannon Gibson, Fiscal Services Supervisor	July 2011
		Log	The CEO approves the PJ's travel expense claims although the CEO is subordinate to the PJ. The APJ would be the appropriate approval level for the PJ's TECs, and vice versa.		C	The court will begin having the APJ approve all of the PJ's claims	Shannon Gibson, Fiscal Services Supervisor	Completed
		Log	The Court did not always document CEO approvals of employee recognition luncheons. During FY 2009-2010, the Court held three luncheons to recognize employees' years of service, but only had e-mail approvals from the CEO for the latter two meals.		C	This process has been changed in conjunction with IM #5. An internal purchase requisition including the needed details will be used for these types of purchases.	Sherri Arnold, Human Resources Analyst	Completed
		Log	The e-mail requests and subsequent approvals for the employee recognition luncheons did not contain all the pertinent information required by the FIN Manual. Specifically, information such as meeting start and end times, duration of meal, and list of expected attendees was missing.		C	This process has been changed in conjunction with IM #5. An internal purchase requisition including the needed details will be used for these types of purchases.	Sherri Arnold, Human Resources Analyst	Completed
		Log	Although the FIN Manual requires that the petty cash custodian have no other cash handling responsibilities, the Court's Petty Cash Custodian is also responsible for depositing cash collections.	I		The Court will separate these duties to two different staff members.	Shannon Gibson, Fiscal Services Supervisor	June 2011

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court did not use the Petty Cash Fund solely for its intended purpose. Specifically, the Petty Cash fund is intended to purchase low value items needed by the Court and that do not need to follow the formal procurement process. However, the Court used the Petty Cash Fund to also hold unidentified overages and to make up any cashier cash shortages. As a result, the Court commingled these cash overages and shortages with Petty Cash funds instead of maintaining a separate cash overage/shortage fund.	I		The Court will maintain a separate cash shortage/overage fund.	Shannon Gibson, Fiscal Services Supervisor	July 2011
		Log	The Court did not correctly account for the overages deposited into the Petty Cash Fund. Specifically, the Court netted the overages against petty cash expenditures when replenishing the Petty Cash Fund instead of recording these overages in an overage revenue account. As a result, the Court understated both revenues and expenditures in its financial records. Although the Court did not report any shortages in the petty cash replenishment forms we reviewed, it should also record shortages in the appropriate expenditure general ledger account.	I		The Court will only record overages/shortages in the appropriate expenditure general ledger account.	Shannon Gibson, Fiscal Services Supervisor	July 2011
12	Fixed Assets Management							
		Log	The values for two fixed asset items reported on the CAFR worksheets for FY 2009-2010 were overstated.	I		The Court confirmed the value of these assets were overstated. The Court will include the correct values in further reports.	Shannon Gibson, Fiscal Services Supervisor	July 2011
13	Audits		No issues to report.					
14	Records Retention		No issues to report.					
15	Domestic Violence							
		15.1	Certain Criminal Domestic Violence Fines and Fees Were Not Entered into the Case Management System or Assessed					
		4	The Court did not ensure that all DV fines and fees it assessed were entered into the CMS.	I		Agree. The Court will determine if it is feasible to generate reports from the Court's CMS to verify all mandatory fines, fees and assessments. Assuming these reports can be generated, the Court will implement a policy to periodically (quarterly) review those cases in which defendants are convicted of a domestic violence offense to verify the appropriate fines, fees and assessments were imposed.	Janet Davis, Court Manager	July 2011
		4	The Court did not consistently assess the statutorily required DV fines, fees, and assessments related to probation sentencing.	I		Agree. The Court will prepare a reference sheet for judicial officers to use when sentencing defendants convicted of a domestic violence offense. The Court will update its Order for Formal Probation/Domestic Violence to reflect the correct Domestic Violence Fee (\$400.00) and the Probation Revocation Restitution Fine required by Penal Code Section 1202.44.	Janet Davis, Court Manager	July 2011

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	For 3 of 12 criminal domestic violence cases reviewed, the Court assessed the Court Security Fee at the incorrect amount. Specifically, the Court assessed \$20 instead of \$30 for three cases we reviewed where sentencing was in August, September, and November 2009, respectively. Since the Court assessed the correct Court Security Fee for the cases we reviewed with more recent disposition dates, the Court seems to have resolved this issue.		C	The Court's case management system is updated to reflect changes in the statutory fine/fee structure. The Court will confirm that the system is properly programmed to include the Court Security Fee and that it is set at the correct amount.	Christie Johnson, Project Manager	Completed
		Log	For one of these three cases, the defendant was convicted of two charges but the Court only assessed one Court Security Fee instead of two, one for each conviction. Additionally, the Court did not assess the \$30 Criminal Conviction Assessment pursuant to GC 70373. The missing Criminal Conviction Assessment appears to be an isolated incident since the other cases included a Criminal Conviction Fee where applicable.		C	The failure to impose a Court Security Fee may have been the result of a judicial error rather than a clerical error or defect in the Court's CMS. Likewise, when originally enacted, there was some debate about whether Government Code Section 70373 was punitive in nature and therefore, could only be applied prospectively. The failure to assess this fee could have been the result of a judicial determination that retroactive application violated the ex post facto clause. This issue was not resolved until June 2010 (<u>People v. Castillo</u> (2010) 182 CA4 1410).	N/A	N/A
16	Exhibits							
		Log	The Court is using the exhibit locker located in the Department Three courtroom to also store non-exhibit items, such as supplies and IT equipment, thus possibly compromising the safeguarding of these exhibits.		C	Currently there are no exhibits stored in the D-3 exhibit locker. A portion of the IT equipment in the locker consists of switches and other devices necessary to connect the computers and phones in the courtroom to the Court's IT network. This courtroom was not constructed with a separate IDF closet. Access to the exhibit locker is limited by permissions granted via the Court's card access system to Courtroom clerks and the Sr. IT analyst.	Janet Davis, Court Manager	Completed
17	Bail							
		Log	The Court did not annually revise the Felony Bail Schedule as required by PC 1269b(c). Specifically, the Court's Felony Bail Schedule does not list an effective date, although it is labeled on the Court's website as a 2009 schedule. Without an effective date listed, outside users of the bail schedule, such as arresting agencies, cannot be sure that they are using the version with the correct applicable bail amounts.	I		The Court will annually review the Felony Bail Schedule and determine if changes in the law will require revision of the schedule. This revised schedule will be published in March or April to allow for review and research of the changes in law.	Hugh Swift CEO	July 2011