



# Audit of the Superior Court of California, County of Santa Cruz

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PREPARED BY INTERNAL AUDIT  
SERVICES

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ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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**Superior Court of California, County of Santa Cruz**

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## MANAGEMENT SUMMARY

### Introduction

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

The audit of the Superior Court of California, County of Santa Cruz (Court) was initiated by IAS of the Administrative Office of the Courts (AOC) in April 2010. Depending on the size of the court, the audit process typically involves three or four cycles, or audits, encompassing the following primary areas:

- Court administration
- Cash controls
- Court revenues and expenditures
- General operations

During audits, Internal Audit Services (IAS) plan on covering all four of the above areas. The audit process involves the review of compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS conducted its first audit of the Court in FY 2006—2007. We followed up on issues identified in the prior audit to determine whether they have been resolved.

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

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

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

FIN Manual and FISMA. For instance, the Court has an established system of practices to be followed in the performance of duties and functions. It has put together internal policies and procedures that supplement FIN Manual requirements for cash handling and other processes.

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

### **Audit Issues Overview**

This internal audit identified numerous reportable issues that are not out of line with other courts. The body of this report provides detail on many of the issues identified and Appendix A contains all of the issues identified as reportable, management's responses, and estimated completion dates. There were also issues that were not significant enough in our opinion to be included in the report that were discussed with court management and left out of the report. We informed the Court of the recommendations, and the Court Assistant Executive Officer (ACEO) and Financial Manager noted in their responses various actions the Court had already taken to fully or partially implement our recommendations.

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

The Court agreed that corrective measures are necessary in those high risk areas and is immediately reviewing the issues and initiating appropriate actions to mitigate concerns. In many instances Court responses indicate that appropriate corrective actions have already been put into place. This said, it is important to note that this audit was conducted during a period of unprecedented reductions in State and trial court resources, necessitating a reduction of over 14 percent of the Court's budgeted workforce due to the elimination of vacant and filled positions. The Court has been addressing these challenges through this audit period, as it focuses on providing essential services to the public with increased workload associated with reduced resources to ensure continued access to justice. Given these cost reduction changes such as moving staff from positions and locations to cover the reduction in staff, the Court pointed out that it is not feasible to initiate immediate corrective action for some lower-risk issues, but will continue to review and assess ways to resolve issues in the order of priority and potential risk. Overall, the Court has responded productively and professionally to each issue raised, either accepting the auditors recommended course of action or offering their justification as to why it felt its practice was appropriate. While the audit identified 21 reportable issue areas, there are five areas significant enough to bring to the attention of court management. Specifically the Court needs to improve and refine certain procedures and practices in order to fully comply with

statewide policies and procedures and/or good practices. These five areas are summarized below.

### *Forthwith Cash Collections*

The Court operates two locations that collect court-ordered payments. Cashiers at these locations rely on one case management systems (CMS) that has two modules; one called OTS for traffic/criminal case types and one called CIV module for civil case types. During our observation and discussion of various cash handling practices, we noted some sound internal controls, such as requiring closeout, balancing, and verification of collections at close of business, and securing collections overnight. However, there were several weaknesses identified in the Court's current use of manual receipts, closeout and balance procedures, as well as the processing mail of payments:

- Our review identified the following areas where the Court could strengthen its procedures to better control manual handwritten receipts. For example, when court staff were interviewed neither civil or traffic/criminal advised that their normal workflow is to monitor the manual receipt usage daily to ensure that all receipts were completed properly, used appropriately, and entered into the CMS timely and accurately. Although all receipts were accounted for and appropriately filled out in the civil division, this was not the case when receipt samples were tested in the traffic/criminal division. For example, it was discovered that 3 out of ten samples tested were not entered into the CMS timely within 48 hours. This is evidence that supervisory review is not taking place. Furthermore, we found that manual receipts are not being used properly. For example, manual receipts are being used for transactions other than system down times, being used out of sequence and are left in books and not voided, and receipts are not being completed on a consistent basis with all necessary information. **(5.1)**

The Court agrees with the issues noted above and has taken corrective measures to train staff on the use of manual receipts.

- A trial court should promote appropriate physical security of court assets and sensitive or confidential court documents by limiting access to appropriate court employees, and by monitoring such access. In fact, FIN Manual Procedure No. 2.02, paragraph 6.3 paragraph 2 identifies controlled access to assets as one of the key components to an effective system of internal controls. Furthermore, the court should establish an effective system of internal review to ensure that all financial transactions are properly and accurately recorded and reported. Our review found that the Court's Daily supervisor/lead count and verification of each cashier till balance and closeout is not being performed while in the presence of the cashier being verified as required by FIN Procedure 10.02, section 6.3.10., and FIN Procedure 2.02, section 6.3.6 paragraph 2(b). Presently, it is the courts practice to compare each cashier till totals and adding machine tape to the CMS totals but no actual count and verification of the cash and checks is performed by the supervisors. In addition, the civil module (CIV) of the case management system ISD allows cases to be deleted.

This was discovered because the court could not locate certain voids in the CMS that were selected as samples to review, **(repeat issue from previous audit)**. (5.3)

The Court advised that the Court Services Managers will be providing training to all supervisors and leads on the proper procedures when performing daily closeouts. Supervisors will verify each cashier's collections in front of the cashier. Verification specifically will consist of each cashier's cash collected (change and bills) being counted and verified against cashier's till count total sheet and case management system cash totals. In addition, each check and money order will be reviewed to ensure it is filled out properly and verified against cashier adding machine tape and case management system check and money order totals. Furthermore, the Court advised that it is disabling the case deletion feature so only supervisors and managers will have the ability to delete cases in the civil module.

- The Watsonville location and the Santa Cruz traffic/criminal division do not enforce proper segregation of duties when processing mail payments. For example, the same individual may process counter and mail payments simultaneously. While it may seem efficient to have mail and in-person payments processed by the same cashier, the practice leaves the Court at risk of lapping, a type of fraud. This allows the cashier to close-out the till with the correct total amount. **(repeat issue from previous audit)**. In addition, none of the court operating divisions logs mail payments into a cash receipts log as recommended by the FIN Manual. Keeping a mail payment log serves as a list to document the payments received in the mail. This log then can be used to reconcile to the case management system to ensure all mail payments are entered in CMS timely and accurately, **(repeat issue from previous audit)**. The Santa Cruz traffic/criminal division had a back log of unprocessed mail for longer than 48 hours. Specifically, on the day that the mail was observed 4/12/10, this division had a mail payment from 3/26/10 for \$125, 3/30/10 for \$50, and 4/1/10 for \$335 that had not been processed. Furthermore, the Court is not maintaining an aging schedule which would document and explain unprocessed mail payments in the event action by management needs to be taken. (5.4)

The Court responded that it will implement a mail log process, and the mail will be processed in Santa Cruz by another unit that does not do counter payment processing. The issue of backlog mail beyond the 48 hour time limit will be resolved by the log and oversight by the unit supervisor when there is difficulty in processing payments timely. The backlog will be reported to the unit Manager and then to the AEO if older than 48 hours. Payments that are older than 48 hours will be entered into a trust account.

#### Procurement Procedures and Purchase Cards

Court staff may use court-issued purchase cards for certain purchases in order to streamline the procurement process. FIN Manual Procedure No. 6.01, Section 6.14 lists the requirements over purchase card usage. For instance, purchase cards are to be used for official court business; personal use such as for individual travel expenses is prohibited. Additionally, purchase cards

may only be used for purchases with a maximum of \$1,500 per transaction, and a suggested daily limit of \$5,000. Furthermore, the use of a purchase card to pay for services may require tracking those expenditures for 1099-MISC reporting. Purchase cards may not be used to circumvent established procurement procedures set forth in the FIN Manual. All procurements using a purchase card must be initiated by an approved purchase requisition.

- During this audit it was discovered from the sample transactions reviewed that Court staff made fourteen transactions that exceeded the \$1,500 per transaction limit, and four of those transactions exceeded \$5000, the suggested daily total limit. Furthermore, not all purchase card transactions were supported by approved purchase requisition. In addition, FIN 2.02 (Internal Controls), Section 6.4.2.2(b) requires that purchase requisition approval and use of the purchase card to pay for a transaction be segregated. Therefore, even if the purchase card holder has approval authority, he/she may not approve his/her own purchase, but must obtain approval from the next higher approval level. For purchases greater than \$500, no documentation was found that competing quotes were obtained in accordance with FIN Manual requirements. For these micro purchases between \$500 and \$2500, the FIN Manual requires trial courts to obtain at least three telephone or internet offers, and to document offers obtained in writing. The CFO informed us that the Court does not issue 1099-MISC forms for purchase card transactions because it does not track vendor payments to identify vendors requiring reporting. Lastly, the Court was using its purchase cards for individual travel expenses. **(9.2)**

The Court agrees with the findings and will follow FIN Manual guidelines for purchase card daily transaction limits. In addition, the Court advises that it will require purchase card transactions to be supported by a purchase requisition that has been approved by staff with appropriate authority. The court has set up tracking for purchase card transactions to be in compliance with IRS 1099 reporting. Court staff have been given copies of FIN Manual and have been advised of a list of items that are prohibited purchase card purchases which includes individual travel expenses.

- The Court did not use sound competitive procurement practices when procuring goods and services. Specifically, for 24 of the 30 procurement transactions we reviewed, the Court did not use the appropriate competitive procurement method corresponding to the value of the procurement. The Court did not obtain the required formal offers for eight procurements valued at more than \$10,000 nor did it obtain the written offers for five procurements valued at more than \$2,500. It also did not obtain the informal offers for four procurements valued at \$500 or more. In addition, some of the expenditure transactions reviewed may have been sole source procurements and therefore competitive procurement would not be necessary, but this could not be determined in our review because the Court does not keep complete vendor records that contain at least all documentation to support the method of procurement, contract, and vendor payment information. Further, although in January 2010 the Court delegated purchase approval thresholds and issued internal policy that provided procurement method threshold amounts that are higher than the amounts in the FIN Manual, the Court did not obtain AOC approval of these higher threshold

amounts. As a result, the Court cannot always assure that it received the best value for the public funds it committed to spend. In addition, the Court did not provide purchase requisitions for 22 of 30 (73%) transactions tested. Furthermore, the Court executed multiple purchase orders for one agreement. For example, the Court executed multiple purchase orders associated with one multi-year copier lease agreement, one purchase order per copier. Breaking down one vendor agreement into multiple purchase orders appears to be out of compliance with Procurement No. FIN 6.01, section 6.7. **(9.1)**

The Court agrees with findings and states that all future purchases will follow the FIN Manual procurement guidelines. In addition, the Court will use purchase requisitions to initiate purchase process. Lastly, in the future the Court will set up only one purchase order per agreement to avoid the appearance that it is dividing purchase orders to circumvent procurement requirements.

### Accounts Payable

In addition to ensuring the responsible and economical use of public funds, courts have an obligation to promptly pay for the goods and services they request and receive from the individuals and businesses that provide these goods and services to the court. To determine whether the Court adheres to the invoice processing policies and procedures in the FIN Manual, we interviewed appropriate Court staff regarding its invoice processing and payment practices. We also reviewed selected invoices and claims paid in fiscal year 2008-2009. Specifically, we reviewed thirty vendor invoices for operating expenses and equipment (OE&E), and sixteen special expenditures (e.g., court reporter, court interpreter, and jury costs) to determine whether the Court made payments in accordance with applicable requirements. Our review identified the following weaknesses and areas of noncompliance:

- Twenty-four out of thirty or 80% of OE&E expenditures tested did not evidence appropriate approval with a date and signature of authorized court personnel.
- Twenty-three out of thirty or 76% of OE&E expenditures tested did not contain the appropriate documentation to support a three-point match of the invoice or claim.
- Twelve out of thirty or 40% of OE&E expenditures tested did not contain the appropriate documentation to demonstrate proof that goods or services were received.
- 3 out of thirty or 10% of OE&E expenditures tested were not paid in accordance with agreed upon contract or purchase order.
- Fifteen out of sixteen or 94% of the special expenditures (e.g., court reporter, court interpreter, and jury costs) reviewed showed no sign of being appropriately reviewed or approved.
- Two of the special expenditures tested were court reporter invoices. Both invoices did not evidence sufficient detail in which to verify the reimbursed amount is in compliance with the rates that are per page in GC § 69950.
- One of the two court interpreter invoices tested did not comply with Judicial Council approved rates for court interpreter compensation and also did not contain documented proof of pre-approval of higher fees paid to that interpreter.
- The other court interpreter invoice tested showed the court paid a mileage claim that was greater than actual distance needed to travel. **(11.3)**

The Court agrees with these findings and has stated that it will provide training and written guidelines to the accounts payable staff. This will include what the appropriate approvals and supporting documentation are for invoices and claims before payment can be made. In addition, the Court will apply the “three point match” process. Furthermore, the Court will have a written procedure in place to ensure claims are paid in accordance to the terms of the contract, PO, or individual invoice of each vendor.

The Court agrees with the findings on Court reporter invoices and states that it will have new invoice requirements put into place.

The Court agrees with the findings on court interpreter invoices. The Court states that it makes every attempt to conform to the Judicial Council’s *Payment Policies for Contract Court Interpreters*. Under unique and unusual circumstances the Court may be forced to go outside of that rate contract to meet the interpreter need. In this event the Court advises, that it will be the responsibility of Court staff soliciting the services of a contract interpreter to negotiate fair and reasonable compensation rates. Furthermore, if the Court must use an interpreter at a higher rate the Court will provide all supporting documentation to justify the higher rate. Because of unique and unusual circumstances, staff must negotiate for these services on a case-by-case basis with the intent of getting the best price for the Court. The Court will work with its sister courts and the AOC to establish price parameters in the best interest of the Court. The Court will create a contract matrix establishing base rates for unique languages to be used as a reference for establishing new service contracts. Lastly, the Court will modify the interpreter claim to include starting address and ending address for mileage. The Court will require the interpreter to use their home address and not a PO Box.

The FIN Manual acknowledges that it is necessary for trial court judges and employees to occasionally conduct official court business during a meal. Thus, FIN Manual, Procedure No. 8.05, defines the rules and limits that courts must observe when arranging or claiming reimbursement for meals connected to official court business. Specifically, to be reimbursable, these business meals must have the written advance approval of the presiding judge (PJ) or, if delegated in writing, the Court Executive Officer (CEO) or another judge. To determine whether the Court followed the business meal rules required in the FIN Manual, we interviewed appropriate Court staff regarding business meal reimbursement practices. We also reviewed selected business meal expense transactions in FY 2008-2009. Our review determined that the Court could improve its procedures over business meal expenditures. Specifically, we noted the following:

- In five out of six or 83% of the business meal claims reviewed the Court did not evidence prior approval by requesting a fully completed business related meal expense form be filled out to document the authorization, date, start and end time of meeting, purpose, category and duration, location/place, copy of formal agenda if applicable, and list of attendees and their titles and affiliations.
- One business meal expense for \$2,636.55 was noted in particular because it was paid and did not meet requirements as a business meal and did not follow FIN Manual guidelines. For example:

- The meal expense was for a court employee retirement party. FIN 8.05, paragraph 6.8, specifically prohibits the Court from paying the costs of a group meal that is intended to be part of a retirement event for a judge or court employee.
  - The business related meal expense form for this expense did not contain a list of attendees and their titles and affiliations. Without this information it could not be determined if the attendees were appropriate.
  - The business related meal expense form for this expense did state that there would be fifty attendees. That number would make the cost at approximately \$52 per attendee. FIN 8.05, paragraph 6.6, states that the authorized group business meal rate for a group meal provided at the Court for lunch is \$10 per attendee.
  - The business related meal expense form for this expense stated the timeframe for this lunch business meal was from noon – 2pm. FIN 8.05, paragraph 6.5, states that lunch business meals must start no later than 11:00am, have a business duration of at least three hours, and continue at least one hour after lunch.
- Three of the business meal expenses occurred during dinner time and appear to be individual business meal expense. All three meal expenses did not include any documentation to support the need, and advance approval from the PJ or designee. **(11.2)**

The Court agrees with the findings and accepts all recommendations and will take appropriate action.

FIN 8.03 provides travel procedures for trial courts to follow. These procedures state that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation, and other miscellaneous items. Additionally, Judges and employees who incur reimbursable business travel costs, must submit a completed travel expense claim (TEC) form that notes the business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level. To determine whether the Court followed the travel expense guidelines required in the FIN Manual, we interviewed appropriate Court staff regarding current travel reimbursement practices. We also randomly selected to review twenty in-state travel reimbursement expenditure transactions in FY 2008-2009. Our review determined that the Court needs to improve its procedures over travel expenditures. Specifically, we noted the following:

- The Court is processing TEC forms that do not have all sections filled out and therefore, missing key elements that are used to determine if the travel expense was accurate and appropriate. For example, ten out of twenty or 50% of the travel claims reviewed were missing some of the following: purpose, time and date of travel, destination (to/from), date claim was approved, work hours, private vehicle license, and headquarters or home address. Furthermore, two expense claims were paid without any TEC form being submitted.

- Five out of ten claims reviewed did not evidence that the travel expense claim was appropriately approved. Two of the five claims were for court leadership. The aforementioned policies do not provide an exclusion for court executives or judges. As a result, travel claims submitted by them must undergo the review and approval process. For example, the appropriate approval level for TECs submitted by the Court Executive Officer is a review and signature of the Presiding Judge. The Presiding Judge's TEC form would be reviewed and approved by the assistant PJ or the CEO.
- We also noted that the Court reimbursed employees for mileage that may not be reasonable. For example, five claims did not contain enough information to determine if employees mileage claimed was reasonable. Specifically, three claims did not contain enough detail in the traveled (to/from) section to review and approve mileage. In two other cases, the TEC did not have the headquarters address filled in and one TEC indicated a P.O. Box as the employee's residence address making it impossible to determine if mileage reimbursed was appropriate. Furthermore, two of the claims were processed although the mileage claimed was thirty miles over what was shown on Google Maps for the specified destination. The Court agrees with the findings and accepts all recommendations and will take appropriate action. **(11.1)**

#### Improper Facility Related Expenditures

The New Watsonville Courthouse was constructed as part of the City of Watsonville's Civic Center Project in downtown Watsonville. Financing for the New Watsonville Courthouse was shared by the City of Watsonville Redevelopment Agency, the County of Santa Cruz, and the Court. In FY 07-08 and FY08-09, the AOC entered into lease agreements with the City of Watsonville on the Court's behalf for administrative offices located at the New Watsonville Courthouse, reserved and secured parking spaces, and a sally-port. The AOC will reduce the Court's distribution from its annual allocation from the Trial Court Trust Fund (TCTF) in the amount equal to the costs the AOC paid directly from the TCTF on the Court's behalf with respect to the leased spaces. During our review of the Court's facility related expenditures, IAS identified the following issues:

- The 2004 Court/County Settlement MOU changed the usage of funds residing in the Municipal Court Automation Fund (MCA) from funding a case management system to reimbursing the County for the New Watsonville Courthouse construction costs (tenant improvements) which are non- CRC 10.810 allowable costs. The reimbursements to the County totaled \$1,000,658. **(17.1)**

The Court agrees with the findings and will expend Court funds only for expenditures that are considered court operations as defined in GC 77003 and CRC 10.810.

- The Court expended court funds on facility related expenditures which are considered non-CRC 10.810 allowable costs. Included in the general ledger account "Facility Planning" (account # 935802) are some facility related expenditures (see also related issues below):

<b>Description</b>	<b>FY 08/09</b>	<b>FY 07/08</b>	<b>Total</b>
New Watsonville Courthouse - Tenant Improvements**	\$290,000	\$870,000	\$ 1,160,000
New Watsonville Courthouse - Tenant Improvements – amendment # 1 to 6 (The costs in the amendments included CRC 10.810 and non-CRC 10.810 allowable costs).  Expenditures for amendment # 1 to 6 totaled \$721,000 of which an estimated \$397,000 (from amendment # 1) was expended for tenant improvement for the Self-Help lease space, tile work, clerk counter space, and other tenant improvement work. The balance of the expenditures was for security cameras, AV equipment, server rack, and other miscellaneous expenditures.		397,000	397,000
Construction of the New Security Hallway for the Santa Cruz Facility	33,467	-	33,467
<b>Total</b>	<b>\$323,467</b>	<b>\$1,267,000</b>	<b>\$1,590,467</b>

\*\* Based on limited information available, the initial total budgeted cost for tenant improvements on the New Watsonville Courthouse totaled \$8.9 million (not including project management, other county administration costs, and amendments) which included \$602,000 allocated for security systems. The \$1,160,000 paid by the Court to the County did not specify whether the payment is for security systems or other tenant improvement work. **(17.1)**

The Court agrees with the stated findings and will contact the AOC's Office of Courthouse Construction and Management for any future facility related needs.

- The tenant improvement work on the New Watsonville Courthouse and the new security hallway in the Santa Cruz facility are both County managed projects. The Court did not enter into a Court/County MOU to document the financial and non-financial arrangements regarding the payments by the Court to the County for the facility related expenditures including purchases by the County on the Court's behalf of security systems, equipment, and fixtures. **(17.1)**

The Court agrees with the findings and in the future will have a contract or MOU in place to document the financial and non-financial aspects of any project before committing court funds to the project.

- The minimal records available to the Court did not provide sufficient detailed information regarding the specific tenant improvement work performed by the County. The available records also did not provide the detailed information related to the security systems, equipment and fixtures purchased by the County on the Court's behalf to enable the Court to track these purchases in its fixed asset management system. **(17.1)**

The Court partially agreed with the findings. The Court stated that they have made a good faith effort to acquire the best possible breakdown of purchases made for the Watsonville security system that was installed by vendor COMTEL. Furthermore, the Court advises that the AOC's ERS department approved and disbursed grant funds for the security system expenses from the non-itemized invoice that the Court submitted. The Court advised IAS that the entire security system, as installed, is court property and is considered a fixed asset.

- Additionally, in FY 07-08, the Court received \$595,000 from the AOC's Trial Court Security Grant Program (Grant Program) to support several essential security systems for the New Watsonville Courthouse: access control system, a door control system, a closed-circuit television (CCTV) system, and an intercom control system. The September 2007 AOC/Court MOU setting forth the terms and conditions regarding the disbursement of the Grant Program funds specified that the Court shall submit itemized invoices for reimbursement to the AOC. It also provided that the Court will be expected to record and track the equipment in accordance with FIN 9.01 (Fixed Asset Management). The Court did not submit itemized invoices to the AOC as specified in the MOU. It only submitted a high level invoice totaling \$595,000 received from the security systems vendor noting that the information represents a "very rough" percentage/cost breakout for the "security system" incorporated within the New Watsonville Courthouse project. It was also not clear from the Court's records the amount it paid to the County for the security systems (see issue 2 above). Since detailed information was not available/obtained by the Court, it did not track the security systems purchased on its fixed asset management system. **(17.1)**

The Court disagrees and advises that they will not be submitting a new itemized invoice to the AOC ERs department. The Court states that the vendor submitted an invoice after the fact; this invoice was an all inclusive invoice. Furthermore, the Court notes that the County was the lead in the bid process and the Court was not provided with any further breakdowns of any security systems other than the all inclusive invoice.

- For the three fiscal years 06-07, 07-08, and 08-09, the Court did not accrue the \$75,000 per year of civil assessment revenues payable to the County, as specified in the County/Court MOU, to partially offset the County's debt service costs incurred for the New Watsonville Courthouse. The Court recorded the payments for the three years totaling \$225,000 (\$75,000 x 3 years) in FY 09-10, in GL account # 942901 "County – Other Services". This resulted in the overstatement of expenditures in FY

09-10 with a corresponding understatement of expenditures in the previous three years. **(17.1)**

The Court agrees with this finding and in the future will record all future payments to the Capital Fund.

- Rent/lease expenditures in FY 07-08 was understated by \$5,958 representing rental expenditures from April 7, 2008 to June 30, 2008 that was not accrued by the Court at June 30, 2008 since it was not charged by the AOC until April of 2010. In addition, rent/lease expenditures in FY 08-09 was understated by \$6,384 since the City of Watsonville applied three months rent from July to September 2008 totaling \$6,384 against the unused tenant improvement allowance of \$73,881. The court did not accrue the rent/lease expenditures in the appropriate fiscal years, but instead, reported the *net* unused tenant improvement allowance received from the City totaling \$67,497 (\$73,881 less \$6,384) as miscellaneous reimbursement revenue (GL account # 861011). **(17.1)**

The Court agrees with the findings and will accrue all future expenditures in the proper fiscal year.

#### Revenue and Distribution Calculation and Compliance

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

The Court uses ISD's ICMS as its case management system for all case types. ICMS has OTS as the traffic and criminal module and the CIV module for civil case types. ICMS automatically performs distribution calculations and is capable of both base-up and top-down methodologies. However, some granular distributions (e.g. special base fine distributions) must be calculated in a monthly spreadsheet to accurately report monthly revenue distributions.

In early 2005, the Court notified the Internal Audit Services (IAS) that Santa Cruz County and its municipalities raised concerns regarding the amount of fee and fine revenue collected by the Court compared to previous periods. Employing a risk-based approach, IAS, the Court and the County Auditor-Controller agreed to partner together and work cooperatively on a limited scope review of the following two areas of ICMS: Revenue Distribution and Citation Processing. On December 2006, IAS published and issued the report titled "*Santa Cruz Limited Review of Case Management System Bail Distribution and Citation Processing*" (2006 Limited Review).

The 2006 Limited Review identified 23 revenue distribution areas of concern but only 13 areas were within the current scope of the audit. In each of the area, IAS identified a total of 23 follow-up issues. IAS followed-up on these issues by testing sample cases, the month-end distribution spreadsheet, and the ICMS' distribution priority table.

IAS selected a sample of cases with violations occurring within the period 1/1/2009 to 6/30/2010. The samples included a combination of high-volume cases and complex distribution cases, and additional cases necessary to follow-up on issues identified by the 2006 Limited Review. IAS reviewed a total of 16 cases of the following types:

- **Traffic Infraction (12 total)** – Speeding (4), Red light (4), Child Seat (1), Railroad (1), Unattended Child (1), and Proof of Correction (1)
- **Misdemeanor (4 total)** –DUI (3) and Domestic Violence (1)

Based on IAS' follow-up on previous issues and current review and testing, IAS found that the Court corrected 16 of the 24 follow-up issues. But there are lingering issues, additional issues, and other areas of concern summarized in 3 issue categories:

- **5** – Repeat Issues
- **6** – New Issues
- **3** – Untested Previous Issues

#### Repeat Issues

These are 2006 Limited Review issues that recurred during the current review and testing:

1. \$10 Priors Admin. Assessment pursuant to VC§40508.6(a) was incorrectly assessed on cases without any prior offense.
2. PC§1463.18(a)(1) – Indemnification of Victims or the first \$20 to the Restitution Fund was not appropriately deducted from the base fine thus overstating base fine distribution to the County and/or City general funds.
3. PC§1463.22 – Proof of Insurance special base fine distribution of \$30.50 (\$17.50 to County Special Account, \$10 to State General Fund and \$3 to State Transportation Fund) is not proportionally applied to the County and City shares. Performed at month-end, \$30.50 per case is deducted to both County and City monies, which may also result in double-counting, thus understating distributions to the County and City general funds.
4. 2% State Automation pursuant to GC§68090.8 is incorrectly applied on VC§40508.5 – Automated Warrant Assessment
5. 2% State Automation was incorrectly applied on some traffic school distribution components; GC§76000.5 – Additional EMS penalty assessment and GC 70372(a) – State Court Facility Construction Fund. **(6.1)**

The Court advised that they agree with all five findings and are taking action to rectify the issues. The Court specifically noted that its CMS vendor is preparing an upgrade for this pursuant to a request from another county. As a result, the Court will upgrade their system when this upgrade is available, within the fiscal year 2011.

#### New Issues

These are issues found only on the current review and testing:

1. Base fine of specific violations did not comply with the Uniform Bail and Penalty Schedule.
2. DUI-related fines/fees – PC§1463.14 of \$50 (“BAT” ledger code), PC§1463.16 of \$50 (“APF”) and PC§1463.18 of \$20 (“WIT”) – were not assessed thus they did not reduce the base fine distribution to the County and City general funds.
3. GC§70373 – Criminal Conviction Assessment for infractions of \$35 was incorrectly assessed.
4. Red Light traffic school distribution did not follow appropriate distribution pursuant to VC§42007.3.
5. VC§42007 – Traffic Violator School fee distribution components were incorrectly calculated.
6. GC§76100 – IAS could not find any board of supervisor resolution which authorizes the collection and distribution of \$1 to the local Court Construction Fund. **(6.1)**

The Court advised that it agreed with findings 1 – 4 and is either taking action or is in communication with CMS vendor to investigate implementing a solution. The Court advised that they partially agree with findings 5 and 6. The Court advises that both of these distributions are performed outside of the Court by the County, therefore the Court has no control over these distributions.

#### Untested Previous Issues

Due to the lack of test cases within the scope of the audit, the following 2006 Limited Review issues remain untested. However, they are not identified as issues but rather unavoidable testing limitations that still require the Court’s attention:

1. Child Seat violations referred to traffic school were incorrectly distributed pursuant to VC 42007. Lack of a test case prevented IAS to test if it is corrected to follow distribution similar to a conviction.
2. Fish & Game PC§1464 distribution component is correctly distributed between the State (70%) and the County (30%) at month-end but the lack of test case prevented IAS to test if PC§1464 and GC§76000 distribution components are combined into a single general ledger code.
3. Fish & Game special base fine distribution pursuant to FG§13003 is correctly distributed between the State (50%) and the County (50%) at month-end but the lack of test case prevented IAS to test if base fine is incorrectly distributed to a different general ledger code on a case-level basis. **(6.1)**

The Court advised that they agree with the recommendations and for items 1 and 2 will independently test and evaluate ICMS logic to ensure that these noted violations are distributed appropriately. In addition, the Court advised that it will evaluate PC §1464 and GC §76000(a) and determine if it is combined into a single ledger code then test if monies from this ledger code is where the Fish & Game PC §1464 distribution component is taken as reflected in the month-end spreadsheet. The Court advised that it respectfully disagrees with item 3. The Court states that it believes that the base fines for monies collected pursuant to FG §13003 are set up correctly in the ICMS system. The money in this ledger is the split 50/50 between the State and County pursuant to FG 13003 on the month-end spreadsheet.

## STATISTICS

The Superior Court of California, County of Santa Cruz (Court) operates two courthouses in the cities of Santa Cruz and Watsonville. The Court has 9 judges and 3.5 subordinate judicial officers who handled approximately 48,061 filings in FY 2008-2009. Further, during this year the Court employed 118.5 staff to fulfill its administrative and operational activities, with total trial court expenditures of more than \$18,081,706 million for the fiscal year ended June 30, 2009.

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

The charts that follow contain general Court statistical information.

*Source: Court-provided*

	Santa Cruz	Watsonville	Total
Number of Actual Judgeships as of June 30, 2009 <i>Source: Court-provided</i>	6	3	9
Number of Actual Subordinate Judicial Officers as of June 30, 2009 <i>Source: Court-provided</i>	1.7	0.8	2.5
Number of Actual Full Time Equivalent (FTE) Employees as of June 30, 2009	101.65	35.8	137.45
Number of Authorized FTE as of June 30, 2009	118.15	40.3	158.45

County Population <i>Source: California Department of Finance</i>	272,201 Estimated as of January 1, 2010
Number of Temporary Employees as of June 30, 2009 (7A)	3.5
Total Salaries for Temporary Employees for FY 2008-2009 (Phoenix)	\$ 56,968
FY 2008-2009 Daily Average Revenues Collected: <i>Source: Court-provided</i>	\$ 73,351
<b>Number of Case Filings in FY 2008—2009:</b>	

<b>Criminal Filings:</b>	
▪ Felonies	1,564
▪ Non-Traffic Misdemeanors	4,396
▪ Non-Traffic Infractions	5,936
▪ Traffic Misdemeanors	3,723
▪ Traffic Infractions	22,830
<b>Civil Filings:</b>	
▪ Civil Unlimited	1,296
▪ Family Law (Marital)	1,032
▪ Family Law Petitions	1,499
▪ Probate	282
▪ Limited Civil	3,108
▪ Small Claims	1,264
<b>Juvenile Filings:</b>	
▪ Juvenile Delinquency –Original	510
▪ Juvenile Delinquency –Subsequent	220
▪ Juvenile Dependency –Original	197
▪ Juvenile Dependency –Subsequent	89
Source: Judicial Council of California's 2010 Court Statistics Report	

## FINANCIAL STATEMENTS

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

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

**Operational accountability.** This refers to a ‘governments’ responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose and whether they can continue to meet their objectives for the foreseeable future.

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 statewide fiscal infrastructure process, Phoenix – FI, was established and the Court implemented this in April 1,

2006. Fiscal data is processed through the shared services center in Sacramento for the Court using Phoenix – FI for general ledger activities. The fiscal data on the following pages are from this system and present the unaudited financial statements of the Trial Court Operations Fund for the Court for the last two fiscal years. The three financial statements are:

Balance Sheet (statement of position)

Statement of Revenues, Expenditures, and Changes in Fund Balances (statement of activities)

Statement of Program Expenditures (could be considered “product line” statement)

The fiscal year information is condensed into a total funds column (individual fund detail is not presented for FY 2007 - 2008). 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 unaudited and therefore presumed to be 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 categories available for courts to use: Government, Proprietary and Fiduciary. Santa Cruz Superior Court uses the following categories and types with the classifications.

### **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:

#### **Non-Grant**

1. Small Claims Advisory (120003)
2. Dispute Resolution, DRPA, (120004)
3. Enhanced Collections (120007)

#### **Grants**

1. 1058 Family Law Facilitator Program (1910581)
2. 1058 Child Support Commissioner Program (1910591)
3. Substance Abuse Focus Program - Drug Court (1910601)
4. DUI in Public Schools (1910611)

**Debt Service** – Not used by the Court

**Capital Projects** – (1910581) Used for the construction of the Watsonville court facility.

**Permanent** – Not used by the Court

### **Proprietary**

**Enterprise** – Not used by the Court.

**Internal Service Fund** – Not used by the Court.

**Fiduciary**

**Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”<sup>1</sup> Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc.

The fund used here is: Trust - 320001.

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

The fund included here is: Civil Filing Fees Fund - 450000.

**Pension Trust** – Not used by the Court.

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

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

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

**SANTA CRUZ SUPERIOR COURT  
 TRIAL COURT OPERATIONS FUND  
 BALANCE SHEET  
 (UNAUDITED)**

AS OF JUNE 30								
2009							2008	
	GOVERNMENTAL FUNDS				PROPRIETARY FUNDS	FIDUCIARY FUNDS	TOTAL FUNDS (Info. Purposes Only)	TOTAL FUNDS (Info. Purposes Only)
	General	Special Revenue		Capital Projects				
		Non-Grant	Grant					
<b>ASSETS</b>								
Operations	\$ (9,290)	\$ 53,611	\$ -	\$ -	\$ -	\$ -	\$ 44,322	\$ 1,609,547
Trust	-	-	-	-	-	87,047	87,047	143,981
Civil Filing Fees	-	-	-	-	-	385,299	385,299	271,756
Payroll Clearing	(228,579)	-	-	-	-	-	(228,579)	(8,545)
On Hand	3,350	-	-	-	-	-	3,350	3,350
Distribution	-	-	-	-	-	-	-	-
Revolving	5,000	-	-	-	-	-	5,000	5,000
With County	-	-	-	-	-	1,204,284	1,204,284	590,306
Outside of AOC	-	-	-	-	-	-	-	-
<b>Total Cash</b>	<b>\$ (229,519)</b>	<b>\$ 53,611</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,676,630</b>	<b>\$ 1,500,723</b>	<b>\$ 2,615,395</b>
Short Term Investment	\$ 916,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 916,796	\$ -
<b>Total Investments</b>	<b>\$ 916,796</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 916,796</b>	<b>\$ -</b>
Accrued Revenue	\$ 60,582	\$ 19,675	\$ -	\$ -	\$ -	\$ -	\$ 80,257	\$ 41,848
Accounts Receivable	-	-	-	-	-	-	-	-
Due From Employee	4,073	(1)	(0.66)	(0.03)	-	-	4,072	(309)
Due From Other Funds	211,781	18,005	-	-	-	-	229,787	270
Due From Other Govts	-	-	-	-	-	-	-	194,731
Due From Other Courts	50,079	-	-	-	-	-	50,079	-
Due From State	227,477	1,348	156,091	6,934	-	-	391,850	673,532
<b>Total Receivables</b>	<b>\$ 553,993</b>	<b>\$ 39,028</b>	<b>\$ 156,091</b>	<b>\$ 6,934</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 756,045</b>	<b>\$ 910,071</b>
Prepaid Expenses - General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel Advances	-	-	-	-	-	-	-	-
<b>Total Prepaid Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Other Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Other Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Assets</b>	<b>\$ 1,241,271</b>	<b>\$ 92,639</b>	<b>\$ 156,091</b>	<b>\$ 6,934</b>	<b>\$ -</b>	<b>\$ 1,676,630</b>	<b>\$ 3,173,564</b>	<b>\$ 3,525,467</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Accrued Liabilities	\$ 23,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,865	\$ 888,244
General Accounts Payable	248,277	-	-	-	-	-	248,277	132,108
Due to Other Funds	51,565	18,005	153,342	6,845	-	29	229,787	270
TC145 Liability	-	-	-	-	-	385,299	385,299	271,756
Due to Courts and State	9,947	-	-	-	-	-	9,947	-
Due to Other Governments	766,404	-	1,741	-	-	-	768,146	-
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 1,100,058</b>	<b>\$ 18,005</b>	<b>\$ 155,083</b>	<b>\$ 6,845</b>	<b>\$ -</b>	<b>\$ 385,328</b>	<b>\$ 1,665,320</b>	<b>\$ 1,292,378</b>
Civil - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,634	\$ 79,634	\$ 143,254
Civil - Interpleader	-	-	-	-	-	-	-	-
Jury Fees - Noninterest bearing	-	-	-	-	-	4,843	4,843	-
Criminal - General & Traffic	-	-	-	-	-	-	-	-
Trust Held Outside of the AOC	-	-	-	-	-	1,204,284	1,204,284	590,306
Trust Interest Payable	-	-	-	-	-	-	-	-
<b>Total Trust Deposits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,288,761</b>	<b>\$ 1,288,761</b>	<b>\$ 733,560</b>
Accrued Payroll	\$ 87,345	\$ 1,666	\$ 1,007	\$ 88	\$ -	\$ -	\$ 90,107	\$ 500,694
Retirement Contributions	(677)	-	-	-	-	-	(677)	1,287
Benefits Payable	(6,763)	-	-	-	-	-	(6,763)	(3,547)
Deferred Compensation Payable	(1)	-	-	-	-	-	(1)	(267)
Deductions Payable	5,431	-	-	-	-	-	5,431	2,230
Payroll Clearing	(1,752)	-	-	-	-	-	(1,752)	(1,938)
<b>Total Payroll Liabilities</b>	<b>\$ 83,583</b>	<b>\$ 1,666</b>	<b>\$ 1,007</b>	<b>\$ 88</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 86,345</b>	<b>\$ 498,460</b>
AB145 Due to Other Government Agency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Public Agencies	-	-	-	-	-	-	-	-
Revenue Collected in Advance	-	-	-	-	-	-	-	-
Liabilities For Deposits	3,162	-	-	-	-	2,542	5,704	1,817
Jury Fees - non-interest	-	-	-	-	-	-	-	-
Uncleared Collections	-	-	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	-	-	-	-
<b>Total Other Liabilities</b>	<b>\$ 3,162</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,542</b>	<b>\$ 5,704</b>	<b>\$ 1,817</b>
<b>Total Liabilities</b>	<b>\$ 1,186,803</b>	<b>\$ 19,672</b>	<b>\$ 156,091</b>	<b>\$ 6,934</b>	<b>\$ -</b>	<b>\$ 1,676,630</b>	<b>\$ 3,046,130</b>	<b>\$ 2,526,215</b>
Fund Balance - Restricted								
Contractual	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Statutory	-	72,967	-	-	-	-	72,967	129,374
Fund Balance - Unrestricted								
Designated	54,467	-	0	-	-	-	54,467	869,878
Undesignated	-	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>\$ 54,467</b>	<b>\$ 72,967</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,435</b>	<b>\$ 999,252</b>
	0	-	-	-	-	0	0	-
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,241,271</b>	<b>\$ 92,639</b>	<b>\$ 156,091</b>	<b>\$ 6,934</b>	<b>\$ -</b>	<b>\$ 1,676,630</b>	<b>\$ 3,173,564</b>	<b>\$ 3,525,467</b>

SOURCE: Phoenix Financial System and 4th Quarter Financial Statements

**SANTA CRUZ SUPERIOR COURT  
 TRIAL COURT OPERATIONS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (UNAUDITED)**

FOR THE FISCAL YEAR ENDED JUNE 30										
2009										
2008										
	GOVERNMENTAL FUNDS				PROPRIETARY FUNDS	FIDUCIARY FUNDS	TOTAL FUNDS (Info. Purposes Only)	FINAL BUDGET	TOTAL FUNDS (Info. Purposes Only)	FINAL BUDGET
	General	Special Revenue		Capital Projects						
		Non-Grant	Grant							
<b>REVENUES</b>										
<b>State Financing Sources:</b>										
Trial Court Trust Fund	\$ 15,742,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,742,059	\$ 15,613,843	\$ 16,123,327	\$ 15,776,633
Trial Court Improvement Fund - Reimbursement	54,380	-	-	-	-	-	54,380	35,289	718,824	619,107
Trial Court Improvement Fund - Block	-	-	-	-	-	-	-	-	-	-
Judicial Administration Efficiency & Mod Fund	13,311	-	-	-	-	-	13,311	-	95,264	86,491
Judges' Compensation (45.25)	-	-	-	-	-	-	-	-	-	-
Court Interpreter (45.45)	683,845	-	-	-	-	-	683,845	672,555	691,343	670,000
Civil Coordination Reimbursement (45.55)	-	-	-	-	-	-	-	-	-	-
MOU Reimbursement (45.10 and General)	235,276	-	-	-	-	-	235,276	263,252	295,346	-
Other miscellaneous	54,552	-	-	-	-	-	54,552	-	-	15,000
	\$ 16,783,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,783,424	\$ 16,584,939	\$ 17,924,104	\$ 17,167,231
<b>Grants:</b>										
AB 1058 Commissioner/Facilitator	\$ -	\$ -	\$ 190,813	\$ 94,234	\$ -	\$ -	\$ 285,047	\$ 401,137	\$ 293,799	\$ 292,621
Other AOC Grants	-	-	111,488	-	-	-	111,488	-	152,783	99,000
Non-State Grants	-	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ 302,301	\$ 94,234	\$ -	\$ -	\$ 396,535	\$ 401,137	\$ 446,582	\$ 391,621
<b>Other Financing Sources:</b>										
Investment Income	\$ 20,258	\$ 554	\$ -	\$ -	\$ -	\$ -	\$ 20,812	\$ 47,728	\$ 72,799	\$ 117,000
Donations	-	-	-	-	-	-	-	-	-	-
Local Fee and Non-fee Revenue	310,100	-	-	-	-	-	310,100	285,321	471,276	617,115
Enhanced Collections	-	183,432	-	-	-	-	183,432	153,731	74,512	72,000
Prior year revenue	65,522	(71,425)	(6,631)	-	-	-	(12,534)	-	46,129	-
County Program - restricted	4,449	76,749	-	-	-	-	81,198	73,730	64,473	-
Reimbursement Other	498,655	-	-	-	-	-	498,655	381,299	688,228	-
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-	-
Other miscellaneous	38,487	-	-	-	-	-	38,487	4,129	2,836	-
	\$ 937,470	\$ 189,311	\$ (6,631)	\$ -	\$ -	\$ -	\$ 1,120,150	\$ 945,938	\$ 1,420,252	\$ 806,115
<b>Total Revenues</b>	<b>\$ 17,720,894</b>	<b>\$ 189,311</b>	<b>\$ 295,670</b>	<b>\$ 94,234</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,300,109</b>	<b>\$ 17,932,014</b>	<b>\$ 19,790,938</b>	<b>\$ 18,364,967</b>
<b>EXPENDITURES</b>										
<b>Personal Services:</b>										
Salaries and Wages	\$ 9,033,317	\$ 113,417	\$ 107,591	\$ 94,498	\$ -	\$ -	\$ 9,348,824	\$ 10,302,732	\$ 9,227,456	\$ 8,966,989
Employee Benefits	3,759,898	60,627	51,701	29,300	-	-	3,901,525	4,345,850	3,912,663	3,871,054
	\$ 12,793,215	\$ 174,043	\$ 159,292	\$ 123,798	\$ -	\$ -	\$ 13,250,348	\$ 14,648,582	\$ 13,140,119	\$ 12,838,043
<b>Operating Expenses and Equipment:</b>										
General Expense	\$ 366,366	\$ -	\$ 560	\$ 2,081	\$ -	\$ -	\$ 369,007	\$ 52,648	\$ 945,571	\$ 322,853
Printing	125,421	-	-	-	-	-	125,421	-	131,598	185,100
Communications	137,315	-	-	-	-	-	137,315	1,795	475,532	220,245
Postage	102,347	-	-	-	-	-	102,347	850	97,473	40,000
Insurance	5,082	-	-	-	-	-	5,082	-	15,357	40,000
In-State Travel	30,817	-	1,196	-	-	-	32,013	3,190	50,073	43,432
Out-of-State Travel	-	-	-	-	-	-	-	-	4,380	3,000
Training	15,171	-	-	-	-	-	15,171	-	22,061	30,050
Facilities Operations	632,636	-	-	-	-	-	632,636	1,575	2,035,004	-
Security Contractual Services	2,824,993	-	12,120	-	-	-	2,837,113	3,016,100	2,508,338	3,003,053
Utilities	793	-	-	-	-	-	793	-	-	-
Contracted Services	566,797	62,961	123,558	-	-	-	753,316	158,911	769,054	784,605
Consulting and Professional Services	18,130	-	-	-	-	-	18,130	16,974	107,670	306,330
Information Technology	669,033	-	-	-	-	-	669,033	20,824	565,734	541,500
Major Equipment	128,637	-	-	-	-	-	128,637	-	470,184	634,107
Other Items of Expense	8,012	-	-	-	-	-	8,012	-	5,070	2,900
	\$ 5,631,551	\$ 62,961	\$ 137,433	\$ 2,081	\$ -	\$ -	\$ 5,834,027	\$ 3,272,867	\$ 8,203,097	\$ 6,157,175
<b>Special Items of Expense</b>										
Grand Jury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 840	\$ -
Juror Costs	103,243	-	-	-	-	-	103,243	96,367	80,289	70,000
Interest Expense	1,181	-	-	-	-	-	1,181	-	12,547	-
Loss on Investment	267	-	-	-	-	-	267	-	-	-
<b>Distributed Administration</b>	(76,235)	19,222	28,174	28,839	-	-	-	63,890	-	43,000
<b>Prior Year Adjustment to Expense</b>	-	(10,509)	(6,631)	-	-	-	(17,140)	-	(45,100)	-
	\$ 28,456	\$ 8,713	\$ 21,543	\$ 28,839	\$ -	\$ -	\$ 87,551	\$ 160,257	\$ 48,576	\$ 113,000
<b>Total Expenditures</b>	<b>\$ 18,453,222</b>	<b>\$ 245,717</b>	<b>\$ 318,268</b>	<b>\$ 154,718</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,171,926</b>	<b>\$ 18,081,706</b>	<b>\$ 21,391,793</b>	<b>\$ 19,108,218</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (732,328)</b>	<b>\$ (56,407)</b>	<b>\$ (22,598)</b>	<b>\$ (60,484)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (871,817)</b>	<b>\$ (149,692)</b>	<b>\$ (1,600,855)</b>	<b>\$ (743,251)</b>
<b>OPERATING TRANSFERS IN (OUT)</b>	<b>(83,082)</b>	<b>-</b>	<b>22,598</b>	<b>60,484</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>										
Beginning Balance (Deficit)	869,878	129,374	-	-	-	-	999,253	999,253	2,600,108	2,600,108
Ending Balance (Deficit)	\$ 54,467	\$ 72,967	\$ 0	\$ 0	\$ -	\$ -	\$ 127,435	\$ 849,561	\$ 999,253	\$ 1,856,857

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

**SANTA CRUZ SUPERIOR COURT  
 TRIAL COURT OPERATIONS FUND  
 STATEMENT OF PROGRAM EXPENDITURES  
 (UNAUDITED)**

**FOR THE FISCAL YEAR ENDED JUNE 30**

	2009							2008	
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Adjustment to Expense	TOTAL ACTUAL EXPENSE	FINAL BUDGET	TOTAL ACTUAL EXPENSE	FINAL BUDGET
<b>PROGRAM EXPENDITURES:</b>									
Judges and Courtroom Support	\$ 4,235,842	\$ 1,059,761	\$ -	\$ -	\$ -	\$ 5,295,603	\$ 4,879,561	\$ 4,700,692	\$ 4,617,947
Traffic & Other Infractions	829,425	73,706	-	-	-	903,131	936,127	1,003,390	1,166,099
Other Criminal Cases	1,468,579	83,222	-	319	-	1,552,120	1,559,065	1,566,067	1,473,460
Civil	1,725,793	137,760	-	-	-	1,863,553	1,463,742	1,663,834	1,415,790
Family and Children Services	655,435	137,601	-	-	-	793,036	970,919	978,199	988,349
Probate, Guardianship & Mental Health Services	197,480	17,231	-	-	-	214,711	245,734	271,114	226,168
Juvenile Dependency Services	-	3,763	-	-	-	3,763	-	3,291	-
Juvenile Delinquency Services	188,874	7,210	-	-	-	196,084	177,142	183,415	138,809
Other Support Operations	188,867	17,445	-	-	-	206,312	247,713	242,602	220,772
Court Interpreters	637,982	94,047	-	-	-	732,029	672,523	768,139	713,174
Jury Services	253,669	92,845	103,243	-	-	449,757	361,924	447,325	319,769
Security	-	2,220,650	-	-	-	2,220,650	3,000,800	2,509,406	3,616,360
<b>Trial Court Operations Program</b>	<b>\$ 10,381,946</b>	<b>\$ 3,945,241</b>	<b>\$ 103,243</b>	<b>\$ 319</b>	<b>\$ -</b>	<b>\$ 14,430,749</b>	<b>\$ 14,515,250</b>	<b>\$ 14,337,474</b>	<b>\$ 14,896,697</b>
Enhanced Collections	\$ 165,168	\$ 769	\$ -	\$ 19,222	\$ -	\$ 185,159	\$ 153,731	\$ 2,186	\$ -
Other Non-Court Operations	672,680	85,913	-	-	-	758,593	540,615	333,752	384,712
<b>Non-Court Operations Program</b>	<b>\$ 837,848</b>	<b>\$ 86,682</b>	<b>\$ -</b>	<b>\$ 19,222</b>	<b>\$ -</b>	<b>\$ 943,752</b>	<b>\$ 694,346</b>	<b>\$ 335,938</b>	<b>\$ 384,712</b>
Executive Office	\$ 469,333	\$ 67,276	\$ -	\$ -	\$ -	\$ 536,609	\$ 507,909	\$ 617,773	\$ 479,212
Fiscal Services	297,494	186,508	(53)	(19,222)	-	464,727	1,002,069	550,033	1,155,318
Human Resources	550,271	16,536	1,181	-	-	567,988	395,413	304,675	323,225
Business & Facilities Services	260,393	681,813	-	-	-	942,206	286,723	602,704	427,256
Information Technology	466,851	849,972	-	-	-	1,316,823	679,996	1,550,068	1,484,806
<b>Court Administration Program</b>	<b>\$ 2,044,342</b>	<b>\$ 1,802,105</b>	<b>\$ 1,128</b>	<b>\$ (19,222)</b>	<b>\$ -</b>	<b>\$ 3,828,353</b>	<b>\$ 2,872,110</b>	<b>\$ 3,625,253</b>	<b>\$ 3,869,817</b>
Prior year adjustment to expense	-	-	-	-	-	(17,140)	-	(45,100)	-
						3,352	-	-	-
<b>TOTAL</b>	<b>\$ 13,264,136</b>	<b>\$ 5,834,028</b>	<b>\$ 104,371</b>	<b>\$ 319</b>	<b>\$ -</b>	<b>\$ 19,171,926</b>	<b>\$ 18,081,706</b>	<b>\$ 18,253,565</b>	<b>\$ 19,151,226</b>

SOURCE: 4th Quarter Financial Statement (QFS)

## **PURPOSE AND SCOPE**

The purpose of this review was to determine the extent to which the Superior Court of California, County of Santa Cruz (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, fixed assets, contracting and procurement, accounts payable, payroll, financial reporting, case management, information technology, domestic violence, and court security. Coverage in depth of each area is based on initial scope coverage decisions.

## **TIMING AND REVIEWS WITH MANAGEMENT**

The entrance letter was issued to the Court on March 10, 2010.

The entrance meeting was held with the Court on April 5, 2010.

Audit fieldwork commenced on April 5, 2010.

Fieldwork was completed in November 2010.

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

A preliminary review of audit results was held on January 28, 2011 with:

- A. Alex Calvo, Court Executive Officer
- B. Pat Hammermaster, Assistant Court Executive Officer
- C. Chris Ghio, Fiscal Officer
- D. Tim Newman, Administrative Services Manager
- E. Michelle Duarte, Director of Information Technology

A final review and exit concerning audit results was not required by the Court.

Final management responses to our recommended actions were received on March 10, 2011.

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

#### Background

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

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

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

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Expenditures</b>				
920501 DUES & MEMBERSHIPS-JUDICI	200.00	0.00	200	
920502 DUES & MEMBERSHIPS-LEGAL	2,870.00	2,105.00	765	36
920503 DUES & MEMBERSHIPS-OTHER	3,380.00	1,954.15	1,426	73
* 920500 - DUES AND MEMBERSHIPS	<b>6,450.00</b>	<b>4,059.15</b>	<b>2,391</b>	<b>59</b>
921701 MEETING AND CONFERENCE -	1,505.00	782.00	723	92
921702 MEETING AND CONFERENCE -	783.51	6,997.77	(6,214)	(89)
921704 SPECIAL EVENTS	2,046.34		2,046	
921799 MEETINGS, CONFERENCES, EX		1,386.12	(1,386)	(100)
* 921700 - MEETINGS, CONFERENCES, E	<b>4,334.85</b>	<b>9,165.89</b>	<b>(4,831)</b>	<b>(53)</b>
922301 SUBSCRIPTIONS/MAGAZINESIA	45,273.56	31,373.61	13,900	44
922303 LEGAL PUBLICATIONS-HARDCO	983.26	17,278.33	(16,295)	(94)
922304 LEGAL PUBLICATIONS-ON-LIN	14,144.00	13,380.78	763	6
922305 NEWSPAPER		4,447.82	(4,448)	(100)
922399 LIBRARY PURCHASES AND SUB	89.00	108.96	(20)	(18)
* 922300 - LIBRARY PURCHASES AND SU	<b>60,489.82</b>	<b>66,589.50</b>	<b>(6,100)</b>	<b>(9)</b>
921501 PERSONNEL ADS	1,739.82	4,215.76	(2,476)	(59)
921504 JOB BULLETINS	225.00		225	
921599 ADVERTISING		3,219.50	(3,220)	(100)
* 921500 - ADVERTISING	<b>1,964.82</b>	<b>7,435.26</b>	<b>(5,470)</b>	<b>(74)</b>

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
933101 TRAINING		11,347.22	(11,347)	(100)
933102 TUITION REIMBURSEMENT (NO	4,552.00	1,859.00	2,693	145
933103 REGISTRATION FEES - TRAIN	6,530.00	4,768.00	1,762	37
933104 TUITION AND REGISTRATION	3,703.00	1,927.50	1,776	92
933105 TRAINING FACILITY RENTAL	224.00	1,652.07	(1,428)	(86)
933107 TRAINING MEDIA	161.62	458.90	(297)	(65)
933108 TRAINING SUPPLIES		48.00	(48)	(100)
* 933100 - TRAINING	15,170.62	22,060.69	(6,890)	(31)
** TRAINING TOTAL	15,170.62	22,060.69	(6,890)	(31)
971002 INTEREST EXPENSE	1,181.02	12,547.95	(11,367)	(91)
971003 LOSS ON INVESTMENT	266.63		267	
* 971000 - OTHER-SPECIAL ITEMS OF E	1,447.65	12,547.95	(11,100)	(88)

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 5.0 of this report regarding facsimile stamps.)

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

The following issue was considered significant enough to bring to management's attention in this report. There was one minor issue to this report in Appendix A.

## 1.1 The Court Needs to Improve Its Bail Procedures

### Background

Individuals arrested on a criminal charge may be held in the custody of law enforcement officials until trial or until the required cash bail or bail bond is furnished. A bail bond is a type of surety bond acquired by or on behalf of the incarcerated person. When a bail 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. According to California Penal Code Section (PC)1269b(g), the Sheriff must transmit all money and surety bonds received as bail immediately to the court.

Superior Courts in each county are responsible for annually determining the amount of bail for certain offenses. Specifically, PC 1269b(c), states:

It is the duty of the superior court judges in each county to prepare, adopt, and annually revise a uniform countywide schedule of bail for all bailable felony offenses and for all misdemeanor and infraction offenses except Vehicle Code infractions. The penalty schedule for infraction violations of the Vehicle Code shall be established by the Judicial Council in accordance with Section 40310 of the Vehicle Code.

In addition, PC 1269b(e), requires judges to consider the seriousness of the offense charged in adopting a uniform countywide schedule of bail for all bailable felony offenses. Judges are to assign an additional amount of required bail for each aggravating or enhancing factor chargeable in the complaint. For example, in considering offenses in which a violation of Chapter 6 (commencing with Section 11350) of Division 10 of the Health and Safety Code is alleged, the judge shall assign an additional amount of required bail for offenses involving large quantities of controlled substances.

### **Issues**

Our review of its procedures related to bail revealed that the Court prepares and maintains an annual uniform countywide schedule of bail. However, our review also identified the following concerns control weaknesses related to bail:

1. The Court's uniform countywide schedule of bail did not contain the additional amount of bail for 50 code sections listed in, Chapter 6 of Division 10 of the Health and Safety Codes as required by PC 1269b(e), in which large quantities of controlled substances are involved.
2. One of the cases selected to review showed that the history of the case in the case management system (CMS) was not kept up to date with sentencing entries. For example, the minutes in the case file showed a sentence order for date 7/9/10 but this sentence order and bail exoneration was not recorded in the CMS history under this case. Although, this was only one example noted in this program, IAS noted the same trend in other programs which evidences that the court has a prevalent issue with keeping the CMS case history up to date.
3. Contrary to PC 1276, the Court does not have a process to validate that the bail bond surety insurer is an admitted surety insurer or the bail bond agent is a licensed agent of the insurer before accepting bail bonds.
4. Although annually, the Court posts its uniform countywide schedule of bail for all bailable felony offenses and for all misdemeanor and infraction offenses except Vehicle Code infractions, to the internet annually, it does not date the schedule and therefore cannot be verified if current.

**Recommendations**

To ensure it accepts appropriate bail amounts, the Court should consider the following improvements:

1. Update the Court's uniform countywide schedule of bail to include enhanced bail amounts for alleged violations of the Health and Safety codes specified in PC 1269b(e), involving large quantities of controlled substances.
2. To be used as a legal record keeping medium it is essential that the Courts case management system be kept up to date with all case information and sentencing outcomes. Court staff must update case history with judges rulings, hearing dates, and bail status on a timely basis. Court Operations management should conduct periodic reviews of a sample of cases to ensure sentence rulings and bail history are correctly entered into CMS. This practice ensures that the CMS history is current and can be used as a case record keeping tool by all justice partners.
3. Implement a procedure to verify through the California Department of Insurance Website that the surety insurer is licensed and that the bail agent is a licensed bail agent of the insurer.
4. The Court should add a date to the uniform countywide bail schedule of bail when updating it each year. This will ensure that the schedule that all parties are using is the most current. Further, managers should conduct periodic reviews to ensure that Court staff and judges are using the most current bail schedule.

**Superior Court Response By: Melodee Parmenter Date: November 30, 2010**

Date of Corrective Action: See below for actual corrective action dates

Responsible Person(s): Melodee Parmenter, Court Services Manager II

Santa Cruz Superior Court *agrees* with recommendations 1, 2, 3 & 4.

1 & 4 The Judges are currently working on updating the countywide bail schedule, which will include the required codes outlined in 1269(e) PC and the posting will include the date it was last updated. This should be completed by February 1, 2011.

2. Review of backlog and running of reports on un-dispositioned cases will be done on a weekly basis to ensure all cases have been updated in the case management system. This process of review has begun effective 11-29-10.

3. The verification of licensed bail bond agents will be implemented on 1-1-11. The operations supervisors and managers will have a written process in place by that date.

## 2. Fiscal Management and Budgets

### Background

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

The Court contracts with Phoenix Shared Services Center (PSSC) for payroll processing services. Payroll is processed biweekly and begins with employees entering their time directly into the Phoenix electronic time cards. The manager then reviews and approves the time card and the data is uploaded for payroll to be processed.

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	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		

### Assets

130001 A/R-ACCRUED REVENUE	80,257.31	41,847.63	38,410	92
131601 A/R - DUE FROM EMPLOYEE	4,072.00	308.66-	4,381	1,419
140001 A/R - DUE FROM OTHER FUND	229,786.68	269.55	229,517	85,148
151000 A/R-DUE FROM COURTS	50,079.30	0.00	50,079	
150001 A/R - DUE FROM OTHER GOVE		194,731.00	(194,731)	(100)
152000 A/R-DUE FROM STATE	391,850.00	673,531.85	(281,682)	(42)
** Receivables	756,045.29	910,071.37	(154,026)	(17)
*** Accounts Receivable	756,045.29	910,071.37	(154,026)	(17)

### Liabilities

351001 LIABILITIES FOR DEPOSITS-	3,162.34-	1,089.66-	2,073	190
353003 CIVIL TRUST-OTHER( RPRTR	79,633.62-	143,253.62-	(63,620)	(44)
353004 JURY FEES- NON-INTEREST B	4,842.64-	0.00	4,843	
353080 LIABILITIES FOR DEPOSITS	2,542.08-	727.58-	1,815	249
353090 FUNDS HELD OUTSIDE OF THE	1,204,284.33-	590,305.93-	613,978	104
374003 PHOENIX PAYROLL CLEARING	1,751.83	1,937.51	(186)	(10)
374101 RETIREMENT CONTRIBUTIONS	676.93	1,287.22-	(1,964)	(153)
374201 VOLUNTARY DEDUCTIONS EE	5,447.33-	2,247.00-	3,200	142
374305 SOCIAL SECURITY & MEDICAR	16.76	16.76	0	0
374701 HEALTH BENEFITS PAYABLE E	1,795.55-	3,547.34	5,343	151
374702 BENEFITS PAYABLE-MEDICAL	212.78	0.00	213	
374703 BENEFITS PAYABLE-DENTAL E	6,416.33	0.00	6,416	
374704 BENEFITS PAYABLE-VISION E	1,929.26	0.00	1,929	
374801 DEFERRED COMPENSATION PAY	1.02	266.63	(266)	(100)
375001 ACCRUED PAYROLL	90,106.76-	500,694.40-	(410,588)	(82)
*** Current Liabilities	1,380,809.74-	1,233,837.17-	146,973	12

### Revenue

861010 CIVIL JURY REIMBURSEMENT	39,201.40-	11,386.77-	27,815	244
861011 MISCELLANEOUS REIMBURSEME	459,453.15-	676,841.17-	(217,388)	(32)
** 860000-REIMBURSEMENTS - OTHER	498,654.55-	688,227.94-	(189,573)	(28)

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Expenditures</b>				
900301 SALARIES - PERMANENT	8,627,947.29	8,163,768.38	464,179	6
900306 SALARIES - COURT INTERPRE	0.00	7,379.47	(7,379)	(100)
900320 LUMP SUM PAYOUTS	101,710.55	159,688.65	(57,978)	(36)
900322 PREMIUM PAY	6,046.95	5,889.79	157	3
900327 DIFFERENTIAL - MISCELLANE	107,489.01	103,941.16	3,548	3
900328 OTHER PAY	13,786.69	274,297.84	(260,511)	(95)
* 900300 - SALARIES - PERMANENT	8,856,980.49	8,714,965.29	142,015	2
903301 TEMPORARY EMPLOYEES - ON	62,733.46	59,665.04	3,068	5
* 903300 - TEMP HELP	62,733.46	59,665.04	3,068	5
906303 SALARIES - COMMISSIONERS	404,132.03	403,822.60	309	0
* 906300 - SALARIES - JUDICIAL OFFI	404,132.03	403,822.60	309	0
908301 OVERTIME	24,977.76	49,003.18	(24,025)	(49)
* 908300 - OVERTIME	24,977.76	49,003.18	(24,025)	(49)
** SALARIES TOTAL	9,348,823.74	9,227,456.11	121,368	1
910301 SOCIAL SECURITY INS & MED	556,290.64	547,059.59	9,231	2
910302 MEDICARE TAX	135,842.46	133,733.07	2,109	2
* 910300 - TAX	692,133.10	680,792.66	11,340	2
910401 DENTAL INSURANCE	153,143.42	154,074.12	(931)	(1)
910501 MEDICAL INSURANCE	1,386,138.59	1,325,021.16	61,117	5
910502 FLEXIBLE BENEFITS	110,778.87	117,004.86	(6,226)	(5)
910503 RETIREE BENEFIT	72,064.85	56,132.96	15,932	28
* 910400 - HEALTH INSURANCE	1,722,125.73	1,652,233.10	69,893	4
910601 RETIREMENT (NON-JUDICIAL	1,147,791.33	1,231,175.68	(83,384)	(7)
* 910600 - RETIREMENT	1,147,791.33	1,231,175.68	(83,384)	(7)
912501 STATUTORY WORKERS COMPENS	188,519.00	208,907.00	(20,388)	(10)
* 912500 - WORKERS' COMPENSATION	188,519.00	208,907.00	(20,388)	(10)
913301 UNEMPLOYMENT INSURANCE	5,627.00	16,649.03	(11,022)	(66)
913501 LIFE INSURANCE	7,565.04	10,265.87	(2,701)	(26)
913502 LONG-TERM DISABILITY	84,344.56	74,029.43	10,315	14
913601 VISION CARE INSURANCE	20,688.80	21,709.20	(1,020)	(5)
913699 OTHER INSURANCE	7,458.86	5,366.21	2,093	39
* 912700 - OTHER INSURANCE	125,684.26	128,019.74	(2,335)	(2)
913899 OTHER BENEFITS	25,271.37	11,535.12	13,736	119
* 913800 - OTHER BENEFITS	25,271.37	11,535.12	13,736	119
** STAFF BENEFITS TOTAL	3,901,524.79	3,912,663.30	(11,139)	(0)
*** PERSONAL SERVICES TOTAL	13,250,348.53	13,140,119.41	110,229	1
<b>Prior Year Adjustments</b>				
899910 PRIOR YEAR ADJUSTMENTS -	12,533.83	46,128.69	(58,663)	(127)
** 890000-PRIOR YEAR REVENUE	12,533.83	46,128.69	(58,663)	(127)

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.

There were no issues in this section considered significant enough to bring to management's attention. There was one minor issue noted and is contained in the Appendix A.

### 3. Fund Accounting

#### Background

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

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

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Fund Balances</b>				
552001 FUND BALANCE-RESTRICTED	129,373.82-	1,925,549.06-	(1,796,175)	(93)
553001 FUND BALANCE - UNRESTRICT	869,878.06-	511,939.03-	357,939	70
554001 FUND BALANCE - UNRESTRICT	0.00	162,619.44-	(162,619)	(100)
<b>*** Fund Balances</b>	<b>999,251.88-</b>	<b>2,600,107.53-</b>	<b>(1,600,856)</b>	<b>(62)</b>

#### Revenues

841010 SMALL CLAIMS ADVISORY	13,787.85-	10,769.24-	3,019	28
841011 DISPUTE RESOLUTION	62,961.00-	52,864.02-	10,097	19
841012 GRAND JURY	0.00	839.52-	(840)	(100)
841015 OTHER COUNTY SERVICES	4,449.00-	0.00	4,449	
<b>** 840000-COUNTY PROGRAM - RESTRICTE</b>	<b>81,197.85-</b>	<b>64,472.78-</b>	<b>16,725</b>	<b>26</b>

#### Expenditures

<b>*** 701100 OPERATING TRANSFERS IN</b>	<b>546,041.61-</b>	<b>1,219,081.95-</b>		
<b>*** 701200 OPERATING TRANSFERS OUT</b>	<b>546,041.61</b>	<b>1,219,081.95</b>		

To determine whether the Court is properly accounting for its financial resources and expenditures in separate funds, we reviewed the trial balance of each fund at a high level and certain detailed transactions if necessary. Specifically, we reviewed the special revenue funds established for the Court, including Small Claims Advisory, Dispute Resolution, Grand Jury, and Other County Services. We also reviewed the Court's general fund and several grant funds.

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

There were no significant issues to report to management.

#### 4. Accounting Principles and Practices

##### Background

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

Since migrating onto the Phoenix Financial System in 2006, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the PSSC. Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger. Since much of the accounting procedures have been centralized with the PSSC, we kept our review of the Court's individual financial statements at a high level.

In FY 2008—2009, the Court received various state grants passed through to it from the AOC and the County. Restrictions on use of funds and other requirements are documented in the grant agreement. Many grants received by the Court are reimbursement type agreements that require the court to document its costs to receive payment. The Court is required to separately account for financing sources and expenditures for each grant. Annually, the AOC receives a listing from courts concerning grants received and reports them to the Bureau to State Audits as part of the State of California's single audit of grants.

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	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Revenues – Grants</b>				
838010 AB1058 GRANTS	285,047.00-	293,799.08-	(8,752)	(3)
838020 OTHER AOC GRANTS	111,488.16-	152,782.65-	(41,294)	(27)
** 838000-AOC GRANTS - REIMBURSEMENT	396,535.16-	446,581.73-	(50,047)	(11)

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Revenues</b>				
812110 TCTF-PROGRAM 45.10-OPERAT	15,451,613.00-	15,760,079.20-	(308,466)	(2)
812140 TCTF-PROGRAM 45.10-SMALL	6,770.00-	7,250.00-	(480)	(7)
812141 TCTF-PROGRAM 45.10-ADMIN	1,746.00-	825.00-	921	112
812144 TCTF-PROGRAM 45.10-CLERKS	17,428.60-	4,771.00-	12,658	265
812146 TCTF-PROGRAM 45.10-COPY P	39,020.09-	35,788.00-	3,232	9
812147 TCTF-PROGRAM 45.10-COMPAR	4,926.00-	7,271.00-	(2,345)	(32)
812148 TCTF-PROGRAM 45.10-MANUAL	10,214.00-	16,478.00-	(6,264)	(38)
812150 TCTF-PROGRAM 45.10-ESTATE	30.00-	0.00	30	
812151 TCTF-10-CUSTODY/VISITATIO	1,830.00-	1,755.00-	75	4
812154 TCTF-PROGRAM 45.10-INFO P	980.00-	760.00-	220	29
812155 TCTF-PROGRAM 45.10-ASSESS	8,600.00-	8,026.00-	574	7
812156 TCTF-PROGRAM 45.10-ANNUAL	204.00-	408.00-	(204)	(50)
812158 TCTF-10-CUSTODY/VISITATIO	1,220.00-	1,170.00-	50	4
812159 TCTF-10-CIVIL ASSESSMENT	113,238.41-	215,175.00-	(101,937)	(47)
812160 TCTF-10-MICROGRAPHICS	18,334.00-	17,832.00-	502	3
812162 TCTF-PROGRAM 45.10-CHILD	59,505.00-	42,039.00-	17,466	42
812164 TCTF-PRG45.10-PETITION DE	4,300.00-	3,700.00-	600	16
812165 TCTF-PROG 45.10-STEP PARE	2,100.00-	0.00	2,100	
** 812100-TCTF - PGM 10 OPERATIONS	15,742,059.10-	16,123,327.20-	(381,268)	(2)
816110 OTHER STATE RECEIPTS	54,552.00-		54,552	
** 816000-OTHER STATE RECEIPTS	54,552.00-		54,552	
821129 LOCAL FEE 9	686.34-	711.72-	(25)	(4)
821130 LOCAL FEE 10	110.55-	167.00-	(56)	(34)
821131 LOCAL FEE 11	2,025.00-	150.00-	1,875	1,250
821135 LOCAL FEE 15	1,235.00-	1,680.00-	(445)	(26)
821161 FC3112 CUSTODY INVESTIGAT	0.00	44,380.00-	(44,380)	(100)
821182 PC1205d STAY FEE	7,771.80-	0.00	7,772	
821191 VC40508.6 DMV HISTORY/PRI	270,448.43-	0.00	270,448	
821193 VC42006a NIGHT COURT	5,131.80-	5,129.93-	2	0
** 821000-LOCAL FEES REVENUE	287,408.92-	52,218.65-	235,190	450
821202 ENHANCED COLLECTIONS (OTH	183,432.41-	74,511.66-	108,921	146
** 821200-ENHANCED COLLECTIONS - REV	183,432.41-	74,511.66-	108,921	146
822101 NON-FEE REV 1		398,492.25-	(398,492)	(100)
822120 CRC3.67of COURT CALL	22,691.25-	20,565.00-	2,126	10
** 822000-LOCAL NON-FEES REVENUE	22,691.25-	419,057.25-	(396,366)	(95)
823001 MISCELLANEOUS REVENUE	38,486.82-	2,835.83-	35,651	1,257
** 823000-OTHER - REVENUE	38,486.82-	2,835.83-	35,651	1,257
831010 GF-AB2030/AB2695 SERVICE	13,424.00-	15,774.00-	(2,350)	(15)
** 831000-GENERAL FUND - MOU/REIMBUR	13,424.00-	15,774.00-	(2,350)	(15)
832010 TCTF GENERAL MOU REIMBURS	135,756.00-	197,734.08-	(61,978)	(31)
832011 TCTF-PGM 45.10-JURY	83,691.00-	81,098.00-	2,593	3
832013 TCTF-PGM 45.10-ELDER ABUS	2,405.00-	740.00-	1,665	225
** 832000-PROGRAM 45.10 - MOU/REIMBU	221,852.00-	279,572.08-	(57,720)	(21)
834010 PROGRAM 45.45-COURT INTER	683,845.00-	691,343.00-	(7,498)	(1)
** 834000-PROGRAM 45.45 - REIMBURSEM	683,845.00-	691,343.00-	(7,498)	(1)
836010 MODERNIZATION FUND	13,311.47-	95,263.77-	(81,952)	(86)
** 836000-MODERNIZATION FUND - REIMB	13,311.47-	95,263.77-	(81,952)	(86)
837010 IMPROVEMENT FUND REIMBURS	54,379.98-	718,824.00-	(664,444)	(92)
** 837000-IMPROVEMENT FUND - REIMBUR	54,379.98-	718,824.00-	(664,444)	(92)

We also reviewed a sample of large dollar amount grants received in the fiscal year audited. For these grants, we determined whether the Court properly accounted for grant activity, complied with specific grant requirements, and claimed reimbursement for allowable expenditures if it's a reimbursement grant.

The following issue was considered significant enough to bring to management's attention in this report. Additionally, there was one minor issue noted and is contained in Appendix A.

#### **4.1 The Court Needs to Improve Controls Over Financial Accounting and Reporting**

##### **Background**

Generally accepted accounting principles (GAAP) and the Trial Court Financial Policies and Procedures Manual (FIN Manual) establish uniform principals, rules and guidelines affecting internal control of an accounting information system. Internal controls help ensure the reliability, consistency, and comparability of financial information, while aiding in the prevention and detection of waste, fraud, and theft. An adequate system of internal control offers reasonable assurance that the financial information furnished to both internal and external users is timely and accurate.

An accounting information system is accurate when the financial data captured by the system is both complete and correct. FIN Policy No. 2.01 section 6.3 states that a trial court, "Shall utilize an efficient and organized accounting system that ensures the accurate reporting of all transactions," while also requiring that the "transactions recorded by its accounting system are supported by documentation and evidential matter that can withstand internal or external financial audits." Audit testing is usually transaction based and consists of vouching ledger amounts back to supporting documentation and tracing financial data from supporting documents to the ledger. Therefore, accuracy requires that amounts recorded in supporting documents tie to the ledger.

The FIN Manual includes several procedures that help maintain an accurate accounting system. For example, FIN Policy No. 5.03 section 6.1.13 requires that "All adjusting entries shall be adequately documented and shall require appropriate written management approval." Adjusting entries present a risk of material misstatement that is systemic; an approval control is required to adequately mitigate this risk.

Internal users rely on accounting system data to make strategic and tactical decisions regarding the expenditure of Court resources. To this end, FIN Policy No. 6.02 section 3.0 requires that, "All Commitments related to purchases shall be encumbered to ensure that adequate funds are available to pay invoiced amounts. Purchases include purchase orders, contracts, and other financial obligations that exceed \$500."

External users rely on the information presented in public financial reports such as the CAFR. Fund accounting was designed to facilitate superior transparency in financial reporting. Thus, governmental financial reporting reaches beyond a bottom line presentation and discloses the particular use of certain funds over discreet time periods. The goal of governmental financial

reporting is to demonstrate how public resources were expended, and this places an obligation upon the Court to track and report fixed assets at a sufficient level of granularity.

### Issues

The Court maintains its general ledger within the Phoenix Financial System and utilizes a bifurcated treasury scheme involving the County Treasury and AOC Trust and Treasury Service. During our review of the Court's accounting and reporting functions, we noted the following exceptions:

1. At June 30, 2009, general ledger account 120001 (Cash with County) was understated by \$166,311 when compared to the County Treasury trust balances recorded in the Court's trust reconciliations.
2. The Court does not have a process in place whereby management approval of adjusting entries is documented as required by FIN Policy No. 5.03 , section 6.1.13.
3. The Court does not encumber all contract and MOU amounts as required by FIN Policy No. 6.02 section 3.0.
4. The Court made additions to equipment during FY 2008-2009, but reported on the certified CAFR Report 18 only the net reduction in equipment during the fiscal year, while Report 18 requires the Court to report gross additions and gross deductions as they pertain to equipment during the reporting period.

### Recommendations

To assist the Court in better controlling its accounting and reporting functions, it should consider the following:

1. The Court needs to update general ledger account 120001 (Cash with County) on a monthly basis as part of its monthly trust reconciliation. The trust reconciliation must demonstrate that cash per the County Treasury reconciles to the Court's sub-ledger and ties to the general ledger, while also bearing evidence of appropriate approval.
2. The Court should adopt a business process whereby a comprehensive log of adjusting entries is created at year end. This log should be reviewed and approved by the fiscal manager prior to the posting of adjusting entries to the general ledger.
3. The Court should create purchase orders within the Phoenix Financial System for all contracts and MOU's. A purchase order needs to be created in order for Phoenix to encumber the amount.
4. The Court should devise business processes that facilitate the accurate reporting of asset reductions and additions that occurred throughout the reporting period. These processes should incorporate the Court's Fixed Asset management System (FAMS).

**Superior Court Response    By: Chris Ghio        Date: December 30, 2010**

1. **AGREE:** The court agrees with this recommendation, but unfortunately finance does not have adequate staffing to create the journals and entries needed to update this ledger monthly, but will update the ledger quarterly. This will be implemented by March 30, 2011.
2. **AGREE:** The court agrees with this finding and will prepare a comprehensive log of adjusting entries created at year end beginning at the end of Fiscal Year 2010, June 2011.

3. **AGREE:** The court agrees with this finding and have implemented this recommendation as of July 1, 2010.
4. **AGREE:** The Court has set up a data base and is currently developing a business process to facilitate the accurate reporting of assets. This process will ensure new assets are added and old un-useful assets are deleted. This will be implemented by May 1, 2011.

## 5. Cash Collections

### Background

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

The Court operates two locations that collect court-ordered payments. Refer to the table below for a list of Court locations. Clerks rely on one case management systems (CMS) platform called ISD for all case types.

Location Name	Types of payments accepted
Watsonville	All case type
Santa Cruz	All case type

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	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Assets</b>				
111000 CASH-OPERATIONS ACCOUNT	393,030.19	1,924,444.87	(1,531,415)	(80)
111100 CASH-OPERATIONS CLEARING	348,708.66	314,897.52	33,811	11
112100 CASH PAYROLL OPERATIONS C	228,579.04	8,545.21	220,034	2,575
114000 CASH-REVOLVING	5,000.00	5,000.00	0	0
117500 CASH CIVIL FILING FEES	385,298.97	271,756.38	113,543	42
118000 CASH-TRUST ACCOUNT	115,720.44	146,632.50	(30,912)	(21)
118100 CASH-TRUST CLEARING	28,673.29	2,651.30	26,022	981
119001 CASH ON HAND	3,350.00	3,350.00	0	0
120001 CASH WITH COUNTY	1,204,284.33	590,305.93	613,978	104
120050 SHORT TERM INVESTMENTS-LA	916,796.04	0.00	916,796	
*** Cash and Cash Equivalents	2,417,518.98	2,615,395.65	(197,877)	(8)

### Expenditures

952599 CASHIER SHORTAGES	606.40	387.00	219	57
* 952500 - CASH DIFFERENCES	606.40	387.00	219	57

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:

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

We discuss results of our review of accounting safe access and other physical and logical access controls in Section 8.

We also reviewed sample monetary and non-monetary systems transactions, and validated these transactions to supporting receipts, case file, and other documentation. We also examined controls related to manual receipts in detail to ensure proper physical controls existed, numerical reconciliation was periodically performed, and other requisite controls were being followed.

The following issues were considered significant enough to bring to management's attention in this report. Additionally, there were five minor issues noted in this section and are contained in Appendix A.

### **5.1 Stronger Procedures are Needed to Better Control Handwritten-Manual Receipts**

#### **Background**

Despite computer system disruptions, the Court must continue to service the public. Therefore, there may be times when the court is required to conduct business issuing manual receipts. FIN Manual, Procedure No. FIN 10.02, section 6.3.7, requires that all payments to the court must be acknowledged by a sequentially numbered receipt. Receipts issued by the court should provide information sufficient to create an adequate audit trail that ensures proper distribution of the moneys received including: (a) Receipt number; (b) Date of payment; (c) Case number; and (d) Amount received. The court shall keep a record of all receipts issued and periodically monitor receipt sequence numbers to identify gaps and assure that all receipts are accounted for. Section 6.3.9 provides that in the case of a failure of the automated accounting system, pre-numbered receipt books will be issued by the supervisor or designated employee. Courts must process handwritten receipt transactions as soon as possible after the automated system is restored.

Each Court division has their own set of manual receipt books. The court uses the manual receipt books during system down times and when the case has not yet been updated in the CMS and the defendant wants to pay before leaving the court to avoid the \$35 dollar administrative payment plan fee. For example, this occurs on traffic court days when many cases are calendared and heard by the judge at a fast pace and the courtroom clerk cannot update the case quick enough in the CMS.

#### **Issues**

To determine whether Court procedures assure the safe, secure collection, and accurate accounting of all payments, we reviewed the Court's cash handling procedures, including its use of receipts to acknowledge payments. Our review identified the following areas where the Court could strengthen its procedures to better control manual handwritten receipts:

#### **Monitor and Track**

1. The Court has procedures in place to ensure that the transactions on each manual receipt were entered into the case management system timely and accurately but it appears that this policy is not being strictly followed. For example, when court staff were interviewed neither civil or traffic/criminal advised that their normal workflow is to monitor the

manual receipt usage daily to ensure that all receipts were completed properly, used appropriately, and entered into the CMS timely and accurately. Although all receipts were accounted for and appropriately filled out in the civil division, this was not the case when receipt samples were tested in the traffic/criminal division. For example, it was discovered that 3 out of ten samples tested were not entered into the CMS timely within 48 hours. This is evidence that supervisory review is not taking place.

### **Educate and Enforce**

#### **2. Receipts are not being used properly:**

- Manual receipts are being used for transactions other than system down times.
- 1 out of ten manual receipts tested showed that the manual receipt was not used in proper numerical sequence.
- Manual receipts not used in sequence are left in books and not voided.
- Manual receipts are not being completed on a consistent basis with all necessary information. Specifically, we identified 8 out of ten samples tested had no explanation, 1 out of ten tested did not contain a date, 1 out of ten tested had incorrect case number, and 1 out of ten tested did not have printed CMS receipt stapled to receipt in book or CMS receipt number written on receipt.

### **Recommendations**

To ensure manual receipts are properly controlled and safeguarded, the Court should consider the following:

1. Due to the risk of abuse, the Court must control, monitor, and track the use of manual receipts by adopting the following practice:
  1. Track and document each receipt that is given to each cashier on a log that contains the receipt number, name of cashier receiving receipt and date/time they received it. This log should be maintained by area supervisor or manger and should be used at end of day to ensure all receipts are accounted for.
  2. To monitor CMS processing, as a good and efficient practice, all manual receipt copies in the book should have the CMS receipt stapled to them to document that the receipt has been entered.
2. The Court should perform periodic refresher training on manual receipts, and enforce written procedures that the Court currently has in place for the use of manual receipts. Refresher training should include but is not limited to the following:
  - Manual receipts are used only when the automated case management system is down as per FIN Manual requirement and the Court's own cashiering policy.
  - Manual receipts should be used in strict numerical sequence. The original receipt is given to the defendant, the second copy is attached to the payment for posting to the case management system, and the third copy is retained in the book, never left blank and un-voided; so as to encourage the best accountability.
  - Manual receipts should be filled out completely and accurately.

3. Prepare alternative procedure request forms and submit them to the AOC for approval if the Court cannot implement the FIN Manual procedures noted above. The requests should identify the FIN Manual procedure the Court cannot implement, the reasons why it cannot implement the procedure, a description of its alternative procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the FIN Manual procedure.

**Superior Court Response By: Pat Hammermaster, Assistant CEO, Date: June 6, 2010  
Responsible persons for continued implementation: Court Services Manager, Melodee Parmenter, Santa Cruz and Victoria Nahnsen, Court Services Manager, Watsonville.  
Date of implementation January 1, 2011.**

Santa Cruz Superior Court agrees with the recommendations above and has taken corrective measures to train staff on the use of manual receipts. Instructions on voids, numerical sequence and thoroughly filling out the receipt have been provided to the counter staff at both locations by the supervisors. Managers at each location will follow-up annually with supervisors to make sure these procedures are carried out and new staffs are trained in the correct procedures.

## **5.2 Void Capabilities Are Not Properly Segregated From Cashiering Duties**

### **Background**

Procedure No. FIN 10.02, section 6.3.8 states that transactions that must be voided require the approval of a supervisor. When notified by a cashier, the supervisor is responsible for reviewing and approving the void transaction. Furthermore, FIN 2.02, section 3.0 Paragraph 1 states that the Court must maintain an effective system of internal controls. One of the key elements of internal controls (section 6.3) is appropriate segregation of duties. An organization plan that has appropriate segregation of duties helps to safeguard the Courts assets. Segregation of duties is based off the concept that no one individual controls all phases of any activity or transaction. An effective way to ensure that void capabilities are not only appropriately segregated, but also evidence appropriate review and approval, is to restrict void capabilities in the case management system to supervisors.

The Court has one case management system, ISD, that has one module for traffic/criminal called (OTS) and one for civil called (CIV). Both modules restrict void capabilities to lead legal processing clerks (LPC III), supervisors, and managers. As a matter of internal policy, the Court requires the reason for the void to be documented in the case management system and if possible the voided receipts to be retained and submitted with the cashiers end of day collection documentation that is kept in the fiscal department.

To determine whether the Court is complying with the FIN manual and its own void documentation and approval procedures, we reviewed a randomly selected sample of 30 voided transactions from both the Court's civil and criminal/traffic division at all court locations for calendar year 2009.

**Issue**

The Courts lead legal processing clerks (LPC III) approve and perform voids, in addition to, process payments in the case management system, which creates a segregation of duties conflict. Not only was this apparent on the Courts segregation of duties matrix that were completed by the court, but this conflict was further confirmed while performing the Courts void testing. For example, 2 of the ten void samples randomly selected from the Santa Cruz civil department showed that the original transaction and the void were performed by the same LPC III.

**Recommendation**

The Court must ensure there is appropriate segregation of duties for employees who are approving and performing void transactions. Void capabilities in the CMS should be strictly limited to supervisory and management staff. By limiting the void responsibility to supervisory and management the Court ensures that this duty is appropriately segregated because the same individual is not performing transaction and then voiding their own transaction.

**Superior Court Response By: Pat Hammermaster, Assistant CEO, Date: June 6, 2010  
Responsible for continuing implementation: Court Services Manager Melodee Parmenter ,  
Santa Cruz, and Court Services Manager Victoria Nahnsen, Watsonville.**

Santa Cruz Superior Court agrees with the indicated recommendation and has taken the action of restricting the LPC III's from having void capability effective June 1, 2010. Void responsibility is strictly limited to supervisory and management positions.

**5.3 Some Physical Safeguards are Inadequate Due To Poor Controls****Background**

A trial court should promote appropriate physical security of court assets and sensitive or confidential court documents by limiting access to court employees, and by monitoring such access. In fact, FIN Manual Procedure No. 2.02, paragraph 6.3 paragraph 2 identifies controlled access to assets as one of the key components to an effective system of internal controls. Furthermore, the court should establish an effective system of internal review to ensure that all financial transactions are properly and accurately recorded and reported. FIN Manual Procedure No. 2.02, paragraph 6.3.6 paragraph 2 identifies several key elements in having an effective system of internal review. These include but are not limited to:

- a) Transaction balancing such as preparing and comparing batch totals against transaction details.
- b) Verifying system records against original records.  
**Sawyer's Internal Auditing, 5<sup>th</sup> Edition, defines verifying:** confirming the truth, accuracy, genuineness, or validity of something. It implies a deliberate effort to establish the accuracy or validity of some statement or writing by putting it to the test, such as comparing it with known facts, with an original, or with some standard.
- c) Independent review and approval of transactions by supervising or managing personnel.
- d) Periodic reviews of applicable accounting records against original entries for accuracy.

- e) Periodic management review of actual expenditures and revenues against budget items for propriety and reasonableness.

### **Issues**

During our visit at the Watsonville courthouse and main Santa Cruz location, we identified the following control weaknesses over physical security:

#### Daily Balance and Closeout

Daily supervisor/lead count and verification of each cashier till balance and closeout is not being performed while in the presence of the cashier being verified as required by FIN Procedure 10.02, section 6.3.10., and FIN Procedure 2.02, section 6.3.6 paragraph 2(b). Presently, it is the courts practice to compare each cashier till totals and adding machine tape to the CMS totals but no actual count and verification of the cash and checks is performed by the supervisors.

#### Case Management System

The civil module (CIV) of the case management system ISD allows cases to be deleted. This was discovered because the court could not locate certain voids in the CMS that were selected as samples to review. **(Repeat issue from previous audit)**

#### Judicial Officer Stamps

Each division has its own set of judges' signature stamps and court seal stamps. The Watsonville and Santa Cruz Civil Court stamps are left on the cashier counter within reach of the public. In addition, at all Court locations Judges' signature stamps not secured overnight in locked drawer or safe.

### **Recommendations**

The Court should improve physical security controls by instituting the following:

1. The court must implement a daily closeout process that requires a lead or supervisor to count and verify each cashier's collections in front of that cashier. This process should be documented by both the lead/supervisor and cashier signing the end of close totals.
2. The Court should disable the case deletion feature on the civil module of the case management system ISD for non-management staff. The ability for all court civil staff to delete cases was discovered while performing void testing. Since LPC IIIs ring transactions daily, disabling this capability for non-supervisory staff is recommended to help ensure deletions are properly authorized by management.
3. All court stamps and official court seals should stored away from collection window and secured overnight in a locked drawer or safe.

**Superior Court Response By: Pat Hammermaster, Assistant CEO, Date: June 17, 2010**

Responsible persons: Court Services Manager, Melodee Parmenter, Santa Cruz and Court Services Manager, Victoria Nahnsen, Watsonville. Completion date: September 1, 2010

Santa Cruz Superior Court agrees with recommendations 1 & 2. For Issue #3, the court will put away file stamps in drawers at night and the office will be locked at night.

- 1) The Court Services Managers will be providing training to all supervisors and leads on the proper procedures to do daily closeouts, where they will verify each cashier's collections in front of the cashier as recommended. Verification specifically will consist of; each cashiers cash collected (change and bills) will be counted and verified against cashiers till count total sheet and case management system cash totals. In addition, each check and money order will be reviewed to ensure it is filled out properly and verified against cashier adding machine tape and case management system check and money order totals.
- 2) The Court is disabling the case deletion feature so only supervisors and above will have the ability to delete cases in the civil module.
- 3) All court stamps and court seals will be stored away from the collection windows during the business day and secured in a drawer or safe overnight during non-business hours.

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

##### **Background**

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

##### **Issues**

During our review of the procedures over mail payments in the Court Operations areas we identified the following issues:

1. The Watsonville location and the Santa Cruz traffic/criminal division do not enforce proper segregation of duties when processing mail payments. For example, the same individual may process counter and mail payments simultaneously. While it may seem efficient to have mail and in-person payments processed by the same cashier, the practice leaves the Court at risk of lapping, a type of fraud. **(Repeat issue from previous audit)**
2. None of the court operating divisions logs mail payments into a cash receipts log as recommended by the FIN Manual. Keeping a mail payment log serves as a list to document the payments received in the mail. This log then can be used to reconcile to

the case management system to ensure all mail payments are entered in CMS timely and accurately. **(Repeat issue from previous audit)**

3. The Santa Cruz traffic/criminal division had a back log of unprocessed mail for longer than 48 hours. Specifically, on the day that the mail was observed 4/12/10, this division had a mail payment from 3/26/10 for \$125, 3/30/10 for \$50, and 4/1/10 for \$335 that had not been processed. Furthermore, the Court is not maintaining an aging schedule which would document and explain unprocessed mail payments in the event action by management needs to be taken.

### **Recommendations**

1. Mail payments received should be recorded on a mail payments log and the log should be reconciled to the CMS to ensure accuracy and timeliness of processing. The mail payments log should contain the case or docket number, name of the person making the payment, check amount, check number, date received, name of the person handling the check, and have attached an adding machine tape of all checks and money orders. If the Court determines not to use a two-person team or not to log all mail payments due to inadequate resources, low volume of case received in the mail, or some other justifiable reason, it should submit an alternative procedure request to the AOC for approval.
2. The Court should either separate mail payment processing from counter payment processing, or institute mitigating controls, such as the two-member team approach and mail log provided in the FIN Manual.
3. To be in compliance with the spirit of the FIN Manual and to minimize the adverse affect on customers, the Court should not allow multiple days of mail payments to go unprocessed. To facilitate this, the Court should prioritize older mail with payment attached to be processed first. Supervisors should periodically review unprocessed mail payments to assess volume and timeliness, and clerks should notify their supervisors immediately when they have difficulty processing a particular mail payment. Supervisors should escalate mail backlog to CFO and CEO if older than 48 hours

**Superior Court Response By: Pat Hammermaster, Assistant CEO, Date: June, 17, 2010**  
**The Santa Cruz Superior Court agrees with Recommendations 1, 2, and 3.**

Responsible Person(s): Melodee Parmenter, Court Services Manager Santa Cruz and Victoria Nahnsen, Court Services Manager Watsonville. Date of Corrective Action: September 1, 2010

To address the recommendations Santa Cruz Superior Court will implement a mail log process in accordance with the sample attached log from another county. The mail will be processed in Santa Cruz by another unit that does not do counter payment processing.

The issue of backlog mail beyond the 48 hour time limit will be resolved by the log and oversight by the unit supervisor when there is difficulty in processing payments timely. The backlog will be reported to the unit Manager and then to the AEO if older than 48 hours. Payments that are older than 48 hours will be entered into a trust account.

## **5.5 The Court Needs to Improve Its Procedures for Collecting Court-Ordered Monies**

### **Background**

Penal Code section (PC) 1463.010(a) requires the Judicial Council to adopt guidelines for a comprehensive program concerning the collection of moneys owed for fees, fines, forfeitures, penalties, and assessments imposed by court order. PC 1463.010(b) further specifies that courts and counties shall maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the court and county.

PC 1463.010 also requires the Judicial Council to develop performance measures and benchmarks, and to report the extent to which each court or county is following best practices for its collections program. To assist courts with their comprehensive collection programs, the Judicial Council published a list of Collections Best Practices. These best practices include the following:

- Reconciling amounts placed in collection to the supporting case management system,
- Participating in any program that authorizes the Department of Motor Vehicles (DMV) to suspend or refuse to renew driver's licenses for licensees with unpaid fees, fines, or penalties, and
- Evaluate the effectiveness and efficiency of external collection agencies or companies to which court-ordered debt is referred for collection.

The court through Santa Cruz County (County) uses AllianceOne, Inc. (A-1) to perform enhanced collections activities and the cases sent to A-1 include failure to appear (FTA) and failure to pay (FTP) traffic cases. Due to a contractual limitation, the court is required to first, send all delinquent cases to A-1. If A-1 is unable to collect, then the case is referred to the Franchise Tax Board (FTB), but the FTB does not accept every case sent to it. The court, via A-1, learns that the FTB accepted the case when the FTB sends the court an action report. When or if, the FTB takes action and successfully collects a judgment; the money collected is remitted to the court through A-1. A-1 then batches all collections together and issues the court a check for all judgments collected by either agency/company. The by-product of this enhanced collection cycle is that if the FTB does agree to take action on a case, the court is charged a handling fee/commission from both agencies that is 18% from A-1 and 15% from the FTB. This means that the court incurs as much as a 33% fee for a successful collection. A-1 and the FTB both provide the Court with a collections report that is sent along with any collections received less the A-1 or FTB commission. This report shows all collections by case number, including cases that may have closed during the month. The Court's Criminal Division account clerks enter the

collections received into the case management system (CMS); however, due to staffing limitations, there is as much as a month's time difference between the time the check is received and deposited and the time that the FTA or FTP DMV hold is lifted. The only way a defendant can expedite the lifting of a DMV hold is to make a proactive call to A-1 then A-1 calls the court with a request to lift an individual defendant's DMV hold. After the final payment is verified as received the DMV hold is released.

### **Issues**

The court currently operates its limited enhanced collection's activities under Santa Cruz County's enhanced collection contract. Although the Court implemented the collection activities noted above, our review of the Court's collections program noted the following exceptions:

1. The Court is not a party to the contract for enhanced collection's activities between the County and A-1.
2. The Court does not have an MOU in place between the court and the County that addresses enhanced collection's activities.
3. The Court does not track CMS cases referred to A-1 to determine the amounts collected and the remaining amounts due on a per-case basis. As stated above, the Court receives a collections report along with collected monies, less A-1 or FTB commission/fee. The Court's Enhanced Collection account clerks enter the collections into the CMS. However, the Court does not track the collection activity to determine the amounts collected and the amounts due per case nor does the court track the success rate of A-1 or the FTB. According to the Court, the CMS cannot generate a report listing cases referred to A-1 or FTB that include the amounts collected and the amounts due. The Court stated that they are waiting for an updated version of the court's CMS before developing such a report. Further, the Court does not perform reconciliations of the cases it refers to A-1 or FTB. Whenever the Court refers cases to A-1 or FTB, it receives an A-1 or FTB report that lists the case number, name, address, amount due, and placement date of the case referrals from the Court. However, the Court does not reconcile this A-1 or FTB report to the cases identified in the CMS as being referred to A-1 or FTB to ensure the A-1 or FTB report is complete and properly identifies all case referrals from the Court.
4. The court does not have a formal enhanced collections program; rather, the court essentially has two fee-for-service collections vendors. The court performs no comprehensive enhanced collections activities itself.

### **Recommendations**

To assist the Court in better managing its collections program, it should consider the following:

1. The court needs to be a party to the contract for enhanced collections between The County and the court.
2. The court needs to negotiate an MOU between The County and the court for enhanced collections activities.

3. Track the cases it refers to A-1 or FTB to determine the amounts collected and the remaining amounts due on a per-case basis. Perhaps even more importantly, the Court should use the collection results as a means to measure if A-1 and the FTB are genuinely effective at collecting and worth the cost of using their service. In addition, the Court must perform periodic reconciliations of its case referrals to A-1 or FTB to ensure all case referrals are properly reflected and accounted for in case management system.
4. The Court should perform and document an analysis to determine if its current practice for recovering delinquent debt renders the best results and is the most cost effective. Currently, the court makes no effort to collect on the delinquent fines and fees but rather bundles the delinquent cases and sends them first to A-1 then to the FTB. If it is determined that the Court's current enhanced collection practices are not the most productive and cost effective the Court should update its practice on enhanced collections activities to employ a comprehensive enhanced collection program.

**Superior Court Response    By: Melodee Parmenter    Date: January 18, 2011**

1. **AGREE:** The Court will be party to future contracts between the County and the Collection Vendor.
2. **AGREE:** The Court and the County are currently negotiating an Enhanced Collections MOU. We hope to have this in place by June 1, 2011.
3. **AGREE:** But unfortunately, the court's case management system does not provide reports on collections, as it is not automated and no way to reconcile. We are currently upgrading the system with our vendor, ISD and will possibly be able to go automated in the next year for collections, at which time this may be an automated reporting process. We hope to have this in place by January 2012.
4. **AGREE:** We agree with this recommendation, but unfortunately we are a small court and do not have the resources or staff to have a separate collections unit.

## 6. Information Systems

### Background

The Court has an internal Information Systems (IS) Division and contracts with the Contra Costa County Department of Information Technology (Contra Costa DoIT) for case management system services such as application support services, data center operations support and backup services, data communications services, database administration, and help desk services. The Court also co-locates, shares space, in the County's data center for infrastructure servers (e.g. network, telecommunications, e-mail) but is solely responsible for administration, back-up, and support.

The Court's ICMS case management system (CMS), an ISD product, resides in Contra Costa DoIT's data center. ICMS has the OTS module for traffic/criminal case types and the CIV module for civil case types. The Court also relies on the State-administered Phoenix Financial System for general ledger accounting, financial reporting, check issuance, and procurement support. In addition, the Court contracts with Phoenix Shared Services Center (PSSC) for payroll processing services.

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	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Expenditures</b>				
943201 IT MAINTENANCE	9,916.05	3,012.86	6,903	229
* 943200 - IT MAINTENANCE	9,916.05	3,012.86	6,903	229
943301 IT COMMERCIAL CONTRACTS	489,213.80	371,599.26	117,615	32
* 943300 - IT COMMERCIAL CONTRACT	489,213.80	371,599.26	117,615	32
943401 IT INTER-JURISDICTIONAL C	81,518.68	103,618.96	(22,100)	(21)
* 943400 - IT INTER-JURISDICTIONAL	81,518.68	103,618.96	(22,100)	(21)
943501 IT REPAIRS & SUPPLIES	1,883.52	2,644.56	(761)	(29)
943502 IT SOFTWARE & LICENSING F	83,836.96	82,194.30	1,643	2
943503 COMPUTER SOFTWARE	2,664.00	2,664.00	0	0
* 943500 - IT REPAIRS/SUPPLIES/LICE	88,384.48	87,502.86	882	1
** INFORMATION TECHNOLOGY (IT) TOTAL	669,033.01	565,733.94	103,299	18
925102 INTERNET ACCESS PROVIDER	3,356.32	3,667.73	(311)	(8)
925103 CELL PHONES/PAGERS	5,495.35	13,994.77	(8,499)	(61)
925106 LEASED LINES	47,538.28	59,170.89	(11,633)	(20)
925107 LAN/WAN	48,531.18	35,369.57	13,162	37
925111 COMMUNICATIONS-MAINTENANC	5,132.41	47,292.30	(42,160)	(89)
925113 TELEPHONE SYSTEMS	20,635.04	274,954.88	(254,320)	(92)
925118 TELECOM SERVICE	6,626.82	39,106.94	(32,480)	(83)
925120 TELECOM WIRING		1,975.00	(1,975)	(100)
* 925100 - TELECOMMUNICATIONS	137,315.40	475,532.08	(338,217)	(71)
** TELECOMMUNICATIONS TOTAL	137,315.40	475,532.08	(338,217)	(71)

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

- Systems backup and data storage procedures.
- Continuity and recovery procedures in case of natural disasters and other disruptions to Court operations.
- Logical access controls, such as controls over user accounts and passwords.
- Physical security controls, such as controls over access to computer rooms and the physical conditions of the computer rooms
- Controls over Court staff access to Criminal Offender Record Information (CORI) records via the Department of Motor Vehicles (DMV).
- 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. Additionally, there were ten minor issues noted in this section and are contained in Appendix A.

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

### **Background**

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

The Court uses ISD's ICMS as its case management system for all case types. ICMS has OTS as the traffic and criminal module and the CIV module for civil case types. ICMS automatically performs distribution calculations and is capable of both base-up and top-down methodologies. However, some granular distributions (e.g. special base fine distributions) must be calculated in a monthly spreadsheet to accurately report monthly revenue distributions.

In early 2005, the Court notified the Internal Audit Services (IAS) that Santa Cruz County and its municipalities raised concerns regarding the amount of fee and fine revenue collected by the Court compared to previous periods. Employing a risk-based approach, IAS, the Court and the County Auditor-Controller agreed to partner together and work cooperatively on a limited scope review of the following two areas of ICMS; Revenue Distribution and Citation Processing. On December 2006, IAS published and issued the report titled "*Santa Cruz Limited Review of Case Management System Bail Distribution and Citation Processing*" (2006 Limited Review).

## Issues

The 2006 Limited Review identified 23 revenue distribution areas of concern but only 13 areas were within the current scope of the audit. In each of these areas, IAS identified a total of 23 follow-up issues. IAS followed-up on these issues by testing sample cases, the month-end distribution spreadsheet, and the ICMS' distribution priority table.

IAS selected a sample of cases with violations occurring within the period 1/1/2009 to 6/30/2010. The samples included a combination of high-volume cases and complex distribution cases, and additional cases necessary to follow-up on issues identified by the 2006 Limited Review. IAS reviewed a total of 16 cases of the following types:

- **Traffic Infraction (12 total)** – Speeding (4), Red light (4), Child Seat (1), Railroad (1), Unattended Child (1), and Proof of Correction (1)
- **Misdemeanor (4 total)** –DUI (3) and Domestic Violence (1)

Based on IAS' follow-up on previous issues and current review and testing, IAS found that the Court corrected 16 of the 24 follow-up issues. But there are lingering issues, additional issues, and other areas of concern summarized in 3 issue categories:

- **5** – Repeat Issues
- **6** – New Issues
- **3** – Untested Previous Issues

### Repeat Issues

These are 2006 Limited Review issues that recurred during the current review and testing:

1. \$10 Priors Admin. Assessment pursuant to VC§40508.6(a) was incorrectly assessed on cases without any prior offense.
2. PC§1463.18(a)(1) – Indemnification of Victims or the first \$20 to the Restitution Fund was not appropriately deducted from the base fine thus overstating base fine distribution to the County and/or City general funds.
3. PC§1463.22 – Proof of Insurance special base fine distribution of \$30.50 (\$17.50 to County Special Account, \$10 to State General Fund and \$3 to State Transportation Fund) is not proportionally applied to the County and City shares. Performed at month-end, \$30.50 per case is deducted to both County and City monies, which may also result in double-counting, thus understating distributions to the County and City general funds.
4. 2% State Automation pursuant to GC§68090.8 is incorrectly applied on VC§40508.5 – Automated Warrant Assessment
5. 2% State Automation was incorrectly applied on some traffic school distribution components; GC§76000.5 – Additional EMS penalty assessment and GC 70372(a) – State Court Facility Construction Fund

### New Issues

These are issues found only on the current review and testing:

1. Base fine of specific violations did not comply with the Uniform Bail and Penalty Schedule.

2. DUI-related fines/fees – PC§1463.14 of \$50 (“BAT” ledger code), PC§1463.16 of \$50 (“APF”) and PC§1463.18 of \$20 (“WIT”) – were not assessed thus they did not reduce the base fine distribution to the County and City general funds.
3. GC§70373 – Criminal Conviction Assessment for infractions of \$35 was incorrectly assessed.
4. Red Light traffic school distribution did not follow appropriate distribution pursuant to VC§42007.3.
5. VC§42007 – Traffic Violator School fee distribution components were incorrectly calculated.
6. GC§76100 – IAS could not find any board of supervisor resolution which authorizes the collection and distribution of \$1 to the local Court Construction Fund.

### Untested Previous Issues

Due to the lack of test cases within the scope of the audit, these 2006 Limited Review issues remain untested. However, they are not identified as issues but rather unavoidable testing limitations that still require the Court’s attention:

1. Child Seat violations referred to traffic school were incorrectly distributed pursuant to VC 42007. Lack of a test case prevented IAS to test if it is corrected to follow distribution similar to a conviction.
2. Fish & Game PC§1464 distribution component is correctly distributed between the State (70%) and the County (30%) at month-end but the lack of test case prevented IAS to test if PC§1464 and GC§76000 distribution components are combined into a single general ledger code.
3. Fish & Game special base fine distribution pursuant to FG§13003 is correctly distributed between the State (50%) and the County (50%) at month-end but the lack of test case prevented IAS to test if base fine is incorrectly distributed to a different general ledger code on a case-level basis.

### **Recommendations**

To ensure these issues are resolved and do not persist, IAS recommends the following for each issue category:

### Repeat Issues

1. Modify the logic in ICMS that assesses VC§40508.6(a) – Priors Admin Assessment of \$10. It is assessed on subsequent offenses not on the first offense.
2. Modify the logic in ICMS to correctly reduce the base fine with PC§1463.18(a)(1) – Indemnification of Victims or first \$20 to the Restitution Fund of \$20 similar to PC§1463.14 of \$50 and PC§1463.16 of \$50. This prevents the overstatement of base fine distributions.
3. Ensure proportional reduction of PC§1463.22 distribution of \$30.50 from the City and County base fine distributions for cases with city arrests. This is better achieved if performed automatically in ICMS on a case-level basis by reducing the base fine by \$30.50 before calculating the City and County base fine shares.

4. Eliminate the application of the 2% State Automation to the Automated Warrant System Assessment in the month-end spreadsheet. Per SCO Appendix C, 2% does not apply to fees and assessments.
5. Eliminate the application of the 2% State Automation to the GC §76000.5 – Additional EMS penalty assessment and GC 70372(a) – State Court Facility Construction Fund traffic school distribution components. Per SCO Appendix C, 2% State Automation does not apply to any distribution component of traffic school dispositions.

#### New Issues

1. Ensure that Vehicle Code infraction base fines set in the Judicial Council's UBS are appropriately communicated to judicial officers. The Court should also review its bail and penalty amounts for misdemeanor and non-vehicle infraction offenses for consistency with the UBS. If the Court adopts different amounts in its local bail and penalty schedule, per PC§1269b, a copy of the schedule must be provided to the Judicial Council with a report stating how the revised schedule differs from the UBS.
2. Modify the logic in ICMS to ensure that PC §1463.14(a)-Lab Fees of \$50, PC §1463.16- Alcohol Programs and Services Fees and PC §1463.18 – DUI Indemnity of \$20 are correctly configured in the base fine distribution calculation of DUI and Reckless Driving cases. For DUI cases (VC §23152 and VC §23153), base fine should be reduced by PC §1463.14(a), PC §1463.16, and PC §1463.18. On the other hand, for Reckless Driving cases (VC §23103 and VC §23104), base fine should only be reduced by the first two statutes.
3. Test ICMS to ensure GC §70373 – Criminal Conviction Assessments of \$35 for infractions and \$30 for misdemeanors are imposed for every conviction within a case and not per case or citation. If also imposed by judicial officers on a case-by case basis, communicate the requirements on assessing the assessment appropriately.
4. Modify the ICMS calculation and distribution logic of Red Light violations disposed as traffic school and identify if it complies with VC §42007.3 guidance set in the SCO Appendix C. Appropriate distribution, as approved by the SCO, is illustrated in Table 1:

**Table 1. Red Light Traffic School Distribution – City arrest**

**ASSUMPTIONS:**

Base is \$100, LCCF levied, one conviction, no priors & Court Security is \$30

	Pre - 30%	30%	Pre-TVS Fee	FINAL	
VC 42007 - TVS Fee				122.55	A
VC 42007.3 - 30% Red Light			114.00	114.00	
Base fine - County (25%)	25.00	7.50			
Base fine - City (75%)	75.00	22.50	51.45	51.45	B
PC 1464	100.00	30.00			
GC 76000 - County PA	70.00	21.00			
GC 76100 LCCF			1.00	1.00	
GC 76101 LCJF			1.00	1.00	
GC 76104 EMS			20.00	20.00	
GC 76104.6 - DNA PA	10.00	3.00			
GC 76104.7 - DNA Addl PA	30.00	9.00			
GC 76000.5 - EMS Addl PA	20.00	6.00	20.00	20.00	
GC 70372(a) - SCFCF	50.00	15.00	50.00	50.00	
<i>SUBTOTAL</i>	<i>380.00</i>		<i>257.45</i>		
PC 1465.7 - 20% Surch	20.00		20.00	20.00	
PC 1465.8 - Court Security	30.00		30.00	30.00	
GC 70373 - Crim Conviction	35.00		35.00	35.00	
VC 42007.1 - TS Fee	49.00		49.00	49.00	
<b>TOTAL FINE</b>	<b>514.00</b>	114.00	391.45	<b>514.00</b>	
<b>A - \$514 less \$340 (Balance remaining after pre-TVS fee distribution)</b>					
<b>B - Per VC 42007 (c), city portion of the base fine less 30% and net of 2% (\$100*75%*70%*98%=\$51.45)</b>					

For County arrests, there is no separate base fine distribution of the City portion thus VC §42007 TVS fee distribution will increase by the amount of the City portion.

- Modify the ICMS distribution logic of traffic school dispositions to comply with VC §42007. Specifically, GC §76101 – Local Criminal Justice Fund of \$1 and GC §76104 – EMS penalty assessment distributions should be separated while both DNA penalty assessments (GC §76104.6 and GC §76104.7) and base fine distributions to the County should be included (not separately distributed) in the VC 42007 – TVS Fee. Also, the City portion of the base fine is distributed separately. Distribution components follow Table 1 (above) excluding 30% Red Light allocation.
- Eliminate the calculation of GC 76100 – Local Court Construction fund of \$1 for traffic school dispositions in the month-end spreadsheet because the most recently approved board of supervisor resolution regarding the establishment of GC §76000 (a) local funds, resolution no. 342-92, did not levy such local fund.

**\*Special Note\*** Due to the lack of additional information and testing documentation, the Court should independently perform the following to adequately address the final status of the aforementioned issues under the same issue categories.

#### Untested Issues

1. Test and evaluate ICMS logic to ensure child seat violations (VC §27360 and VC §27360.5) are distributed in a similar manner regardless of disposition. For child seat cases disposed as traffic school, the total fine remains a fine thus should follow the distribution of a case disposed as a conviction. Traffic school service fee (VC §42007.1) should be assessed and the 2% State Automation (GC §68090.8) applies to applicable fines and penalty assessments.
2. Evaluate if PC §1464 and GC §76000(a) is combined into a single ledger code then test if monies from this ledger code is where the Fish & Game PC §1464 distribution component is taken as reflected in the month-end spreadsheet.
3. Test and evaluate if Fish & Game base fines are distributed to the correct ledger codes and ensure aggregate monies from these ledger codes are accurately reported in the month-end spreadsheet where the special base fine distribution pursuant to FG §13003 is correctly calculated and distributed.

**Superior Court Response** By: Chris Ghio & Pat Hammermaster **Date:** 1/20/2010

#### Repeat Issues

1. **AGREE:** Our current CMS does not have the ability to address this issue, but our CMS vendor is preparing an upgrade for this pursuant to a request from another county. Santa Cruz Court will upgrade their system when this upgrade is available, within the fiscal year 2011.
2. **AGREE:** The court has changed the logic in ICMS to correctly assess the \$20.00 assessed by PC§1463.18-Indemnification of Victims.
3. **AGREE:** The distribution for PC§1463.22 distribution of \$30.50 from the City and County base fine distributions was corrected November 1, 2010.
4. **AGREE:** The 2% State Automation to the Automated Warrant System Assessment in the month-end spreadsheet has been discontinued as of December 1, 2010.
5. **AGREE:** The 2% State Automation to the GC §76000.5 – Additional EMS penalty assessment and GC 70372(a) – State Court Facility Construction in the month-end spreadsheet has been discontinued as of December 1, 2010.

#### New Issues

1. **AGREE:** We are currently revising the bail schedule and will provide a copy to the Judicial Council or align with the Uniform Bail Code. July 2011.

2. **AGREE:** We are currently upgrading our ICMS and this will be corrected in the revision we are installing. Staff will be trained on the correct procedure. This should be accomplished by March 1, 2011.
3. **AGREE:** Currently the ICMS does not have the capability to impose the GC§70373 – Criminal Conviction Assessments of \$35 for infractions and \$30 for misdemeanors for every conviction within a case. A modification was requested from the ICMS vendor, we are currently testing this modification. The ability to impose the Criminal Conviction Assessments per conviction will be in production as soon as testing is completed. This should be accomplished by March 1, 2011.
4. **AGREE:** The court agrees with this finding. This may be difficult to set-up in ICMS; the Court will need to rely on manual calculations. This will be corrected by March 1, 2011.
5. **PARTIALLY AGREE:** The Court does not distribute any monies to the Local Criminal Justice Fund as per GC §76101, this distribution is performed by the County outside the Court distribution. The ICMS distribution logic of traffic school does show separate ledgers for both DNA penalty assessments, these ledgers are consolidated into the Traffic School Penalty ledger at months end. The GC §76104 – EMS penalty assessment distribution is performed outside of the ICMS system. A copy of the spreadsheet is attached. The Court will attempt to program the ICMS system to consolidate these penalties into the traffic school penalty ledger.
6. **PARTIALLY AGREE:** This distribution is not performed by the Court. The County Auditor/Controller's Office distributes this money. The County does not believe a board of supervisor resolution is necessary for the distribution of this money. The Court has no control over the distributions performed by the Auditor/Controller.

#### Untested Issues

1. **AGREE:** The Court agrees and will independently test and evaluate ICMS logic to ensure child seat violations (VC §27360 and VC §27360.5) are distributed appropriately. In addition, the Court will test and evaluate the Traffic School Service Fee (VC §42007.1) to ensure that it is assessing the 2% State Automation (GC §68090.8) to applicable fines and penalty assessments.
2. **AGREE:** The Court agrees and will evaluate and determine if PC §1464 and GC §76000(a) is combined into a single ledger code then test if monies from this ledger code is where the Fish & Game PC §1464 distribution component is taken as reflected in the month-end spreadsheet.
3. **DISAGREE:** The Court respectfully disagrees because even though not tested the Court is certain that the base fines for monies collected pursuant to FG §13003 are set up correctly in the ICMS system. The money in this ledger is the split 50/50 between the State and County pursuant to FG 13003 on the month-end spreadsheet.

## 6.2 Court Does Not Have Formalized Business Continuity and Disaster Recovery Plans

### Background

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

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

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

### Issues

The Court case management system, ICMS, is currently housed at the Contra Costa County Department of Information Technology (DoIT) data center. The Court plans to locally host ICMS in the Watsonville computer room by 2011 thus the issues identified will become more significant when the Court cannot rely upon Contra Costa's Emergency Response infrastructure.

1. In our 2006 Audit Report, Internal Audit Services (IAS) identified that the Court did not have a written and formalized DRP. IAS recommended developing an adequate disaster recovery plan to ensure effective risk management for the Court. The Court agreed with the recommendation and stated "*The Court has been working on this.*" Expected completion was not noted at that time.

However, this issue persists and may negatively impact the execution of existing recovery strategies such as back-up procedures and off-site tape storage.

2. Court does not have a comprehensive BCP that is exacerbated by the Court's lack of a completed COOP.

3. Due to the lack of plans, the Court has yet to perform any business continuity and/or disaster recovery testing to ensure critical case management and infrastructure systems (e.g. telecommunications) are recovered and operational at a specified period.

### **Recommendations**

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

1. Develop a formal disaster recovery plan (DRP) that identifies and details the process of recovering the critical IT systems, applications and/or programs, normally at an alternative site, necessary to support mission-critical business functions described in the business continuity plan (BCP).
2. Develop a comprehensive BCP that addresses all mission-critical business functions or processes needed to be sustained during and after an emergency. The BCP should be used in conjunction with the continuity of operations plan (COOP) and DRP to implement an effective court-wide continuity and contingency plan.
3. Perform annual testing of the BCP, DRP and COOP, document the test results, and make adjustments to the plans as necessary. Full testing should address both short-term and long-term emergency or disruption scenarios.

### **Superior Court Response By: Tim Newman Date: January 11, 2011**

1. **AGREE:** The court began working with the AOC in April of 2009 to develop a comprehensive BCP/COOP. The plan, which is 85% complete, identifies servers and other critical components that must be maintained for varying degrees of disruption. The courts CCOP is a Web-based tool that can be accessed from anywhere with Wi-Fi capability.
2. **AGREE:** The court's COOP addresses all mission-critical business functions needing to be sustained and/or recreated in the event of a disruption. The court's plan identifies critical systems present in both the Santa Cruz and Watsonville locations for the purpose of creating redundancy in the event of a major disruption.
3. **AGREE:** The court will complete its COOP by April 2010 with the intent to test routinely and document the results of these tests. These tests will address disruptions of varying length and severity.

### **6.3 Court Needs to Strengthen its Logical Security Controls Such As Password and User Account Controls and to Improve Related IT Policies and Procedures**

#### **Background**

Similar to other government agencies, courts maintain information systems that contain sensitive and confidential data that they are responsible for securing and safeguarding from unauthorized

access. On August 2009, the National Institute of Standards and Technology (NIST), a federal agency that is responsible for preparing standards and guidelines for the security of sensitive federal information systems, published *Special Publication 800-53 – Recommended Security Controls for Federal Information Systems* (SP 800-53). The document provides a range of management, operational and technical safeguards and countermeasures to protect an organization's information systems.

SP 800-53 Appendix F enumerates numerous security controls including logical security controls categorized in families. Categories specifying logical security controls are:

- Access Controls – relates to user account policies and procedures, user account management and enforcement and remote access
- Identification and Authentication – relates to authenticating user access including use of passwords
- Awareness and Training – relates to periodic review and update of policies and procedures and proper communication and user training

In addition, SP 800-53 Appendix G and Appendix H provide mappings of the security controls to other security standards (e.g. ISO/IEC, GAO, DOD) and to other NIST publications respectively.

The Court continues to use ISD's ICMS as its case management system for all case types and currently has SunOS (Network) as its network operating system.

### **Issues**

Though the Court has implemented most of the recommendations noted in the Court's last comprehensive audit issued on 6/30/2003 (2003 Audit Report), many of the logical security issues previously identified persist.

#### Password Controls

In the 2003 Audit Report, section 9.2.1, IAS identified that ISD CMS passwords were not changed on a periodic basis. Court agreed and stated;

*“The Court will also assess the resources required for password changes on the ISD CMS system...”*

Though a follow-up has not been obtained for this response, IAS found the same issue and an other password control issue in its current review.

1. ICMS passwords are not changed periodically (e.g. every 90 days).
2. ICMS initial password is not changed after initial sign-on.

#### User Account Controls

In the 2003 Audit Report, section 9.2.2, IAS identified user accounts of terminated employees remained active in the criminal CMS. IAS recommended automatically disabling user accounts after 90 days of inactivity. Court agreed but did not specify an action for this issue. However, IAS found the same issue and other user account control issues in its current review.

3. Network and ICMS user accounts are not automatically disabled/deleted after a period of inactivity (e.g. 90 days).
4. Network and ICMS user accounts are not disabled after numerous failed log-in attempts (e.g. 3 attempts)
5. Concurrent log-in to the network is allowed and not limited.
6. Network user sessions do not time-out after a specified period of inactivity (e.g. 30 minutes).

### IT Logical Security Policies and Procedures

In the 2003 Audit Report, section 9.6.1, IAS identified the need for a set of Court-specific IT policies and procedures and recommended a minimum list of items for inclusion. Court agreed and stated;

*“We are drafting our IT policy, including items suggested by the audit.”*

7. Though the Court has developed most of the recommended IT policies and procedures, they are still inadequate in addressing other logical security controls, notwithstanding the aforementioned issues, such as:
  - Remote access approval and granting process (Currently management approval is not required)
  - ICMS password syntax restrictions enforced by IT staff since ICMS is incapable of automatically enforcing them
  - Assignment and use of special user accounts (e.g. temporary accounts, generic accounts) since it is currently provided to guest judges for network access

### **Recommendations**

To mitigate potential unauthorized access into the Court’s network and case management system and to effectively communicate and implement logical security controls, the Court should perform the following:

1. Perform periodic password changes to ICMS similar to the network. This requires IT staff to notify employees of password expiration because ICMS currently does not perform this automatically. Court should re-evaluate the risk-benefit of an ICMS enhancement for this function.
2. Similar to the first recommendation, Court should analyze the risk-benefit of an ICMS enhancement to perform automatic password set-up including change of password after initial log-in.
3. Automatically disable user accounts after a period of inactivity (e.g. 90 days), at least at the network-level, if ICMS enhancement cannot be expressly implemented. Court should also independently review active users on its system and immediately communicate non-active users to security administrators to disable/delete their user accounts until an automatic process is operational.
4. Automatically disable user accounts after numerous failed log-in attempts (e.g. 3 attempts), at least at the network-level, if ICMS enhancement cannot be expressly implemented.

5. Evaluate the need for concurrent log-in into the network. If proven as a significant operational need, Court should limit concurrent log-in capability to select court users preferably management and some operational clerks.
6. Implement a timeout function on a user's network session (e.g. after 30 minutes of inactivity). If cannot be implemented remotely and universally, IT staff should notify court employees and enforce the timeout function by manually setting it in each active computer terminal.
7. Improve the current IT policies and procedures to address necessary password controls, user account controls and remote access provisions. To be more comprehensive, Court then should review all existing IT policies and procedures, identify other items needing improvement and consolidate and categorize them for appropriate dissemination and communication (e.g. what are for all court employees and what are internal to IT staff only).

**Superior Court Response By: Michelle Duarte Date: January 10, 2011**

1. **Partially Agree** – Although it is cost prohibitive for the court to fund modifications to the current case management system, however the court will conduct a risk analysis to determine necessity.
2. **Agree** – The court will request a preliminary estimate from the CMS vendor to add the functionality of aging passwords in the ICMS application. Owner Michelle Duarte due 3/30/11
3. **Agree**- The Court has installed a new CMS server. With this server we have and are implementing enhanced security measures. All server accounts passwords will expire every 90 days and the account will disable if the account is idle for more than 90 days. The server will require the use of a complex password. Go-live in production. Owner Sandy Crisel due 2/14/11.
4. **Agree** – The new CMS server will lock an account that has five unsuccessful login attempts. Owner Sandy Crisel due 2/14/11
5. **Partially Agree** – Although the court has acknowledged the potential security risk of allowing con-current sessions, the court has determined Clerks require the use of multiple con-current sessions to perform day to day work. In most cases clerks will always have at least 2 open sessions up to 5. These staff members are not part of the supervisor of manager staff. By limiting the con-current sessions to the CMS, the overall operational processing efficiencies will be severely impacted as well as our ability to service the public.
6. **Agree** – All ICMS server connections will have an idle timeout set to disconnect after 15 minutes. Owner Sandy Crisel due 2/14/11
7. **Agree** – IT will review all documented procedures and policies related to security and remote access. There is extensive information already documented, but a review for better dissemination and distinction will be taken under consideration in the review process. Owner Michelle Duarte due 3/30/11.

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

## **Background**

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

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

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

## **Issues**

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

1. The Court has not been requiring each employee to renew the DMV Information Security Statements Form (INF 1128) annually as required by the DMV. Specifically, the Court Manager informed Internal Audit Services that the form has not been required to be filled out by employees for several years. Furthermore, not only are individuals with Direct DMV access required to sign Form INF 1128, but the MOU between the Court and DMV requires employees and non-employees having direct or incidental access to DMV records to sign an individual security statement. For instance, individuals who have access to printouts from DMV's Automated Name Index (ANI) System would also have to complete Form INF 1128.
2. The Court currently does not have any procedures in place to protect the confidentiality of DMV records and access of information on the DMV's (ANI) System as required by California Vehicle Code Section 1808.47. For example, the Court does not have any procedures in place to electronically log DMV record access information so it can be monitored for appropriateness.

3. The Court does not routinely monitor employees DMV users ID's list to ensure access for those employees with ID's is still required for their current job responsibilities. For example, when the list was reviewed it was discovered that five of the thirty-seven ID's on the list appeared to no longer be necessary. When these were brought to the attention of the Court the Court clarified and confirmed that two of the five user ID's were no longer necessary and advised that they would delete them immediately.

### **Recommendations**

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

1. Identify and compile a list of employees and non-employees who have direct or incidental access to electronic or hardcopy DMV records and require these individuals to complete the Form INF 1128 and re-certify annually. The list should be updated annually to reflect who has access and maintained with the forms.
2. Court should work with their case management system vendor (ISD) to develop a report that can serve as an electronic log of DMV access activity to ensure that DMV access confidentiality and appropriateness requirements are met. If an electronic log cannot be developed in the Courts case management system the Court must investigate and develop other manual or electronic methods to monitor DMV access activity at the Court. For example, the Court could require clerks to maintain manual DMV access logs and Court management could use the Failure to Appear (FTA) and Failure to Pay (FTP) reports to routinely test random cases to ensure DMV activity was appropriate.
3. As part of the annual renewal procedures the Court should be assessing each employee to ensure that DMV user access is appropriate for each employee current job duties.

### **Superior Court Response By: Michelle Duarte Date: January 1, 2011**

Date of Corrective Action: Effective immediately

Responsible Person(s): Michelle Duarte

1. **AGREE:** The court does maintain a list of all current users. The court has just refreshed the security forms required by DMV. A schedule reminder has been set so that the renewals can be completed on schedule in 1/2012.
2. **AGREE:** It must be noted that the case management vendor is not associated with DMV user access; therefore there is no reason to request the case management vendor to create a report per this recommendation. All DMV reporting through the CMS is driven by system configuration and workflow and contained in the DMVHFILE database table. Previously user access was provided via a mainframe connection from Contra Costa to DMV. The Court has recently migrated to a new provider through the AOC (Effective 12/17/10) which is HWDC. After much research and testing it has been determined that the court can achieve complete logging of user sessions on a daily basis to a network storage share. The share will be accessible only by managerial staff for random audit

operations. The logging includes all screen transactions and will be archived and backed up for the term of 2 years as specified in the MOU between the court and DMV. This solution will be completely implemented on 2/11/11 inline with the new release and configuration of the ssh supported emulator application.

3. **AGREE:** The court regularly modifies user configurations throughout the year as the business needs change and staff are moved around. This finding is atypical of the norm as a result of the workforce reduction the court experienced during the timeframe of this finding. As to satisfy the finding the court will request operational review of the DMV user list for needed changes. It must also be noted that as staff exit their employment with the court user credentials are removed.

## 7. Banking and Treasury

### Background

GC§77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. Policy Number FIN 13.01 establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. The Court currently deposits its operating funds in an AOC-established account. It also deposits trust, daily collections, and AB 145 monies collected in AOC-established accounts.

Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury. It also has a portion of its operations funds in the Local Agency Investment Fund (LAIF) managed by the State Treasurer's Office. Once a trial court elects to participate in LAIF, the Court in consultation with the AOC determines the amount of cash to be invested in the fund, and these assets are categorized as short term investments on the court's general ledger.

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

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Assets</b>				
120050 SHORT TERM INVESTMENTS-LA	916,796.04	0.00	916,796	
<b>Revenues</b>				
825010 INTEREST INCOME	20,811.95-	72,799.34-	(51,987)	(71)
** 825000-INTEREST INCOME	20,811.95-	72,799.34-	(51,987)	(71)
<b>Expenditures</b>				
920302 BANK FEES	16,917.46	0.00	16,917	
920303 LATE FEES	371.99	3.98	368	9,246
920399 FEES/PERMITS	2.00	932.50	(931)	(100)
* 920300 - FEES/PERMITS	17,291.45	936.48	16,355	1,746

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

- Controls over check issuance and the safeguarding of check stocks for bank accounts under the Court's control (e.g. Revolving Account, jury account).
- 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.

There were no issues in this section.

## 8. Court Security

### Background

Appropriate law enforcement services are essential to trial court operations and public safety. The Court contracts with the County Sheriff's Office for security services at all courthouse locations, including providing security staff for courtrooms, entrance and perimeter screening, monitoring security cameras, and monitoring holding cell areas.

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	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Expenditures</b>				
934503 PERIMETER SECURITY-SHERIF	393,525.58	378,595.98	14,930	4
934510 COURTROOM SECURITY-SHERIF	2,443,287.87	2,127,236.57	316,051	15
934512 ALARM SERVICE	300.00	2,505.35	(2,205)	(88)
* 934500 - SECURITY	2,837,113.45	2,508,337.90	328,776	13
** SECURITY TOTAL	2,837,113.45	2,508,337.90	328,776	13
941101 SHERIFF - REIMBURSEMENTS	13,424.00	11,814.00	1,610	14
* 941100 - SHERIFF	13,424.00	11,814.00	1,610	14
922803 SHERIFF SECURITY EQUIPMEN	56,965.03		56,965	

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 a sample of Sheriff invoices.

There were no issues considered significant enough to bring to management's attention in this report. There was one minor issues noted and is contained in Appendix A.

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

We assessed the Court's compliance with FIN Manual requirements for procurement through interviews with Fiscal Services managers and staff regarding internal controls and other practices, review of procurement user functions set up on the Phoenix Financial System, and review of purchase orders and supporting documentation. We also performed substantive testing on sample contractual services expenditures to determine compliance with open and competitive procurement requirements and use of blanket purchase orders (BPO).

The following issues were considered significant enough to bring to management's attention in this report. There were no minor issues to this report.

### 9.1 The Court Needs To Improve Its Procurement Practices

#### Background

As stewards of public funds, trial courts have an obligation to use sound procurement practices to demonstrate that goods and services are purchased in a fair and reasonable manner, and that public funds are used economically. To obtain the best value for a purchase, courts should solicit competing offers from multiple, well-qualified vendors. At the same time, they should consider the amount of time and resources dedicated to such activities. Therefore, we believe that the procurement methods and corresponding dollar thresholds suggested by the *Trial Court Financial Policies and Procurements Manual* (FIN Manual) provide a good framework for courts to follow.

The FIN Manual provides uniform guidelines for trial courts to use in procuring necessary goods and services, and to document their procurement practices. For example, FIN Manual, Procedure No. FIN 6.01, paragraphs 6.1.1 and 6.1.2 state:

The procurement process begins with the completion and submittal of a written or electronic purchase requisition to the trial court employee with approval authority for the requested goods or services. It is the responsibility of the person who completes the requisition to assure that funds are available in the court's budget and that appropriate account codes are provided for the proposed purchase.

Upon approval of the purchase requisition, appropriate steps are taken to obtain bids, quotes, or proposals (offers) from qualified vendors, suppliers, bidders, proposers, or contractors. When offers are received and analyzed to select the one that offers the best value to the trial court, a purchase order or contract is used to authorize the purchase transaction, if an award is made. Receipt of the goods or services is documented prior to partial or final payment.

Procedure FIN 6.01, paragraph 6.3 provides the following guidelines for approval thresholds for procurements:

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

The paragraph also states that any alternate procedures (approval levels that are different from those suggested above) must be approved by the AOC prior to its implementation.

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

<b>Suggested Purchase Value</b>	<b>Procurement Type</b>	<b>Procurement Method</b>
Less than \$500	Mini Purchase	Purchases will be made according to good purchasing practice.
\$500 to \$2,500	Micro Purchase	At least three offers must be obtained by telephone or internet and documented in writing.
\$2,501 to \$10,000	Small Purchase	At least three written offers must be obtained.
Greater than \$10,000	Competitive Procurement	Formal offers must be obtained.

To demonstrate that trial courts and vendors complied with trial court procurement procedures and the terms of the purchase order or contract, courts should maintain procurement files. Maintaining well-documented procurement files ensures transparency of the court's procurement process. Procedure No. FIN 6.01, paragraph 6.10, section 2 states:

A properly documented procurement file for purchase orders and/or contracts provides an audit trail from the initiation of the requirement to the delivery of goods. The file provides a complete basis for informed decisions at each step of the acquisition process. A well

documented file also supports the actions taken, provides information for later review and facts in the event of litigation or an investigation.

The section goes on to list documents that must be included in the procurement file. Examples include the rationale for the method of procurement (quotes, sealed bid, proposal, etc.), list of each offer received, internal approvals, notice of award, required insurance documents, and notice to proceed.

### **Issues**

To determine whether the Court follows the procurement policies and procedures in the FIN Manual, we interviewed Court management and staff regarding its procurement practices. We also reviewed the associated procurement files and documents (i.e. requisitions, purchase orders, contracts, and MOUs) for a selected sample of fiscal year 2008-2009 expenditure transactions. Our review indicates that the Court's procurement practices are deficient as follows:

1. The Court did not always use sound competitive procurement practices when procuring goods and services. Specifically, for 24 of the 30 procurement transactions we reviewed, the Court did not use the appropriate competitive procurement method corresponding to the value of the procurement. The Court did not obtain the required formal offers for eight procurements valued at more than \$10,000 nor did it obtain the written offers for five procurements valued at more than \$2,500. It also did not obtain the informal offers for four procurements valued at \$500 or more. In addition, some of the expenditure transactions reviewed may have been sole source procurements and therefore competitive procurement would not be necessary, but this could not be determined in our review because the Court does not keep complete vendor records that contain at least all documentation to support the method of procurement, contract, and vendor payment information. Further, although in January 2010 the Court delegated purchase approval thresholds and issued internal policy that provided procurement method threshold amounts that are higher than the amounts in the FIN Manual, the Court did not obtain AOC approval of these higher threshold amounts. As a result, the Court cannot always assure that it received the best value for the public funds it committed to spend.
2. The Court did not provide purchase requisitions for 22 of 30 (73%) transactions tested.
3. The Court executed multiple purchase orders for one agreement. For example, the Court executed multiple purchase orders associated with one multi-year copier lease agreement, one purchase order per copier. Breaking down one vendor agreement into multiple purchase orders appears to be out of compliance with Procurement No. FIN 6.01, section 6.7.

### **Recommendations**

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

1. Require procurement staff to use the competitive procurement method appropriate to the transaction as outlined in the FIN Manual and keep complete vendor records of for all procurement activity. If the Court determines that a competitive procurement method is not feasible for the goods or services it desires, it must document the justification for the method used especially if the procurement was sole-sourced. Moreover, if the Court desires to use purchase approval thresholds and procurement method thresholds that are higher than those suggested in the FIN Manual, it should submit and obtain AOC approval of its alternative procedures.
2. Use purchase requisitions to initiate the procurement process as required by FIN Manual, Procedure No. FIN 6.01, paragraph 6.3.
3. Set up one contract purchase order per agreement to avoid the appearance that it is dividing purchase orders to circumvent procurement requirements. In the case of a copier lease for several court locations, the Court should set up one purchase order with multiple line items, and assign one line item per copier per location.

**Superior Court Response By: Chris Ghio Date: December 30, 2010**

Date of Corrective Action: Full implementation by March 1, 2011

Responsible Person(s): Chris Ghio, finance Manager

1. **AGREE:** The court agrees with this recommendation. All future purchases will follow the FIN Manual procurement guidelines.
2. **AGREE:** The court is in agreement on this recommendation. The court currently uses purchase requisitions for all purchase orders and will have full compliance by March 1, 2011.
3. **AGREE:** The court is in agreement with this recommendation. The purchase orders for the fiscal years 09/10 and 10/11 reflect that this change has been adopted by the court.

## **9.2 Court Does Not Comply With FIN Manual Purchase Card Requirements**

### **Background**

Court staff may use court-issued purchase cards for certain purchases in order to streamline the procurement process. FIN Manual Procedure No. 6.01, Section 6.14 lists the requirements over purchase card usage. For instance, purchase cards are to be used for official court business; personal use such as for individual travel expenses is prohibited. Additionally, purchase cards may only be used for purchases with a maximum of \$1,500 per transaction, and a suggested daily limit of \$5,000. Furthermore, the use of a purchase card to pay for services may require tracking those expenditures for 1099-MISC reporting. Any alternative procedures must be approved by the AOC and documented in the local procedures. However, purchase cards may not be used to

circumvent established procurement procedures set forth in the FIN Manual. All procurements using a purchase card must be initiated by an approved purchase requisition.

The Court has issued purchase cards to various Court staff, including the Procurement Officer and various managers and administrators within Information Systems, Facilities, and Human Resources.

### **Issues**

During our review of the Court's FY 08/09 and FY 09/10 purchase card transactions, we identified the following practices that did not comply with FIN Manual requirements:

1. Court staff made fourteen transactions that exceeded the \$1,500 per transaction limit, and four of those transactions exceeded \$5000, the suggested daily total limit.
2. Not all purchase card transactions were supported by an approved purchase requisition. In addition, Procedure No. FIN 2.02 (Internal Controls), Section 6.4.2.2b requires that purchase requisition approval and use of the purchase card to pay for a transaction be segregated. Therefore, even if the purchase card holder has approval authority, he/she may not approve his/her own purchase, but must obtain approval from the next higher approval level.
3. For purchases greater than \$500, no documentation was found that competing quotes were obtained in accordance with FIN Manual requirements. For these micro purchases between \$500 and \$2500, the FIN Manual requires trial courts to obtain at least three telephone or internet offers, and to document offers obtained in writing.
4. The CFO informed us that the Court does not issue 1099-MISC forms for purchase card transactions because it does not track vendor payments to identify vendors requiring reporting. PSSC does not issue 1099-MISC forms for purchase card payments because vendor-specific information is not maintained in the Phoenix Financial System, so this responsibility rests with individual courts.
5. The Court was using its purchase cards for individual travel expenses. The Court's purchase card policy does not contain a statement advising that purchase cards may not be used by court employees to pay for individual travel expenses.

### **Recommendations**

The Court must do the following to comply with purchase card requirements specified in the FIN Manual:

1. Limit purchase card transactions to \$1,500 per transaction. Purchases exceeding the \$1,500 limit must be made via the formal procurement process. If the Court had a reasonable justification for not meeting this requirement, it must submit an alternative procedure request to the AOC for approval.

2. Require all purchase card transactions to be supported by an approved purchase requisition. Since requisitions cannot be prepared on the Phoenix Financial System for purchase card transactions, a hardcopy requisition should be used instead to document that appropriate approval have been obtained prior to purchase.
3. Ensure purchase card transactions comply with procurement methods specified in Procurement No. FIN 6.01, Section 6.5. Specifically, but not limited to:

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

4. Ensure compliance with IRS Form 1099-MISC reporting requirements for purchase card transactions for services. The Court must track purchase card transaction totals for the year by vendor in order to identify vendors who require a 1099-MISC form and the total amount to be reported for each vendor.
5. Court should strengthen controls on purchase cards by adopting and strictly enforcing FIN Manual Procedure No. 6.01, Section 6.14. The Court's local purchase card policy should be updated to include the specific restriction of employees using the purchase card to pay for individual travel expenses.

**Superior Court Response By: Chris Ghio Date: December 28, 2010**

Date of Corrective Action: Full implementation by March 1, 2011

Responsible Person(s): Chris Ghio, finance Manager

1. **AGREE:** The Credit card transaction limits have been changed for each card holder to be in compliance with the FIN procedure.
2. **AGREE:** Purchase Card transactions will have a purchase requisition authorized by an approver above the level of the card holder.
3. **AGREE:** Card holders will use the procurement methods listed in section 6.5 of the Fin procedure. The Finance Department will maintain the documentation for quotes, instead of the card holder.
4. **AGREE:** The court has set up tracking for purchase card transaction to be in compliance with IRS 1099 reporting.
5. **AGREE:** November 1, 2010 the Court met with Purchase cards holders providing them with a copy of the FIN Manual Procedure 6.01. The card holders have received documentation of prohibited purchases on their cards, the list includes travel.

## 10. Contracts

### Background

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.

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	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Expenditures</b>				
938401 GENERAL CONSULTANTS & PRO	202,447.36	259,307.79	(56,860)	(22)
938404 ADMINISTRATIVE SERVICE	171,085.00	130,633.00	40,452	31
* 938300 - GENERAL CONSULTANT AND P	373,532.36	389,940.79	(16,408)	(4)
938502 COURT INTERPRETER TRAVEL	5,594.04	4,861.58	732	15
938503 COURT INTERPRETERS - REGI		1,128.92	(1,129)	(100)
938504 COURT INTERPRETERS - CERT	37,272.35	20,777.72	16,495	79
938505 COURT INTERPRETERS - NONR	6,922.75	10,428.57	(3,506)	(34)
938506 COURT INTERPRETERS - NONC	742.23	1,312.91	(571)	(43)
938507 COURT INTERPRETERS - AMER	31,260.00	18,475.00	12,785	69
938509 COURT INTERPRETER - MILEA	9,103.54	8,694.84	409	5
* 938500 - COURT INTERPRETER SERVIC	90,894.91	65,679.54	25,215	38
938601 COURT REPORTERS SERVICES	12,900.00	19,800.00	(6,900)	(35)
938605 COURT REPORTER - MILEAGE	116.40	528.60	(412)	(78)
* 938600 - COURT REPORTER SERVICES	13,016.40	20,328.60	(7,312)	(36)
938701 COURT TRANSCRIPTS	64,994.03	60,688.39	4,306	7
938702 CRT RPRTER TRANSCRIPTS-NO	14,462.90	7,351.87	7,111	97
938703 CRT RPRTER TRANSCRIPTS-FE	63,715.99	74,858.04	(11,142)	(15)
938711 ELECTRONIC RECORDING		2,374.10	(2,374)	(100)
* 938700 - COURT TRANSCRIPTS	143,172.92	145,272.40	(2,099)	(1)
938905 FINGERPRINT PROCESSING	754.00	2,212.00	(1,458)	(66)
* 938900 - INVESTIGATIVE SERVICES	754.00	2,212.00	(1,458)	(66)

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
939002 PSYCHIATRIC EVALUATIONS	41,930.00	30,117.30	11,813	39
939003 COURT-ORDERED PROFESSIONA	600.00	3,882.00	(3,282)	(85)
* 939000 - COURT ORDERED PROFESSION	42,530.00	33,999.30	8,531	25
939101 MEDIATORS/ARBITRATORS	89,415.00	106,360.00	(16,945)	(16)
939104 PRESENTER FAMILY CRT SVC		2,640.00	(2,640)	(100)
* 939100 - MEDIATORS/ARBITRATORS	89,415.00	109,000.00	(19,585)	(18)
939413 ATTORNEY FAMILY LAW		2,512.38	(2,512)	(100)
* 939400 - LEGAL		2,512.38	(2,512)	(100)
939801 OTHER CONTRACT SERVICES		108.50	(109)	(100)
* 939800 - OTHER CONTRACT SERVICES		108.50	(109)	(100)
** CONTRACTED SERVICES TOTAL	753,315.59	769,053.51	(15,738)	(2)

We interviewed managers and staff regarding contracting and contract monitoring practices to determine compliance with applicable FIN Manual requirements. We also reviewed a sample of contract agreements entered into in FY 2008—2009. Primary contracts and/or testing performed included:

- Agreements entered into with the County, including the County Services MOU and various agreements with the Sheriff's Office. We performed the following tests:
  - Determine whether they are current, comprehensive of all services currently received or provided, and contain all required terms and conditions.
  - Determine whether services billed were reasonable, allowable, sufficiently documented and supported, and appropriately accounted for.
- Contracts tied to our review of invoices and claims discussed in Section 11 (Accounts Payable) of this report. For these contracts, we performed the following tests:
  - Determine whether terms and conditions specified in the contracts are sufficient to protect the interest of the Court
  - Evaluate compliance with FIN Manual requirements
  - Assess Court's efforts to monitor contractor performance

The following issues were considered significant enough to bring to management's attention in this report. There were no minor issues identified.

### 10.1 The Court Does Not Have MOU Agreements for Some County Services While Some Existing MOU Agreements Need Enhancements

#### Background

GC§77212(d)(1) authorizes the court to enter into a contract for a service if the court desires to receive or continue to receive a specific service from a county or city and county, and the county or city and county desires to provide or continue to provide that service. The contract shall identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service.

The FIN Manual Policy Number FIN 7.02 dictates the policies and procedures for a well executed Memorandum of Understanding (MOU). Section 6.1 requires that every MOU must

contain at least the four major elements of a contract: (1) cost, (2) schedule, (3) scope of work, and (4) terms and conditions. Each major element must be clearly defined in every MOU so that the court's needs are met, and MOU parties clearly understand their obligations.

Section 6.5.1 specifies that either party may discontinue county-provided services by giving written notice to the other party no later than 90 days before the end of the fiscal year in order for service discontinuation to become effective at the beginning of the next fiscal year. Furthermore, CRC 10.805 requires that a copy of the notice must be provided to the AOC Finance Division within 10 days of issuing or receiving a notice.

The Court and the County entered into a memorandum of understanding (MOU) effective December 11, 2000 through June 30, 2002 to outline the duties, rights, and obligations of both parties. Article IV of that agreement stated, "The Court and the County shall meet annually in early December to; 2) determine the services to be provided and the proposed budgeted amount for the upcoming fiscal years..." However, since that time there has been one attempt to draft a comprehensive MOU in FY 2004/05 for all Court requested and County provided services. Since that time the Court has implemented two departmental MOUs for handyman general maintenance and ergonomic services while reducing the amounts of and types some County provided services.

### **Issues**

In addition to interviewing court staff, we reviewed the Court's general ledger for payments made by the Court to the County for various services to identify potential areas where MOUs should exist. Our review disclosed that the Court made payments to the County for: janitorial service, handyman maintenance service, information technology County data server, court-owned vehicles maintenance, mail and postage services, and ergonomics services. Our review identified the following issues:

1. The court does not have fully executed MOU's that comply with GC§77212 for all services being rendered by the County. For example, the following services are not currently solidified by a formal MOU:
  - Janitorial Service
  - Shared server space in the County data center
  - Court owned vehicle maintenance
  - Mail and postage services, and
  - Enhanced Collections (previously noted in enhanced collections IM)
2. The Courts current MOU for handyman maintenance services does not clearly define the cost of services.
3. The Courts current MOUs for handyman maintenance services and ergonomics services do not contain the AB 135 clause that states that the County will provide services to the Court at the same rate as it provides to County departments.

4. The Court has no central depository for original executed MOU contracts. When the Court was interviewed it became apparent that contracts are located in several different departments throughout the court. Although, it is acceptable for court departments to possess copies of contracts, the original contracts should be kept in one central location.
5. The Court failed to comply with CRC 10.805 that when notifying the County that it wished to discontinue certain County provided services that it will notify the AOC within 10 days.
6. The Court has no adequate process in place to determine the reasonableness of the County's direct bill charges. For example, there was no documentation to evidence that the Court required the County to provide concise descriptions of the method used to develop the billing rate that was used to charge the Court for its services. Furthermore, the County did not provide a basis for the billing rate methodology used to bill the Court and it cannot be determined if the charge is an allocated methodology or a direct bill methodology.
7. The Court does not have an effective Service Level Agreement (SLA) with Contra Costa County Department of Information Technology. The SLA terminated at the end of FY 07/08. Contra Costa County Information Technology Data Center provides server space in which the Courts case management system (ISD – ICMS) is housed and supported. Although the court plans to transfer its critical case management systems (ISD) in house out of Contra Costa County in the spring 2011, the court has been paying on a month to month basis without any agreement to solidify the four major key components of a contract.

### **Recommendations**

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

1. Draft a comprehensive MOU or individual departmental MOUs for all County provided services including but not limited to: janitorial services, information technology services, mail and postage services, and vehicle maintenance services.
2. The Court needs to review Procedure No. FIN 7.02, 6.5, County Provided Services under GC 77212 for all contracts between the County and the Court to ensure the MOUs are complete and in compliance with State statutes and regulations.
3. Prepare MOUs that contain a clause in which county services will be provided to the court at a rate that shall not exceed the costs of providing similar services to county departments or special district.
4. Establish a central depository for all original executed contracts and e-mail working copies to all appropriate Court departments.

5. The Court needs to comply with CRC 10.805 (formerly CRC 6.705) that states, if the court receives or issues a notice regarding the discontinuation of county-provided services under GC77212, a copy of the notice must be provided to the AOC Manager of Fiscal Services within 10 days of the notice issue or receipt date.
6. The Court needs to ensure that all MOUs with the County provide concise descriptions of the method used to develop the billing rate used to charge the Court. The Court should require the County to provide a basis for the billing rate methodology used to bill the Court in order to determine whether the charge is an allocated methodology or a direct bill methodology. The Court should verify the county billings to ensure that the billed rates agree with the rates stated in the MOU.
7. To mitigate unnecessary financial risk and liability, the Court should re-establish its SLA with the Contra Costa County Department of Information Technology (Contra Costa DoIT) since it continues to receive the same services as before during its current month-to-month arrangement. The SLA must be amended to identify and include, but not limited to:
  - Cost of services for the monthly billing set-up
  - Scope of any additional services associated with the transfer of ICMS hosting and support to the Court

**Superior Court Response By: Chris Ghio & Michelle Duarte Date: January 6, 2011**

Date of Corrective Action: December 31, 2011.

Responsible Person(s): Chris Ghio, Finance Manager and Michelle Duarte, Director of Information Technology

1. **AGREE:** The court is in the process of creating individual service MOU's with the County. We have completed the janitorial MOU; we are not going to use the county for vehicle maintenance. The court will work with the county to create an MOU for information technology, mail and postage this will be accomplished by December 31, 2011.
2. **AGREE:** The Court will have contract with each individual county department by December 31, 2011.
3. **AGREE:** The Court will make sure all future MOUs with the county contain this clause.
4. **AGREE:** The Court will keep all original contracts in one location.
5. **AGREE:** The Court will notify the AOC Manager of Fiscal Services within 10 days of the notice issue or receipt date regarding the discontinuation of county-provided services.
6. **AGREE:** The Court will make sure all future MOUs with the county includes the basis for billing. The Court will verify all county invoices match the rates stated in the MOU.

7. **AGREE:** The Court AGREES with the finding but the Court is migrating all these services in-house by the end of February 2011. The expected go-live date is 1/18/11. It is neither feasible nor necessary at this time to pursue contract negotiation, considering the amount of time necessary to construct an MOU that is mutually agreed upon current services will already have terminated. All future support services for the new equipment are under support agreement with SAIC under the Judicial Branch master contract.

## **10.2 Court Did Not Contract for One Large Multi-Year Purchase, Lacked a Contract for Storage Services and Did Not Adequately Review a Contract to Protect its Interests**

### **Background**

FIN 7.01, 3.0, states every court employee is to apply contract principles and procedures to protect the interests of the Court.

FIN 7.01, 6.1, describes four major elements of a contract including: cost or other consideration, schedule, scope of work, and terms and conditions. These major elements must be clearly defined in every contract to ensure that:

1. The Court's needs are met, and
2. The contractor and the Court understand their performance obligations.

FIN 8.01, 6.3.3, discusses the review and accuracy of invoices to ensure the calculations and price extensions shown on invoices are accurate and reflect contract rates. Furthermore, accounts payable personnel must report discrepancies in the vendor master contract file to the Court Fiscal Officer or other designated officials to secure appropriate approval prior to paying invoice.

### **Issues**

We reviewed the Court's FY 2009–2010 general ledger for payments classified as; contracted services, consulting and professional services and information technology. The purpose of this review was to determine whether these expenditures were appropriately contracted, whether the contract contained the four major elements as required, and the Court and contractors understood their contractual obligations. We judgmentally sampled a selection of seven contracts and/or large purchase orders that extended over one or more years for goods and services totaling \$924,504. We identified the following exceptions:

1. The Court did not have a written contract in place for two large services. They were for vendor, Exhibit One, service value \$437,068 and Blue Bird Storage, service value \$80,000. Because these two vendors did not have contracts in place, testing could not be performed to determine if they had, at a minimum, the four major elements of a contract as required by FIN 7.01, 6.1.
2. While the agreed upon service value for vendor Exhibit One was \$437,068, the Court paid this vendor \$441,246 over a three year period. This leads to conclude that the Court overpaid this vendor by \$4,178.

3. The Court did not comply with the travel guidelines in FIN 8.03, 6.1.8, when it paid \$25,321 in travel expenditures to vendor Exhibit One without an approval for the vendor's travel; no copies of travel receipts were attached to any invoices reviewed, and no completed travel reimbursement forms could be found.
4. The ISD Corporation contract dated February 12, 2003 and extended over eight years contains Clause 3.5 which appears to provide the contractor a guaranteed service increase annually for maintenance and support. This clause allows the contractor to receive an increase of up to 4 percent over the previous 12 months change in the Los Angeles Area Consumer Price Index (L.A.A.C.P.I). Our review of the contract's annual service invoices indicated that over the last eight years the court has paid an average increase of 5.44 percent per each year. While it may be reasonable to assume the Court should pay for an increase in service costs each year, especially when tied to a known consumer price index, the value of allowing the vendor to also receive an additional price increases could be questionable.
5. From the contracts reviewed it was discovered that the Court is lacking certain terms and conditions that should be included in contracts to protect the interests of the Court. For example, two of the contracts reviewed contained termination clauses that allowed the vendor to terminate with the Court for convenience. FIN 7.03, 6.4.5.4, states that Court contracts should not allow a termination for convenience by a contractor. In addition, one contract did not contain any provisions on disputes and dispute resolution.
6. Two areas were noted where the Courts current procedures in contract administration could be strengthened. For example, per the Courts response on the compliance assessment, the Court advised that currently they do not have any procedures in place to ensure that contractors provide new certificates of insurance on or before the expiration date of any certificates that are on file. Furthermore, the Court does not have any processes in place to ensure that no payments are made to any contractors until all required certificates of insurance are properly endorsed and on file with the Court. In addition, the Court does not have any process in place to monitor, track, and document the activity and progress of vendors and contractors. For example, currently the Court does not review work performed and evaluate service provided to ensure that each is being performed adequately.

### **Recommendations**

The court needs to review the FIN Manual Section 7.01, and Section 7.03 Contracts in order to comply with contracts procedures including:

1. The court will execute a written contract when entering into agreements for services or complex procurements of goods and services that is signed and dated by the Court Presiding Judge or his/her designee. Furthermore, if and when any contract amendments are required the amended contract shall be dated and executed by the Court Presiding Judge or his/her designee.
2. The Court will incorporate and apply the "three point match" process when processing and paying vendor invoices. This process consists of matching a vendor invoice to the

purchase agreement, to the proof of receipt and acceptance of goods and services. Discrepancies between the contract agreed upon amount and the vendor invoice will not be processed for payment and will be escalated to the appropriate manager.

3. The Court should comply with all travel guidelines in FIN 8.03, 6.1.8, specific to contractors.
4. The Court should consider revising Clause 3.5 of its vendor contract for the ISD Corporation at least every three years to ensure the Court's interests are protected and the Court is receiving a good value consistent with the economic climate.
5. The Court should perform a complete review all vendors' contracts to ensure that all contracts, existing and new, contain all required elements and terms and conditions so to best protect the interest of the Court. A helpful tool in the process would be for the Court to adopt and use the AOC standardized boilerplate contract format.
6. The Court should improve its contract administration processes by developing procedures that are defined in FIN 7.03. For example, the court at a minimum should have contract administrative processes in place that include but not limited to:
  - Appropriate documentation of all goods and services that are procured.
  - Require all suppliers and contractors to comply with the terms of their contracts and applicable laws, rules, and regulations.
  - Monitor, track, and document performance and progress to ensure that it is satisfactory.
  - Identify problems that may threaten performance.
  - Address contractual disputes immediately by settling according to sound administrative practice and business judgment.

**Superior Court Response By: Chris Ghio Date: December 30, 2010**

Responsible Person(s): Chris Ghio, Finance Manager

1. **AGREE:** The court will have the Court Presiding Judge or his/her designee sign future contracts and amendments. Implementation January 1, 2011
2. **AGREE:** The court will apply the "three point match" process to all future vendor payments. Implementation January 1, 2011
3. **AGREE:** The court will negotiate future contracts to be in compliance with FIN 8.03, 6.1.8 guidelines. Implementation January 1, 2011
4. **AGREE:** The court is currently renegotiating this contract with ISD. The Court and the AOC Office of General Counsel is working on contract language. Implementation January 1, 2011

5. **AGREE:** The Court is currently in the process of reviewing existing contracts and will work with the AOC Office of General Counsel for future Contracts. Implementation January 1, 2011
  
6. **AGREE:** The Court agrees to improve its contract administration process. The Court is evaluating options to have one staff person responsible for Monitoring, tracking and documenting performance and progress. Identify problems that may threaten performance. Address contractual disputes immediately by settling according to sound administrative practice and business judgment. The Court will maintain contract files in one central location. The court will have a plan in place by December 31, 2011.

## 11. Accounts Payable

### Background

All trial court vendor, supplier, consultant and contractor invoices and claims shall be routed to the trial court accounts payable department for processing. The accounts payable staff shall process the invoices and claims in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices and claims must be matched to the proper supporting documentation and must be approved for payment by authorized court personnel acting within the scope of their authority.

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	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Liability</b>				
301001 A/P - GENERAL	248,279.89	132,107.81	116,172	88
311401 A/P - DUE TO OTHER FUNDS	229,786.68	269.55	229,517	85,148
321001 A/P - DUE TO COURTS	4,172.00	0.00	4,172	
321501 A/P DUE TO STATE	5,772.00	0.00	5,772	
321600 A/P - TC145 LIABILITY	385,298.97	271,756.38	113,543	42
322001 A/P - DUE TO OTHER GOVERN	768,145.57	0.00	768,146	
330001 A/P - ACCRUED LIABILITIES	23,864.80	888,244.23	(864,379)	(97)
<b>*** Accounts Payable</b>	<b>1,665,319.91</b>	<b>1,292,377.97</b>	<b>372,942</b>	<b>29</b>

### Expenditures – Travel

929201 IN-STATE TRAVEL EXPENSE C	2,962.94	5,119.69	(2,157)	(42)
929202 IN-STATE AIR TRANSPORTATI	1,626.20	4,956.40	(3,330)	(67)
929203 IN-STATE RENTAL VEHICLES	618.51	740.76	(122)	(17)
929205 PER-DIEM - JUDICIAL - IN		178.00	(178)	(100)
929206 LODGING-IN STATE	6,408.54	13,712.92	(7,304)	(53)
929207 RAIL, BUS TAXI, FERRY-IN	2,739.42	3,667.00	(928)	(25)
929208 PRIVATE CAR MILEAGE-JUDIC	662.95	680.32	(17)	(3)
929209 PRIVATE CAR MILEAGE-EMPLO	13,015.84	15,070.28	(2,054)	(14)
929210 PRIVATE CAR MILEAGE-OTHER		145.28	(145)	(100)
929211 PARKING-IN STATE	3,978.61	5,599.96	(1,621)	(29)
929299 TRAVEL IN STATE		201.95	(202)	(100)
* 929200 - TRAVEL- IN STATE	32,013.01	50,072.56	(18,060)	(36)
<b>** TRAVEL IN STATE TOTAL</b>	<b>32,013.01</b>	<b>50,072.56</b>	<b>(18,060)</b>	<b>(36)</b>
931101 OUT-OF-STATE TRAVEL EXPEN		534.00	(534)	(100)
931102 OUT-OF-STATE AIR TRANSPOR		1,528.70	(1,529)	(100)
931105 LODGING-OUT OF STATE		1,502.09	(1,502)	(100)
931106 RAIL, BUS, TAXI, FERRY-OU		815.22	(815)	(100)
* 931100 - TRAVEL OUT OF STATE		4,380.01	(4,380)	(100)
<b>** TRAVEL OUT OF STATE TOTAL</b>		<b>4,380.01</b>	<b>(4,380)</b>	<b>(100)</b>

### Expenditures - other

926101 STAMPS	20,000.00	22,000.44	(2,000)	(9)
926102 EXPRESS DELIVERY	1,192.36	902.22	290	32
926199 STAMPS, STAMPED ENVELOPES	81,155.11	74,570.46	6,585	9
* 926200 - STAMPS, STAMPED ENVELOPE	102,347.47	97,473.12	4,874	5
<b>** POSTAGE TOTAL</b>	<b>102,347.47</b>	<b>97,473.12</b>	<b>4,874</b>	<b>5</b>

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Expenditures – other, continued</b>				
924501 PRINTED FORMS	25,369.08	17,919.06	7,450	42
924502 COURT FORMS	78,336.50	88,456.98	(10,120)	(11)
924503 ENVELOPES	4,822.54	3,120.69	1,702	55
924505 BUSINESS CARDS	1,674.82	3,345.26	(1,670)	(50)
924506 CASE FILE JACKETS	11,177.83	1,835.79	9,342	509
924507 LABELS	218.19		218	
924509 QUICK COPY	3,822.22	14,006.24	(10,184)	(73)
924599 PRINTING		2,913.62	(2,914)	(100)
* 924500 - PRINTING	125,421.18	131,597.64	(6,176)	(5)
** PRINTING TOTAL	125,421.18	131,597.64	(6,176)	(5)
923905 COURIER SERVICE	4,729.05	4,977.13	(248)	(5)
923908 SHREDDING SERVICE	430.10	736.14	(306)	(42)
923910 DEMOLITION: SALVAGE		172.04	(172)	(100)
923911 FRAMING SERVICE		155.09	(155)	(100)
923914 MOVING/TRANSPORT SERVICE	15,360.23	8,879.81	6,480	73
923915 DRY CLEANING		11.75	(12)	(100)
923999 GENERAL EXPENSE-SERVICE	368.50	22.90	346	1,509
* 923900 - GENERAL EXPENSE - SERVIC	20,887.88	14,954.86	5,933	40
920601 MISCELLANEOUS OFFICE SUPP	37,507.28	60,551.25	(23,044)	(38)
920602 PAPER PRODUCTS		21.65	(22)	(100)
920606 TONER - PRINTER	81.33	75.84	5	7
920607 TONER - FAX	171.81		172	
920608 TONER	13,130.71	11,820.59	1,310	11
920613 RUBBER STAMP	1,752.88	1,921.31	(168)	(9)
920616 DESK ACCESSORIES		517.61	(518)	(100)
920618 NCR REGISTER PAPER/COPIER		390.47	(390)	(100)
920620 COLOR PAPER		9.90	(10)	(100)
920622 COPY PAPER	17,890.35	17,858.03	32	0
920625 STORAGE BOXES		56.15	(56)	(100)
920628 BADGES/ID CARDS SPLY	96.94		97	
920629 ART AND CRAFT SPLY/GRAPHI		700.00	(700)	(100)
920630 T-SHIRT-EMBROIDERED	500.39	6,306.56	(5,806)	(92)
920631 PROMOTIONAL MATERIALS		101.76	(102)	(100)
920632 AWARDS (SERVICE RECOGNITI	155.08		155	
* 920600 - OFFICE EXPENSE	71,286.77	100,331.12	(29,044)	(29)
920799 FREIGHT & DRAYAGE	3,497.96	11,839.02	(8,341)	(70)
* 920700 - FREIGHT AND DRAYAGE	3,497.96	11,839.02	(8,341)	(70)
965101 JURORS - FEES	80,300.18	62,756.10	17,544	28
965102 JURORS - MILEAGE	22,943.20	17,532.78	5,410	31
* 965100 - JUROR COSTS	103,243.38	80,288.88	22,955	29
** JURY COSTS TOTAL	103,243.38	80,288.88	22,955	29

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with accounts payable managers and staff. We compared general ledger account changes between fiscal years 2007—2008 and 2008—2009 but due to timing of the audit, we performed substantive testing of sample invoices and claims processed in FY 2008—2009 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

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

We reviewed a judgmental sample of jury fees and mileage reimbursement expenditures to determine whether amounts were properly paid out and reported. Review of controls for Jury check stock was reviewed during testing for audit report Section 7. Banking and Treasury.

The following issue was considered significant enough to bring to management's attention in this report. Additionally, there were twelve minor issues noted and are contained in Appendix A.

### **11.1 Travel Expense Reimbursement Procedures Do Not Comply With FIN Manual Requirements**

#### **Background**

The rules and limits for arranging, engaging in, and claiming reimbursement for travel on official court business are specified in the FIN Manual. Specifically, Procedure No. FIN 8.03, Section 3.0 states:

It is the intent of the AOC that the trial court reimburse[s] its judges and employees for their reasonable and necessary travel expenses incurred while traveling on court business within the limits of the trial court's maximum reimbursement guidelines. Under Government Code section 69505, the AOC's Travel Rate Guidelines must be used. All exceptions to the published AOC Travel Rate Guidelines, including any terms of an executed memorandum of understanding agreement by and between a recognized employee organization and a trial court, must be submitted in writing and have prior approval in accordance with alternative procedures guidelines established in AOC FIN 1.01, 6.4(2).

Section 6.3 provides travel procedures for trial courts to follow. These procedures state that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation, and other miscellaneous items. Additionally, Judges and employees who incur reimbursable business travel costs, must submit a completed travel expense claim (TEC) form that notes the business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level.

Additionally, FIN Manual, Procedure No. FIN 6.01, paragraph 6.14 prohibits trial court employees from using purchase cards to pay for individual travel expenses. Specifically, purchase cards are to be used for official court business only, personal travel use is prohibited. Purchase cards may be used only for the procurement of goods and services; they may not be used by trial court employees to pay for individual travel expenses.

#### **Issues**

To determine whether the Court followed the travel expense guidelines required in the FIN Manual, we interviewed appropriate Court staff regarding current travel reimbursement practices. We also randomly selected to review twenty in-state travel reimbursement expenditure transactions in FY 2008-2009. Our review determined that the Court needs to improve its procedures over travel expenditures. Specifically, we noted the following:

1. The Court is processing TEC forms that do not have all sections filled out and therefore, missing key elements that are used to determine if the travel expense was accurate and appropriate. For example, ten out of twenty or 50% of the travel claims reviewed were missing some of the following: purpose, time and date of travel, destination (to/from), date claim was approved, work hours, private vehicle license, and headquarters or home address. Furthermore, two expense claims were paid without any TEC form being submitted.
2. Five out of ten claims reviewed did not evidence that the travel expense claim was appropriately approved. Two of the five claims were for court leadership. The aforementioned policies do not provide an exclusion for court executives or judges. As a result, travel claims submitted by them must undergo the review and approval process. For example, the appropriate approval level for TECs submitted by the Court Executive Officer is a review and signature of the Presiding Judge. The Presiding Judge's TEC form would be reviewed and approved by the assistant PJ or the CEO.
3. We also noted that the Court reimbursed employees for mileage that may not be reasonable. For example, five claims did not contain enough information to determine if employees mileage claimed was reasonable. Specifically, three claims did not contain enough detail in the traveled (to/from) section to review and approve mileage. In two other cases, the TEC did not have the headquarters address filled in and one TEC indicated a P.O. Box as the employee's residence address making it impossible to determine if mileage reimbursed was appropriate. Furthermore, two of the claims were processed although the mileage claimed was thirty miles over what was shown on Google Maps for the specified destination.
4. Contrary to FIN Procedure 6.01 § 6.14 Paragraph 3, the Court used purchase cards to pay for travel related expenses.

### **Recommendations**

To ensure it complies with the AOC travel expense reimbursement policy and procedures, the Court should consider the following:

1. Pursuant to FIN 8.03, paragraph 6.4.1, require all judges, CEO, and employees to submit reimbursement for travel expenses on an appropriate TEC form with all fields filled out completely with all the information necessary to determine the accuracy, necessity, and reasonableness of the travel expense reimbursements. Provide periodic refresher training on travel policies and how to properly complete the TEC form. Strictly enforce travel policies and reject claims that are not fully and accurately completed.
2. Require appropriate level review and approval signatures on TEC forms from the employee's immediate supervisor or above before processing these claims for payment. If the claim is for the Court CEO, the PJ or APJ would be the appropriate review and approval level that would sign the TEC approving the travel expenses of the CEO. All claims for the PJ would be reviewed and approved by the CEO.

3. Require and enforce all employees claiming mileage on their TEC's to provide complete detail supporting the mileage being claimed. This can be achieved by the employee fully documenting the (to/from) under section #3 (location) on the TEC form. In addition, both the home address and headquarters address should be completed and do not allow a P.O. Box to be used for the home address. Furthermore, it is a suggested good practice that all TEC claims requesting mileage reimbursement be accompanied by a printout from Google Maps as backup supporting the mileage. Adopting this process helps accounts payable staff to easily review and verify that mileage is appropriate.
4. The Court must follow FIN 6.01, paragraph 6.14, and discontinue Court purchase cards for business travel expenses. The Court should adopt and follow the travel policies set forth by FIN 8.03, paragraph 6.1.2. This section states specifically, "Arrangements for business travel involving airfare and car rentals should be made through the court-designated travel planner". Following this process would enable the court set up a business travel account (BTA) with a corporate travel agent or airline.

**Superior Court Response By: Chris Ghio Date: December 29, 2010**

Date of Corrective Action: March 1, 2011

Responsible Person(s): Chris Ghio, Finance Manager

1. **AGREE:** The Court will provide periodic training on travel policies and how to properly fill out the TEC form. The Court will reject travel claims that do not adhere to the Fin 8.03 procedure.
2. **AGREE:** The Court has already implemented having travel TEC forms reviewed and approved by the appropriate level for the claim.
3. **AGREE:** The Court will require the TEC form used for mileage to have complete details and supporting documentation for the travel.
4. **AGREE:** The court has set up a business travel account (BTA) for both a corporate travel agent and airline. The purchase cards were never to be used for travel. The use of the purchase card for travel was an oversight by the employee. Employees with a purchase card have all been trained not to use the card for business travel expenses.

## **11.2 Court Does Not Comply with FIN Manual Requirements to Reimburse Business-Related Meal Expenses**

### **Background**

The FIN Manual acknowledges that it is necessary for trial court judges and employees to occasionally conduct official court business during a meal. Thus, FIN Manual, Procedure No. 8.05, defines the rules and limits that courts must observe when arranging or claiming reimbursement for meals connected to official court business. Specifically, to be reimbursable, these business meals must have the written advance approval of the presiding judge (PJ) or, if delegated in writing, the Court Executive Officer (CEO) or another judge. Paragraph 6.2 of this procedure states the following:

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

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

Business meal expenses not approved in advance by the PJ or his or her written delegate will be considered a personal expense and will not be reimbursed or paid. In addition, business meal expenses are not authorized for informal meetings or meetings with existing or potential vendors.

Paragraph 6.4 also requires a business reason to keep the group together during the meal period. The court project manager or coordinator must explain on the business-related meal expense form why trial court business must be conducted during the meal period and could not be accomplished at any other time.

Allowable business meal expenses vary depending on when, where, and how many people are involved with the meal or function. For further information regarding business meals, please see the following paragraphs in Procedure No. FIN 8.05:

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

### **Issues**

To determine whether the Court followed the business meal rules required in the FIN Manual, we interviewed appropriate Court staff regarding business meal reimbursement practices. We also reviewed selected business meal expense transactions in FY 2008-2009. Our review determined that the Court could improve its procedures over business meal expenditures. Specifically, we noted the following:

1. In five out of six or 83% of the business meal claims reviewed the Court did not evidence prior approval by requesting a fully completed business related meal expense form be filled out to document the authorization, date, start and end time of meeting, purpose, category and duration, location/place, copy of formal agenda if applicable, and list of attendees and their titles and affiliations.

2. One business meal expense for \$2,636.55 was noted in particular because it was paid and did not meet requirements as a business meal and did not follow FIN Manual guidelines. For example:
  - The meal expense was for a court employee retirement party. FIN 8.05, paragraph 6.8, specifically prohibits the Court from paying the costs of a group meal that is intended to be part of a retirement event for a judge or court employee.
  - The business related meal expense form for this expense did not contain a list of attendees and their titles and affiliations. Without this information it could not be determined if the attendees were appropriate.
  - The business related meal expense form for this expense did state that there would be fifty attendees. That number would make the cost at approximately \$52 per attendee. FIN 8.05, paragraph 6.6, states that the authorized group business meal rate for a group meal provided at the Court for lunch is \$10 per attendee.
  - The business related meal expense form for this expense stated the timeframe for this lunch business meal was from noon – 2pm. FIN 8.05, paragraph 6.5, states that lunch business meals must start no later than 11:00am, have a business duration of at least three hours, and continue at least one hour after lunch.
3. Three of the business meal expenses occurred during dinner time and appear to be individual business meal expense. All three meal expenses did not include any documentation to support the need, and advance approval from the PJ or designee.

### **Recommendations**

The Court should comply with the business expense reimbursement requirements provided in the FIN Manual, Procedure No. FIN 8.05 to demonstrate accountable and transparent use of public funds. Specifically, it should do the following:

1. Require Court management to adhere to the FIN Manual business meal procedures that include using the business-related meal form and requiring prior approval of the business meals by the PJ to ensure the meal expenses are appropriate and necessary. This includes completion of the business-related meal form, including a clear explanation of the business need for the meal, documenting prior approval of the meal by the PJ, use and retention of meeting sign-in logs to document a list of participants, and retention of the itemized meal receipts to adequately substantiate the cost of meals per attendee.
2. Require Court management to ensure that approved meal expenses are within the allowed maximum business meal expense limits. This would include ensuring that requests for pre-approval of the business-related meals are within the allowable per-person limits for the event type and location, as well as ensuring that the actual per person meal expenses remain within the allowable limits.
3. Business meal reimbursements made to individuals, require submission of a travel expense claim in addition to required receipts. If the afterhours business meal was for a

group then this would need to be documented on the business meal expense form along with the reason to support the need for this expense after hours.

**Superior Court Response By: Chris Ghio Date: December 29, 2010**

Date of Corrective Action: March 1, 2011

Responsible Person(s): Chris Ghio, Finance Manager

1. **AGREE:** The Court is in agreement with this recommendation. All business-related meal forms will contain a clear explanation of the business need for the meal, documenting prior approval of the meal by the PJ, use and retention of meeting sign-in logs to document a list of participants, and retention of the itemized meal receipts to adequately substantiate the cost of meals per attendee.
2. **AGREE:** The Court will make sure all future business meal expenses follow FIN 8.05.
3. **AGREE:** The Court will require individuals to submit a travel expense claim in addition to the required receipts. After hours business meals for a group will be documented on the business meal expense form along with the reason to support the need for this expense after hours.

### **11.3 The Court Must Improve Controls over Accounts Payable**

#### **Background**

In addition to ensuring the responsible and economical use of public funds, courts have an obligation to promptly pay for the goods and services they request and receive from the individuals and businesses that provide these goods and services to the court. As such, the FIN Manual provides trial courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements.

FIN Manual, Procedure No. FIN 8.01 and FIN 8.02 provide uniform guidelines for courts to use when processing vendor invoices and individual claims (also referred to as invoices) for payment. These guidelines include procedures for preparing invoices for processing, matching invoices to purchase documents and proof of receipt, reviewing invoices for accuracy, approving invoices for payment, and reconciling approved invoices to payment transactions recorded in the accounting records.

Specifically, FIN Manual Policy No. 8.01, at section 6.3.2 states:

“The Court will adopt the ‘three point match’ procedure to process vendor invoices. A ‘three point match’ procedure consists of matching a vendor invoice to a purchase agreement and to proof of receipt and acceptance of goods and services...vendor invoices shall not be processed without completing the ‘three point match’ procedure.”

A three point match should be applied to all OE&E (operating expenses and equipment) expenditures prior to payment. The procedure presumes the presence of a purchase contract or purchase order. The Court made most its transactions on direct pay (i.e. without a purchase order) within the Phoenix Financial System. Direct pay transactions are typically used in

emergency or time sensitive situations where preparation of a purchase order is deemed prohibitive, or the transaction is for a de minimis amount. The use of “direct pay” does not absolve the Court from making a three-point match; a purchase requisition should be retained within the A/P file for direct pay transactions.

Additionally, FIN Manual Policy No. 8.01, at section 6.4.1 states:

“Designated court officials with payment approval authority shall review all batched invoices for: a. Propriety of the transactions b. Accuracy of the records submitted c. Reasonableness of the expenditures.”

### **Issues**

To determine whether the Court adheres to the invoice processing policies and procedures in the FIN Manual, we interviewed appropriate Court staff regarding its invoice processing and payment practices. We also reviewed selected invoices and claims paid in fiscal year 2008-2009. Specifically, we reviewed thirty vendor invoices for operating expenses and equipment (OE&E), and sixteen special expenditures (e.g., court reporter, court interpreter, and jury costs) to determine whether the Court made payments in accordance with applicable requirements. Our review identified the following weaknesses and areas of noncompliance:

1. Twenty-four out of thirty or 80% of OE&E expenditures tested did not evidence appropriate approval with a date and signature of authorized court personnel.
2. Twenty-three out of thirty or 76% of OE&E expenditures tested did not contain the appropriate documentation to support a three-point match of the invoice or claim.
3. Twelve out of thirty or 40% of OE&E expenditures tested did not contain the appropriate documentation to demonstrate proof that goods or services were received.
4. 3 out of thirty or 10% of OE&E expenditures tested were not paid in accordance with agreed upon contract or purchase order.
5. Fifteen out of sixteen or 94% of the special expenditures reviewed showed no sign of being appropriately reviewed or approved.
6. Two of the special expenditures tested were court reporter invoices. Both invoices did not evidence sufficient detail in which to verify the reimbursed amount is in compliance with the rates that are per page in GC§69950.
7. One of the two court interpreter invoices tested did not comply with Judicial Council approved rates for court interpreter compensation and also did not contain documented proof of pre-approval of higher fees paid to that interpreter.
8. The other court interpreter invoice tested showed the court paid a mileage claim that was greater than actual distance needed to travel.

### **Recommendations**

To ensure the Court demonstrates responsible and economical use of public funds when processing invoices for payment:

1. Provide training and instruction to accounts payable staff to ensure they require and obtain approval signatures or necessary supporting documents on all expenditures, including items considered “special expenditures”, to ensure the payments are appropriate before processing claims and invoices for payment.

2. The Court must use the “three point match” procedure and document that the match has been made within the A/P files. A “three point match” procedure consists of matching a vendor invoice to a purchase agreement and to proof of receipt and acceptance of goods or services.
3. The Court must document appropriately on all invoices that all goods listed on an invoice were, in fact, received by the court and all services were performed.
4. The Court must pay all claims in accordance with terms stated in the contract, PO, BPO, and bill or invoice of one time or “direct pay” vendors.
5. Invoices from Court Reporters must show sufficient details to support the amount charged to the court. GC § 69950 states the following:  
*For original ribbon or printed copy of transcript, \$0.85 for each 100 words; for each copy ordered with the original transcript, \$0.15 for each 100 words; for the first copy not ordered with an original transcript, \$0.20 per each 100 words; for each additional copy ordered with the first copy, \$0.15 per each 100 words.*
6. The Court should be consistently in compliance with the Judicial Council approved rates for Court Interpreter compensation. The Court should have a documented policy on Court Interpreter compensation rates to include languages that are common and uncommon, spoken & unspoken (i.e. sign language). Further, the Court should develop a policy to define prevailing amounts charged by specialized language interpreters such as sign language interpreters, as defined in evidence code 754(i) and pre-approve compensating interpreters that seek to charge the Court more than the amounts allowable by the Judicial council as stated in the Payment Policies for Contract Court Interpreters.
7. The Court must verify all mileage claims before paying invoices to avoid overpayment and incorrect claims. Mileage on claims can be verified by utilizing online map programs or require all mileage claims include a map showing the starting address & ending address. Furthermore, in order to verify the address the claimant’s registered home address must be on claim and not a PO Box.
  - a. The Court should consider modifying the court interpreter claim form to provide the information necessary, such as business or home address and to and from locations, that would allow a reviewer to assess the appropriateness and reasonableness of the mileage claimed before approving and submitting the claim for payment.

**Superior Court Response By: Chris Ghio Date: December 29, 2010**

1. **AGREE:** The Court agrees to provide training and written guidelines to the accounts payable staff. This will include what the appropriate approvals and supporting documentation are for invoices and claims before payment can be made. Implementation March 1, 2011.
2. **AGREE:** The court will apply the “three point match” process to all future vendor payments. Implementation March 1, 2011.
3. **AGREE:** The Court will verify all goods or services ordered match to the details of the packing slip or other form of delivery of product or completion of work and are approved by an authorized employee. Implementation March 1, 2011.
4. **AGREE:** The Court will have a written procedure in place to ensure claims are paid in accordance to the terms of the contract, PO, or individual invoice of each vendor. The Court will have a procedure in place by March 1, 2011.
5. **AGREE:** The Court is in agreement with this finding. Per direction of AOC OGC this subject is being looked into and no target date will be set until Court hears from OGC.
6. **AGREE:** It is the intent of the Superior Court to conform to the Judicial Council’s *Payment Policies for Contract Court Interpreters*. Although daily rates are set forth in the Council’s policy, the Court and Council recognize that daily payment rates may vary depending on unique and unusual circumstances. It will be the responsibility of Court staff soliciting the services of a contract interpreter to negotiate fair and reasonable compensation rates. Furthermore, if the Court must use an interpreter at a higher rate the Court will provide all supporting documentation to justify the higher rate was a necessity and was appropriately approved. Because of unique and unusual circumstances, staff must negotiate for these services on a case-by-case basis with the intent of getting the best price for the Court. The Court will work with its sister courts and the AOC to establish price parameters in the best interest of the Court. The Court will create a contract matrix establishing base rates for unique languages to be used as a reference for establishing new service contracts. This matrix will be effective 04/01/2011.
7. **AGREE:** The Court will modify the interpreter claim to include starting address and ending address for mileage. The Court will require the interpreter to use their home address and not a PO Box. This will be accomplished by March 1, 2011.

## 12. Fixed Assets Management

### Background

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

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

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

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Expenditures</b>				
945204 WEAPON SCREENING X-RAY MA	75,293.50	25,412.00	49,882	196
945205 MAJOR EQUIPMENT-VEHICLE		48,405.06	(48,405)	(100)
945301 MAJOR EQUIPMENT - NON-IT		10,883.59	(10,884)	(100)
946601 MAJOR EQUIPMENT - IT	53,343.08	385,483.49	(332,140)	(86)
* 945200 - MAJOR EQUIPMENT	128,636.58	470,184.14	(341,548)	(73)
** MAJOR EQUIPMENT(OVER \$5,000) TOTA	128,636.58	470,184.14	(341,548)	(73)
922601 MINOR OFFICE EQUIPMENT/MA	1,367.70	21,959.79	(20,592)	(94)
922603 OFFICE FURNITURE - MINOR	1,092.40	267,690.22	(266,598)	(100)
922605 MODULAR FURNITURE-MINOR		311,218.73	(311,219)	(100)
922606 NON-OFFICE FURNITURE	313.54	942.19	(629)	(67)
922608 WEAPON SCREENING EQUIPMEN	446.44		446	
922610 COMPUTER ACCESSORIES	992.38	541.68	451	83
922611 COMPUTER	52,551.22	50,091.95	2,459	5
922612 PRINTERS	8,313.55	5,335.36	2,978	56
922613 PRINTERS MULTI-FUNCTION D	1,290.00	1,290.00	0	0
922614 SECURITY SURVEILLANCE - M		7,905.24	(7,905)	(100)
922699 MINOR EQUIPMENT - UNDER \$		8,575.48	(8,575)	(100)
* 922600 - MINOR EQUIPMENT - UNDER	66,367.23	675,550.64	(609,183)	(90)
922702 COPIERS-RENTAL-LEASE	42,426.39	37,886.55	4,540	12
* 922700 - EQUIPMENT RENTAL/LEASE	42,426.39	37,886.55	4,540	12
922903 FAX MACHINE	1,619.50	3,367.49	(1,748)	(52)
922905 COPIERS-REPAIRS		296.61	(297)	(100)
922906 MICROFICHE/MICROFILM EQUI	758.07	490.57	268	55
922908 FURNITURE REPAIR	1,484.10	855.00	629	74
922999 EQUIPMENT REPAIRS	2,237.39	1,012.56	1,225	121
* 922900 - EQUIPMENT REPAIRS	6,099.06	6,022.23	77	1
928801 INSURANCE	3,840.00	11,151.00	(7,311)	(66)
928802 VEHICLE INSURANCE	538.29	352.47	186	53
928803 PROPERTY INSURANCE	704.00	3,853.75	(3,150)	(82)
* 928800 - INSURANCE	5,082.29	15,357.22	(10,275)	(67)
** INSURANCE TOTAL	5,082.29	15,357.22	(10,275)	(67)

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
952401 FUEL FOR VEHICLES	5,605.32	4,439.15	1,166	26
952404 WASHING	216.90		217	
952405 TOWING	140.80		141	
952499 VEHICLE OPERATIONS	1,442.57	244.13	1,198	491
* 952300 - VEHICLE OPERATIONS	7,405.59	4,683.28	2,722	58

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

- Determination of the accuracy of the Court's fixed asset reporting by reconciling the fixed asset information in the Comprehensive Annual Financial Report (CAFR) worksheet statements 18 and 19 to the general ledger and sub-ledgers.
- Validation of a sample of expenditures posted to major and minor equipment general ledger accounts to supporting invoices to ensure that expenditures were appropriately classified.
- Determination of whether fixed asset capitalization policies were adhered to.
- Validation of some major fixed asset purchases through physical observation.

Due to the recent completion of the Court's new Watsonville Courthouse the Courts fixed assets were reviewed as part of the Courts Facility review in Section 17 of this report. Any issues considered significant enough to bring to management's attention are noted in (Section 17, Facilities) and in (Section 4, Accounting Practices). There were no minor issues to report in the Appendix A.

## 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.

### Previous IAS Audit of Court

IAS performed an audit of the Court in FY 2006—2007 to assess compliance with the FIN Manual and other policies, and various statutes and Rules of Court; internal controls over financial reporting and various operational areas; and readiness for migration onto CARS/Phoenix. The report identified 21 issues (19 remained incomplete at the issuance of the report). The following areas were significant areas where the audit believed that the Court could make improvements:

- Classification of Certain Special Revenue Fund – minor reporting errors.
- Cash Handling and Segregation of Duties
  - Lack of segregation of certain duties
  - Inadequate controls over mail processing
  - Limited security over deposit processing
- Controls Over DMV System Functions – access to system not monitored.
- Delinquent Account Collection Processes – no formal process in place.
- Court Physical Security – lack of staffing and screening at entrances.

The issues and their detailed recommendations from this report are included as part of the current audit review. Any issues noted that were considered repeat issues are noted in this report in (Section 5, Cash Handling) and (Section 6, Information Systems).

## 14. Records Retention

### Background

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. This policy applies to all trial court officials and employees who create, handle, file, and reproduce accounting and financial records in the course of their official responsibilities.

The Court has a leased facility to store its records. Our review of the lease and other facility expenditures is discussed in Section 18 of this report. We assessed the Court's compliance with the record retention requirements provided in statute and proceduralized in the FIN Manual through a self-assessment questionnaire. Furthermore, we evaluated the Court's on-site and off-site records storage areas.

ACCOUNT	Fiscal Year			
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds	\$ INC (DEC)	% Change

### Expenditures

935201 RENT/LEASE STATE OWNED	30,367.00		30,367	
935203 STORAGE	86,636.72	94,255.69	(7,619)	(8)
* 935200 - RENT/LEASE	117,003.72	94,255.69	22,748	24

There were no significant issues to report to management.

## 15. Domestic Violence

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

The following issue was considered significant enough to bring to management's attention in this report. There were no minor issues to report in the in Appendix A.

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

#### Background

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

**PC §1203.097(a)** states that if a person is granted probation for a crime in which the victim is a person defined in Section 6211 of the Family Code, terms of probation shall include but not limited to a minimum payment of \$200 to be distributed to various local and State-level domestic violence program funds (domestic violence probation fine). The fine was \$400 prior to January 1, 2010. If, after a hearing in court on the record, the court finds that the defendant does not have the ability to pay, the court may reduce or waive this fee. On August 13, 2010, the minimum fine for PC §1203.097 (a) (5) was amended by Stats 2010 Ch 132 § 1 (AB 2011) from \$200 to \$400 effective on January 1, 2010. Prior to the enactment of AB 2011, the minimum fine was \$200 between January 1, 2010 and August 13, 2010.

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

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

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

misdemeanor or felony and in the amount of \$35 for each infraction (criminal conviction assessment).

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

Assessed if Sentence Included PC Fine:

- PC 1464(a) State Penalty Assessed = \$10 for each \$10 or fraction thereof collected for every fine, penalty or forfeiture imposed and collected by the courts for criminal offenses.
- PC 1465.7 20% State Surcharge Penalty Assessed = \$20 fee assessed.
- GC 70372 State Court Construction Penalty Assessed = Fee up to \$5 for every \$10 or fraction thereof, upon every fine, penalty or forfeiture imposed and collected by the courts for criminal offenses.
- GC 76104.6 DNA Fingerprint, Unsolved Crime and Innocence Protection Assessed = Fee up to \$1 for every \$10 or fraction thereof, upon every fine, penalty or forfeiture imposed and collected by the courts for criminal offenses.

**Issues**

During our review of 15 judgmentally sampled misdemeanor cases in which the defendant was convicted of a domestic violence charge code in FY 2008-2009, we identified the following exceptions:

- In all 15 cases reviewed by IAS where the defendant was sentenced to probation, the Court did not assess the \$400 domestic violence probation fine pursuant to PC §1203.097 (a). Specifically, 2 cases had no fine at all assessed and no notes in the minutes to document why no fine was assessed. 13 cases had the fine amount of \$200 assessed but this fine amount did not take effect until 01/1/10 and these 13 cases took place prior to that date.
- In 1 out of 15 or 6 percent of cases reviewed by IAS where the defendant was sentenced to probation, found that the required fine for PC §1202.44 Probation Revocation Restitutions Fine did not match PC §1202.4(b) as required.
- In 1 out of 15 or 6 percent of cases reviewed, the Court did not assess the \$30 criminal conviction assessment pursuant to GC §70373, per conviction for cases with multiple criminal convictions.
- In 1 out of 15 or 6 percent of cases reviewed, the Court did not assess the court security fee of \$20 pursuant to PC §1465.8(a)(1), per conviction for cases with multiple criminal convictions.

- In 1 out of 15 or 6 percent of cases reviewed, the Court did not assess the required penal code fines for instances when a sentence is included in the penal code fine. These are (PC §1464(a), PC §1465.7, GC §70372, and GC §76104.6).

### **Recommendation**

To ensure that statutorily required minimum criminal domestic violence fines and fees are assessed, the Court should develop and keep current a bench schedule which highlights domestic violence-related fines, fees and assessments and promote its use to judicial officers to better assist them in adjudicating required assessments for criminal domestic violence cases. In addition, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why required minimum fines and fees are not assessed should be documented in minute orders or the case management system.

### **Superior Court Response    By: Melodee Parmenter    Date: 12/06/10**

Santa Cruz Superior Court agrees with the recommendation. The Court currently utilizes a bench guide/schedule that outlines special fines and fees associated with Domestic Violence. The Criminal Judges Team meets quarterly to discuss issues involving criminal cases, such as sentencing, processing and workflow management. We continue to remind the judges in the criminal team to impose the mandatory fees and that any waivers of such fees be clearly stated and written in the official court minutes. Implementation January 1, 2011.

## 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.

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

The following issue was considered significant enough to bring to management's attention in this report. Additionally, there were twelve minor issues to report and are contained in Appendix A.

### 16.1 Court Insufficiently Records, Tracks and Monitors Exhibit Items and Lacks an Exhibits Procedures Manual

#### Background

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

- A physical inventory of exhibits to confirm their existence and status and reconciliation of the records stored in an electronic/automated system and/or a well maintained manual inventory system,
- A periodic and independent inspection by Court employees not handling exhibits, and,
- A methodology to purge exhibits in a timely and according to statutes dictated in PC §1417 – PC §1417.9.

Furthermore, different levels of caution should be exercised depending on the types of exhibits presented. The exhibit manual must provide procedures for courtroom clerks and exhibit custodians on handling certain sensitive exhibits such as body fluids and tissues, firearms and ammunition, weapons, narcotics and controlled substances, money and other valuables, and flammable or otherwise hazardous chemicals or materials.

The Court has exhibit storage areas at each court location. The Santa Cruz main courthouse has 3 exhibit rooms with one used as a temporary holding room when courtroom clerks transfer custody of exhibits to the exhibit custodian. Also, each courtroom has lockable exhibit closets used to secure exhibits during a trial. The Watsonville location, on the other hand, has a secured exhibit room with 2 lockable cabinets used for storing very few paper exhibits. After a trial,

these exhibits are either transferred to the Santa Cruz main courthouse or returned to the presenting agencies.

Currently, the Court accepts all exhibit types except for sensitive exhibits (e.g. currency, valuables, narcotics, biological and toxic materials) unless requested by the judicial officer. However, this activity and the full exhibits process remain undocumented as the Court is still in the process of furnishing a court-wide exhibits procedures manual

The Court also uses a database as its exhibit tracking system but identified the limited functionalities of the database to properly track exhibits. The Court intends to either make enhancements to the database or transition to a new tracking system but has yet to engage in any formal discussion or planning.

### **Issues**

Through discussions with Court exhibits personnel, visits to all exhibit storage locations, and limited exhibits validation testing, we documented and identified several significant process inefficiencies, procedural inadequacies and control weaknesses:

1. The Court's current exhibits tracking methodology indicates recording inconsistencies. Before recording the exhibits in the database, the Court employs an exhibit log for the courtroom clerks to complete for any exhibits transferred to the exhibit custodian. To evaluate the accuracy and completeness of the database and exhibit logs, we vouched 8 sample items listed in the exhibit logs to the database then to the physical exhibit, and then traced 6 physical exhibit items to the database. We identified the following exceptions:
  - Three exhibits noted in the exhibit logs were not entered in the database thus the location cannot be determined and the existence of the exhibits cannot be validated.
  - All four sensitive exhibits validated were not specified in the "Unusual Item" field of the database. This field is used to identify sensitive exhibits such as weapons, biological material or hazardous material.
  - One biological exhibit was not correctly described in the "Description" field of the database as a sensitive exhibit. The knife and clothing with blood stains placed in a bag were described as "brown paper bag w/ exhibits".
2. The Court has not performed a complete physical inventory of the exhibit rooms, at least annually, to ensure all exhibits are tracked and properly secured. In addition, the Court does not perform periodic inspections of all court exhibit holding areas including locker holder cabinets in the courtroom to evaluate the condition of each exhibit item (e.g. exhibit list is still attached to the item or item properly secured such as biological matter in sealed bags) and the adequacy of the exhibit area housing the exhibits regarding security (e.g. locks are operational) and structural integrity (e.g. no water seepages). Periodic inspections are especially important for sensitive exhibits (i.e. cash, drugs, biological and toxic materials).

3. Exhibits of currency are stored in the fiscal office safe with operations cash deposit because the exhibit rooms do not have a safe or vault.
4. The Court's exhibit tracking database lacks essential functionalities to properly control and track exhibits. For example:
  - Logical access security controls are not in place. For example, log-in requirements such as username and password do not exist thus making the database vulnerable to unauthorized access.
  - Access levels are not limited thus any user with access can add, edit and delete any existing case exhibits information on record making the database vulnerable to data manipulation.
  - Database entry fields are inadequate to properly record and track exhibits items.
    - "Description" field size is limited thus exhibit items are not fully described and/or itemized. Exhibit description normally states only the number of exhibit envelopes received which may or may not indicate if sensitive items are included.
    - "Unusual Item" field used to specify sensitive exhibits (e.g. weapons, narcotics, hazardous material) is not a required field thus can be null even if there are actual sensitive items received.
  - Reporting mechanism is non-existent as reports such as exhibit lists are not readily available and cannot be generated by the user. Ad-hoc reports must be requested from Court's IT department.
5. Although, courtroom clerks have documented exhibits procedures specific to their responsibilities, the Court has not developed a formal court-wide exhibits procedure manual that is shared among court personnel involved in courtroom and exhibit room activities such as exhibit custodians and courtroom. Lack of procedures can lead to, but not limited to, the following adverse conditions:
  - Inconsistency among the court personnel involved in the exhibit activity such as exhibit custodians and courtroom clerks
  - Although only authorized court personnel have off-hours access to the exhibit rooms, this access increases security risks. The Court verified that access has not been done and will only be performed on an "as needed" basis.

### **Recommendations**

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

1. Resolve the recording inconsistencies among the exhibit log and exhibits tracking database for exhibit items identified from our testing. To curb future issues, exhibit database users should be more vigilant in ensuring exhibit record entry in the database is complete, accurate, and reconciled against the exhibit log.
- 2.1. Perform physical inventories of all exhibit areas. This process should include, at a minimum, the following activities:

- Develop an exhibits inventory log for each exhibit area for appropriate tracking and recording in the database,
  - Identify sensitive exhibit items as the first step in providing the necessary security measure for each type (e.g. firearms stored in secure gun lockers),
  - Identify exhibits to be purged (returned or destroyed) to ease exhibits tracking and,
  - Assess the adequacy of exhibit storage capacity.
- 2.2. Perform an inspection of each exhibit area periodically, such as every 90 days. The inspection should document the addition, movement and destruction of exhibits from the last inspection, test any security features within and around the exhibit rooms, assess the condition of the exhibits with emphasis on sensitive exhibits (e.g. seals broken or damaged) and assess the overall condition of the exhibit rooms (e.g. water leaks, pest problems)
3. Install a safe in the exhibit room to safeguard sensitive and high-risk exhibits such as cash. Use of the fiscal safe exposes cash exhibits to unauthorized access by fiscal personnel and increases the risk of inadvertent tampering.
4. Improve the logical access controls and tracking capabilities of the exhibit tracking database by implementing at least the following database enhancements:
- Create a log-in screen requiring a username and password to provide a stronger control in the event of an unauthorized user getting a hold of a user's terminal.
  - Limit user access levels in such a way that any edits to existing critical exhibits data such as, but not limited to, exhibit location and itemized description (e.g. total currency, number of narcotic packets) should require a supervisory approval via a secondary password entry in the database or a supervisor signature in an edit log, whichever is easier.
  - Modify data entry fields to improve recording and tracking of exhibits:
    - The "Description" field size must be increased or another field added to accommodate a more descriptive, if not itemization, recording of exhibits.
    - "Unusual Item" field must not be null. If exhibits do not include any sensitive items, user must be required to select "None" before an exhibit record is saved. This ensures completeness of the exhibit record entry.
  - Add database reporting functionality once a complete physical inventory is performed and all exhibit items are entered in and reconciled against the database to aid in subsequent inventories. Authorized users, preferably the exhibits supervisor or manager, should be able to generate a list of exhibits by category (e.g. by exhibit location or by age date) for expediency and efficiency.
5. Develop a court-wide exhibits procedures manual to ease transfer of knowledge and to promote consistent good practices that contains, but is not limited to, the following:
- Procedures that define and detail the responsibilities of the exhibit custodian/s and courtroom clerks to ensure appropriate chain of custody of exhibits

- Procedures that address access to the exhibit rooms during business and non-business hours. To ensure safety of exhibits and accountability of authorized exhibits personnel with access, we suggest that upper management is informed and a non-exhibit person (Court manager or security personnel) accompanies the exhibit person accessing the exhibit rooms during non-business hours to validate the reason for the visit.

Once a manual is completed, the Court should:

- Distribute the manual among individuals involved in the exhibits activity
- Require individuals provided with the manual to sign a document stating understanding of the manual and reaffirm this understanding for any changes or updates to the manual.
- Perform periodic review of the manual for any necessary updates

**Superior Court Response By: Pat Hammermaster, AEO Date: November 10, 2010**

Please see attached responses prepared by Lillian Taft, Court Supervisor of the Exhibits Unit.

The responsible person for following through with the actions will be the Manager of the Santa Cruz Operations unit, Melodee Parmenter.

Superior Court Response, By: Lillian Taft

Our exhibit data base was made by a former court employee who is no longer with the court. Our technology department does not have a data base technician; so, we do not currently have staff available to make some of the changes the auditors are requesting. We are currently checking into the possibility of utilizing our ISD program to track exhibits and run reports/queries.

1. Inconsistencies among the exhibit log and exhibits tracking database.  
**Agree.** Monthly audits will be performed on the exhibit log and tracking database to ensure all exhibit record entry is complete and accurate when compared to the exhibit log. Implementation January 1, 2011.
- 2.1 Physical inventories of all exhibit areas.  
**Partially Agree.** Though Court cannot perform complete physical inventories, it is already in the process or considering the recommended activities even without a formal physical inventory. Implementation December 31, 2011.
- 2.2 Complete periodic inspection of each exhibit area.  
**Partially Agree.** The court cannot perform inspection of each exhibit area, but they will perform quarterly inspections on random exhibits with necessary documentations as recommended. Implementation December 31, 2011.
3. Install safe in the exhibit room to safeguard sensitive and high-risk exhibits.  
**Agree.** Currently, there is not adequate room to put a safe in any of the exhibit rooms. We will install a small safe for cash and other high risk items as soon as space is available. Implementation December 31, 2011.

4. Improve the logical access controls and tracking capabilities of the exhibit tracking database.

**Background:** Due to the lack of a data base technician, our technology department is unable to make changes to the current system. The technology department has made the following changes:

A. Log in screen.

**Agree.** The technology department is unable to limit access to the exhibit data base with a user name and password, but they have restricted access to the file to records personnel only. Implementation December 31, 2011.

B. Limit user access levels which edits “unusual items” and description of the number of exhibits received.

**Agree.** But due to budget restrictions, we currently do not have staff with programming knowledge on how to limit user access levels.

C. Modify data entry fields to improve recording and tracking of exhibits.

**Agree.** Court already added the “None” in the Unusual Item field list as recommended. Though currently Court cannot increase the field size of the Description field as recommended, it has implemented procedures in the interim to add specificity in entering descriptions, which is the intent of the recommendation. Implementation December 31, 2011.

D. Add database reporting functionality once a complete physical inventory is performed and all exhibit items are entered in and reconciled against the database to aid in subsequent inventories.

**Partially Agree.** Court cannot perform a complete physical inventory but has explored the possibility of using its CMS not its exhibits database to generate a report or list of exhibits for inventory purposes. Intent of the recommendation is the ability to generate an adequate exhibits report for subsequent inventory. Implementation 31, 2011.

5. Court-wide exhibits procedures manual. **Agree.**

A. We have been in the process of initiating this for a while. Due to recent budget cuts, we do not currently have enough personnel to perform daily work assignments. The supervisor of the records department will continue to work on this and have the manual completed by July 1, 2011.

B. Access of exhibit rooms during business and non-business hours. Card readers are being installed which will limit access of staff to work hours only. **Managers and CEOs will have access to exhibit rooms during non-working hours and they will accompany the exhibit person to access exhibits during non-work hours.**

**\*Special Note\*** Exhibit manuals will be distributed to all records personnel handling exhibits, courtroom clerks, managers, and CEOs. All individuals provided with a manual will sign a document stating understanding of the manual and reaffirm this understanding for any changes or updates to the manual. Yearly reviews of the manual will be done for any necessary updates.

## 17. Facilities

### Background

In 1997, the Lockyer-Isenberg Trial Court Funding Act of 1997 (Assembly Bill 233) provides that trial court operations are to be funded by the state, rather than primarily by the counties, as they have been prior to the enactment of the Act. Counties, however, continue to bear primary responsibility for trial court facilities.

The Trial Court Facilities Act of 2002 (SB 1732) established the governance structure and procedures for transferring responsibilities over trial court facilities from counties to the State. IAS is involved on an on-going basis in reviewing facility transfers and facility construction projects for all trial courts through coordination with OCCM. We utilized that work in this audit, and performed other reviews regarding allowability of costs under CRC 10.810 and capitalization of major expenditures at a high level. Expenditures reviewed include lease/rental agreements and facilities renovation and maintenance. Additionally, we reviewed procurement documentation and invoices, if selected, as part of our procurement and accounts payable testing discussed in Sections 9 and 11, respectively.

### Responsibility for Court Facilities

GC 70312 provides that if responsibility for court facilities is transferred from the county to the Judicial Council pursuant to this chapter, the county is relieved of any responsibility under Section **70311** for providing those facilities. The county is also relieved of any responsibility for deferred or ongoing maintenance for the facility transferred, except for the county facilities payment required by Section 70353.

According to the Office of Court Construction Management's (OCCM) "*Completed Transfer Agreements through February 1, 2010*", the County of Santa Cruz has entered into the following transfer agreements with the Judicial Council:

Building Name	Agreement Type	Executed Agreement type	Effective Date of Transfer
Jail Courtroom	Transfer of Responsibility - Limited Use Agreement	9/25/2008	11/7/2008
Juvenile Court	Transfer of Responsibility	9/25/2008	11/7/2008
Water Street Lease	Transfer of Responsibility - Limited Use Agreement	9/25/2008	11/7/2008
Department 8 Court	Consolidated	11/25/2008	11/30/2008
Former Jury Assembly Room	Consolidated	11/25/2008	11/30/2008
Watsonville Courthouse	Consolidated	11/25/2008	11/30/2008
The New Watsonville Courthouse	Transfer of Responsibility/Transfer of Title	11/25/2008	11/30/2008
Main Courthouse	Transfer of Responsibility	12/9/2008	1/31/2009
County Administration Building	Transfer of Responsibility	12/9/2008	1/31/2009
Jury Assembly Room	Transfer of Responsibility	12/9/2008	1/31/2009

The New Watsonville Courthouse was constructed as part of the Watsonville City's Civic Center Project in downtown Watsonville. This project relocated two courtrooms from the temporary trailers on the grounds of the Santa Cruz courthouse and the Watsonville courtroom and hearing room from severely outdated facilities in a County government complex on the outskirts of the community.

The core and shell of the main building was completed in December 2006. Tenant improvements for court space consisting of four rooms for holding superior court (or three courtrooms and a hearing room), four chambers of judges of the Court, six rooms for secure holding of prisoners attending court sessions, and other court required areas were substantially completed in January 2008, and the Court moved into the new facility on February 2008.

Financing for the New Watsonville Courthouse was shared by the City of Watsonville Redevelopment Agency, the County of Santa Cruz and the Court. Funds expended by the Court related to the New Watsonville Courthouse were reported in FY 2007/2008 and 2008/2009.

### General Ledger

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

ACCOUNT	Fiscal Year		\$ INC (DEC)	% Change
	2008 - 2009	2007 -2008		
	Combined Funds	Combined Funds		
<b>Expenditures</b>				
935201 RENT/LEASE STATE OWNED	30,367.00		30,367	
935203 STORAGE	86,636.72	94,255.69	(7,619)	(8)
* 935200 - RENT/LEASE	117,003.72	94,255.69	22,748	24
935301 JANITORIAL SERVICES	177,147.69	145,044.53	32,103	22
935303 JANITORIAL CLEANING SUPPL	5,633.16	1,592.13	4,041	254
* 935300 - JANITORIAL	182,780.85	146,636.66	36,144	25
935408 HARDWARE AND RELATED ITEM		14.39	(14)	(100)
935499 MAINTENANCE & SUPPLIES	442.22		442	
* 935400 - MAINTENANCE AND SUPPLIES	442.22	14.39	428	2,973
935601 ALTERATION & IMPROVEMENTS		5,738.00	(5,738)	(100)
* 935600 - ALTERATION		5,738.00	(5,738)	(100)
935701 SIGNS & RELATED SUPPLIES	46.66	71,196.31	(71,150)	(100)
935799 OTHER FACILITY COSTS - GO		7,030.73	(7,031)	(100)
* 935700 - OTHER FACILITY COSTS - G	46.66	78,227.04	(78,180)	(100)
935802 FACILITY PLANNING	323,466.94	1,681,253.68	(1,357,787)	(81)
935899 OTHER FACILITY COSTS - SE	8,896.00	28,878.50	(19,983)	(69)
* 935800 - OTHER FACILITY COSTS - S	332,362.94	1,710,132.18	(1,377,769)	(81)
** FACILITY OPERATION TOTAL	632,636.39	2,035,003.96	(1,402,368)	(69)
936101 UTILITIES	793.00		793	
* 936100 -UTILITIES	793.00		793	
** UTILITIES TOTAL	793.00	389,940.79	(389,148)	(100)

IAS is involved on an on-going basis in reviewing facility transfers and facility construction projects for all trial courts through coordination with the AOC's Office of Courthouse

Construction and Management (OCCM). IAS utilized the information obtained from this work and performed review of facility related expenditures including facility alteration and maintenance, and lease agreements to make the determination whether the Court's expenditures are allowable or unallowable costs as defined and provided for in GC§77003 and CRC 10.810.

The following issues were considered significant enough to bring to management's attention in this report. There were no minor issues noted.

## **17.1 The Court Improperly Expended Court Funds on Facility Related Expenditures**

### **Background**

#### Court Operations Defined

GC 77003(a) enumerates what constituted "court operations" with GC 77003 (a) (8) further providing that court operations includes other matters listed as court operations in Rule 10.810 of the California Rules of Court as it read on January 1, 2007.

CRC 10.810(b)(2) specifically excludes from the definition of "court operations" expenditures incurred for courthouse construction and site acquisition, including space rental (other than court records storage), alterations/remodeling, and relocating court facilities.

CRC 10.810(d) Function 10 (All Other Court Operations) provides examples of allowable cost items: furnishings, interior painting, replacement/maintenance of flooring, furniture repair, janitorial services, and space rental for court records.

CRC 10.810(d) Function 11 (County General Services) provides examples of unallowable facility related cost items: construction services, purchase, installation, and maintenance of HVAC equipment, utility use charges, alterations and remodeling.

#### Court Funded Request (CFR) Process

GC 68085(a)(2)(A) provides that the Judicial Council may authorize the direct payment or reimbursement or both of actual costs from the Trial Court Trust Fund or the Trial Court Improvement Fund to fund the costs of operating one or more trial courts upon the consent of participating courts. These paid or reimbursed costs may be for services provided to the court or courts by the Administrative Office of the Courts or ***payment for services or property of any kind*** contracted for by the court or courts or on behalf of the courts by the Administrative Office of the Courts.

The direct payment or reimbursement of costs from the Trial Court Trust Fund may be supported by the ***reduction*** of a participating court's allocation from the Trial Court Trust Fund to the extent that the court's expenditures for the program are reduced and the court is supported by the expenditure. The Judicial Council shall establish procedures to provide for the administration of this paragraph in a way that promotes the effective, efficient, reliable, and accountable operation of the trial courts.

GC 68085 (b) provides that the term "costs of operating one or more trial courts" includes any expenses related to operation of the court or performance of its functions, including, but not limited to, statewide administrative and information technology infrastructure supporting the courts. The term "costs of operating one or more trial courts" is not restricted to items considered "court operations" pursuant to Section 77003, but is subject to policies, procedures, and criteria established by the Judicial Council, and *may not* include an item that is a cost that must otherwise be paid by the county or city and county in which the court is located.

### Administrative Office of the Courts – CFR Process

In order to implement the provisions of GC 68085, the Administrative Office of the Court's (AOC) provided guidance to the courts regarding the CFR process via a memorandum dated May 16, 2006. If a court has pressing facilities needs for which the county is not responsible and for which the court has available funds, the court can submit a CFR to the AOC for approval. The AOC works with the court and from the information provided by the court (project scope, leased space, location, estimated one time and on-going costs, impacts to court operations, financial information, and others), a determination would be made regarding the viability including the court's ability to absorb the cost impact of the proposed project or acquisition.

Once the CFR is approved, the court would authorize the AOC to reduce the court's state allocation of trial court funds in an amount that corresponds to what the AOC would have expended for the facility acquisition or improvements. In addition, a memorandum of understanding (MOU) or other document between the court, the AOC, and/or the county would be prepared to document the transaction.

### The New Watsonville Courthouse

The New Watsonville Courthouse was constructed as part of the City of Watsonville's Civic Center Project in downtown Watsonville. Financing for the New Watsonville Courthouse was shared by the City of Watsonville Redevelopment Agency, the County of Santa Cruz and the Court.

### The 2004 Settlement MOU

- Municipal Court Automation Fund (MCA)  
In August 2004, the Court and County entered into a Memorandum of Understanding (The 2004 Settlement MOU) regarding the agreement reached for the disposition of disputed revenue related to past administrative assessments collected by the Court pursuant to Vehicle Code 40508.6 and Penal Code 1205 (d) and distributed during the daily standard fee/fine distribution process. These revenues were initially held in the County's Municipal Court Automation Fund (MCA Fund) and were intended to fund a Municipal Court criminal and civil/small claims case management systems at the Court and County.

- Watsonville Court Trust Fund (County Fund 72787)

As part of the Settlement MOU, it was agreed that the MCA Fund balance as of June 30, 2004 of \$978,658 is to be transferred to the newly established *Watsonville Court Trust Fund* (County Fund 72787) in the County Treasury and the MCA Fund is to be dissolved. The funds transferred into the *Watsonville Court Trust Fund* and the interest accruing to this fund starting July 1, 2004 not exceeding \$22,000 would be used as reimbursement for the construction costs (tenant improvements) related to a new city complex that included courtroom facilities for the Court's Watsonville location. The MOU specified the contingencies to be completed to the satisfaction of the Court (as determined in the Court's reasonable discretion) before the presiding judge was to authorize any disbursements (one at 50 percent completion and the balance upon final completion of the Watsonville facilities project) from this fund. The Court's presiding judges gave the authorizations for the County to draw on the funds in July 2007 and June 2008 for a total of \$1,000,658 (\$978,658 transferred from the MCA Fund plus \$22,000 in interest).

- Court Settlement Fund (County Fund 72236)

The 2004 Settlement MOU also provided for the establishment of the *Court Settlement Fund* (County Fund 72236) in the County Treasury into which the VC 40508.6 assessments and PC 1205 (d) fees collected starting on and after July 1, 2004 and all interest accruing in this fund are to be deposited. The fees and the interest deposited in this fund shall belong to the Court and used by the Court at its sole discretion.

- In 2006/2007, the Court received a total of \$1,817,137 from the County of Santa Cruz consisting of \$1,076,319 to transfer funds from the Court Settlement Fund (72236) and \$740,818 in the Court's operating fund (Fund 79400) that were residing in the County Treasury. The Court used these funds to pay for tenant improvements on the New Watsonville Courthouse, furniture and fixtures and equipment purchases for this New Courthouse.

Civil Assessment - \$75,000 per year for 30 years

- Prior to the implementation of AB 139 in 2005, the County anticipated utilizing a portion of the civil assessments *previously retained* by the County to finance the debt service for the tenant improvement costs for the New Watsonville Courthouse. As a result of the implementation of AB 139, the County no longer retains the civil assessments, and therefore would not have access to this funding stream. The County and the Court jointly requested for an equitable adjustment to correct inequities that resulted from the implementation of AB 139. In February 2006, the California State Association of Counties (CASC) and the AOC arrived at a joint decision of \$75,000 adjustment per year for 30 years.
- To implement the joint decision by CSAC and the AOC, the Court and the County entered into a Memorandum of Understanding (MOU) requiring the Court to transfer annually for a period of 30 years, \$75,000 of civil assessment revenue to the County to partially offset the County's debt service costs incurred for the New Watsonville Courthouse. The annual transfer of \$75,000 was scheduled to start in 2006/2007 and end in 2035/2036.

Rent/Lease Facility

In 2007/2008 and 2008/2009, the AOC entered into lease agreements with the City of Watsonville on the Court's behalf for administrative offices located at the New Watsonville Courthouse, reserved and secured parking spaces, and a sally-port. The AOC will reduce the Court's distribution from its annual allocation from the Trial Court Trust Fund (TCTF) in the amount equal to the costs the AOC paid directly from the TCTF on the Court's behalf with respect to the leased spaces.

**Issues**

During our review of the Court's facility related expenditures, IAS identified the following issues:

1. The 2004 Court/County Settlement MOU changed the usage of funds residing in the Municipal Court Automation Fund (MCA) from funding a case management system to reimbursing the County for the New Watsonville Courthouse construction costs (tenant improvements) which are non- CRC10.810 allowable costs. The reimbursements to the County totaled \$1,000,658.
2. The Court expended court funds on facility related expenditures which are considered non-CRC 10.810 allowable costs. Included in the general ledger account "Facility Planning" (account # 935802) are some facility related expenditures (see also related issues below):

**Table A:**

Description	2008/2009	2007/2008	Total
New Watsonville Courthouse - Tenant Improvements**	\$290,000	\$870,000	\$ 1,160,000
New Watsonville Courthouse - Tenant Improvements – amendment # 1 to 6 (The costs in the amendments included CRC 10.810 and non-CRC 10.810 allowable costs).  Expenditures for amendment # 1 to 6 totaled \$721,000 of which an estimated \$397,000 (from amendment # 1) was expended for tenant improvement for the Self-Help lease space, tile work, clerk counter space, and other tenant improvement work. The balance of the expenditures was for security cameras, AV equipment, server rack, and other miscellaneous expenditures.		397,000	397,000
Construction of the New Security Hallway for the Santa Cruz Facility	33,467	-	33,467
Total	\$323,467	\$1,267,000	\$1,590,467

\*\* Based on limited information available, the initial total budgeted cost for tenant improvements on the New Watsonville Courthouse totaled \$8.9 million (not including project management, other county administration costs, and amendments) which included \$602,000 allocated for security systems. The \$1,160,000 paid by the Court to the County did not specify whether the payment is for security systems or other tenant improvement work.

3. The tenant improvement work on the New Watsonville Courthouse and the new security hallway in the Santa Cruz facility referred to in issue number 2 above are both County managed projects. The Court did not enter into a Court/County MOU to document the

financial and non-financial arrangements regarding the payments by the Court to the County for the facility related expenditures including purchases by the County on the Court's behalf of security systems, equipment, and fixtures.

4. The minimal records available to the Court did not provide sufficient detailed information regarding the specific tenant improvement work performed by the County referred to in issue number 2 above. The available records also did not provide the detailed information related to the security systems, equipment and fixtures purchased by the County on the Court's behalf to enable the Court to track these purchases in its fixed asset management system.
5. Additionally, in 2007/2008, the Court received \$595,000 from the AOC's Trial Court Security Grant Program (Grant Program) to support several essential security systems for the New Watsonville Courthouse: access control system, a door control system, a closed-circuit television (CCTV) system, and an intercom control system.

The September 2007 AOC/Court MOU setting forth the terms and conditions regarding the disbursement of the Grant Program funds specified that the Court shall submit itemized invoices for reimbursement to the AOC. It also provided that the Court will be expected to record and track the equipment in accordance with FIN 9.01 (Fixed Asset Management).

The Court did not submit itemized invoices to the AOC as specified in the MOU. It only submitted a high level invoice totaling \$595,000 received from the security systems vendor noting that the information represents a "very rough" percentage/cost breakout for the "security system" incorporated within the New Watsonville Courthouse project.

It was also not clear from the Court's records the amount it paid to the County for the security systems (see issue 2 above).

Since detailed information was not available/obtained by the Court, it did not track the security systems purchased on its fixed asset management system.

6. For the three fiscal years 2006/2007, 2007/2008, and 2008/2009, the Court did not accrue the \$75,000 per year of civil assessment revenues payable to the County, as specified in the County/Court MOU, to partially offset the County's debt service costs incurred for the New Watsonville Courthouse. The Court recorded the payments for the three years totaling \$225,000 (\$75,000 x 3 years) in FY 2009/2010, in GL account # 942901 "County – Other Services". This resulted in the overstatement of expenditures in 2009/2010 with a corresponding understatement of expenditures in the previous three years.
7. Rent/lease expenditures in FY 2007/2008 was understated by \$5,958 representing rental expenditures from April 7, 2008 to June 30, 2008 that was not accrued by the Court at June 30, 2008 since it was not charged by the AOC until April of 2010. In addition, rent/lease expenditures in FY 2008/2009 was understated by \$6,384 since the City of Watsonville applied three months rent from July to September 2008 totaling \$6,384

against the unused tenant improvement allowance of \$73,881. The court did not accrue the rent/lease expenditures in the appropriate fiscal years, but instead, reported the *net* unused tenant improvement allowance received from the City totaling \$67,497 (\$73,881 less \$6,384) as miscellaneous reimbursement revenue (GL account # 861011).

### **Recommendations**

1. The Court must ensure that it only commits (contracts/MOUs) and expends Court funds only for expenditures that are considered “court operations” as defined and provided for in GC 77003 and in CRC 10.810.
2. In addition to recommendation number 1 above, since the Court’s facilities have since transferred from the County to the Judicial Council, the Court must contact the AOC’s Office of Courthouse Construction and Management for its future facility related needs.
3. In order to protect the Court’s interest, before committing Court funds to any project, it must have a contract/MOU in place to document the financial and non-financial aspects of the transaction.
4. The Court should work with the County to obtain the detail (example: invoices, warranties...) of the purchases for security system, equipment, and fixtures charged to the Court so that the Court can track these assets in its fixed asset management system.
5. When the Court obtains the detail for the security system, equipment, and fixtures purchased by the County on its behalf as recommended in 4 above, it should submit to the AOC an itemized invoice detailing the purchases made from the \$595,000 received from the AOC’s Trial Court Security Grant Program.
6. The Court must accrue expenditures in the proper fiscal year. Since the payments of civil assessment revenues are to partially offset the County’s debt service costs incurred for the New Watsonville Courthouse, these payments should be recorded in the “Capital fund” rather than the “General Fund”.
7. The Court must accrue expenditures in the proper fiscal year and should not net expenditures against revenues.

### **Superior Court Response By: Pat Hammermaster & Chris Ghio Date: December 29, 2010**

Date of Corrective Action: January 1, 2011

Responsible Person(s): Pat Hammermaster, Assistant Executive Officer and Chris Ghio, Court Finance Manager

1. **AGREE:** The court will expend court funds only for expenditures that are considered “court operations” as defined and provided for in GC 77003 and CRC 10.810
2. **AGREE:** The Court will contact the AOC’s Office of Courthouse Construction and Management for its future facility related needs.

3. **AGREE:** The Court will have a contract/MOU in place to document the financial and non-financial aspects of any project before committing court funds to the project.
4. **AGREE:** The Court has made a good faith effort to acquire the best possible breakdown of purchases for the courts security system as installed by the vendor (COMTEL) in the Watsonville project. The AOC had previously known and approved the invoice as submitted to qualify for the AOC's Trial Court Security Grant Program in the amount of \$595,000. The entire system, as installed, is court property for asset control purposes.
5. **AGREE:** As stated above, the AOC Trial Court Security Grant Program, approved the invoice submitted for the funds, as it was made known to the AOC of the complexity of the County/Court bid process when this project was started. The vendor gave an invoice after the fact, which was an all inclusive invoice to the court when the court requested such information. The County was the lead in this bid process and the Court did not receive any further breakdowns of any security systems other than this invoice. The Court made a good faith effort to provide as much as possible for meeting the security grant requirements and the AOC accepted this invoice, as it was all that the vendor could provide.
6. **AGREE:** The court will record all future payments to the "Capital Fund".
7. **AGREE:** The court will accrue all future expenditures in the proper fiscal year

**APPENDIX A**

**Superior Court of California,  
County of Santa Cruz**

**Issue Control Log**

**Note:**

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

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

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

**December 2010**



FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE	
			The Court needs to update general ledger account 120001 (Cash with County) on a monthly basis as part of its monthly trust reconciliation. The trust reconciliation must demonstrate that cash per the County Treasury reconciles to the Court's sub-ledger and ties to the general ledger, while also bearing evidence of appropriate approval.	I		<b>AGREE:</b> The court agrees with this recommendation, but unfortunately, finance does not have adequate staffing to create the journals and entries needed to update this ledger monthly, but will update the ledger quarterly.	Chris Ghio, Fiscal Manager	March 30, 2011	
			The Court should adopt a business process whereby a comprehensive log of adjusting entries is created at year end. This log should be reviewed and approved by the fiscal manager prior to the posting of adjusting entries to the general ledger.	I		<b>AGREE:</b> The court agrees with this finding and will prepare a comprehensive log of adjusting entries created at year end.	Chris Ghio, Fiscal Manager	June 30, 2011	
			The Court should create purchase orders within the Phoenix Financial System for all contracts and MOU's. A purchase order needs to be created in order for Phoenix to encumber the amount.		C	<b>AGREE:</b> The court agrees with this finding and have implemented this recommendation	Chris Ghio, Fiscal Manager	July 1, 2010	
			The Court should devise business processes that facilitate the accurate reporting of asset reductions and additions that occurred throughout the reporting period. These processes should incorporate the Court's Fixed Asset management System (FAMS).	I		<b>AGREE:</b> The Court has set up a data base and is currently developing a business process to facilitate the accurate reporting of assets. This process will ensure new assets are added and old un-useful assets are deleted.	Chris Ghio, Fiscal Manager	May 1, 2011	
		<b>Log</b>	The county submitted a Payroll Summary Sheet for the drug and alcohol counselor (Mr. Sherer). He is a consultant not a county employee so the hours should have been submitted on a consultant invoice. In addition, as a consultant, the county should not have added benefits to the amount billed per session, and the court should not accept this billing for payment.		C	Santa Cruz Superior Court agrees with this finding and has implemented the requirement of contractor timesheets for all consultants and have denied payment of benefits for all contractors.	Erika Henderson, budget Analyst	July 1, 2010	
5	Cash Handling								
		5.1	4	<b>Stronger Procedures are Needed to Better Control Handwritten-Manual Receipts</b>					
			Due to the risk of abuse, the Court must control, monitor, and track the use of manual receipts by adopting the following practice: 1) Track and document each receipt that is given to each cashier on a log that contains the receipt number, name of cashier receiving receipt and date/time they received it. This log should be maintained by area supervisor or manger and should be used at end of day to ensure all receipts are accounted for. 2) To monitor CMS processing, as a good and efficient practice, all manual receipt copies in the book should have the CMS receipt stapled to them to document that the receipt has been entered.		C	Santa Cruz Superior Court agrees with the recommendations and has taken corrective measures to train staff on the use of manual receipts. Instructions on voids, numerical sequence and thoroughly filling out the receipt has been provided to the counter staff at both locations by the supervisors. Managers at each location will follow-up annually with supervisors to make sure these procedures are carried out and new staff are trained in the correct procedures.	Responsible persons for continued implementation: Court Services Manager, Melodee Parmenter, Santa Cruz and Victoria Nahsen, Court Services Manager, Watsonville.	January 1, 2011	

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court should perform periodic refresher training on manual receipts, and enforce written procedures that the Court currently has in place for the use of manual receipts. Refresher training should include but is not limited to the following: 1) Manual receipts are used only when the automated case management system is down as per FIN Manual requirement and the Court's own cashiering policy. 2) Manual receipts should be used in strict numerical sequence. The original receipt is given to the defendant, the second copy is attached to the payment for posting to the case management system, and the third copy is retained in the book, never left blank and un-voided; so as to encourage the best accountability. 3) Manual receipts should be filled out completely and accurately.		C			
			Prepare alternative procedure request forms and submit them to the AOC for approval if the Court cannot implement the FIN Manual procedures noted above. The requests should identify the FIN Manual procedure the Court cannot implement, the reasons why it cannot implement the procedure, a description of its alternative procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the FIN Manual procedure.		C			
	5.2	1	<b>Void Capabilities Are Not Properly Segregated From Cashiering Duties</b>					
			The Court must ensure there is appropriate segregation of duties for employees who are approving and performing void transactions. Void capabilities in the CMS should be strictly limited to supervisory and management staff. By limiting the void responsibility to supervisory and management the Court ensures that this duty is appropriately segregated because the same individual is not performing transaction and then voiding their own transaction.		C	Santa Cruz Superior Court agrees with the indicated recommendation and has taken the action of restricting the LPC III's from having void capability. Void responsibility is strictly limited to supervisory and management positions.	Court Services Manager Melodee Parmenter , Santa Cruz, and Court Services Manager Victoria Nahnsen, Watsonville.	June 1, 2010
	5.3	2	<b>Court Lacks Sufficient Controls Over Opening and Processing of Mail Payments</b>					
			Mail payments received should be recorded on a mail payments log and the log should be reconciled to the CMS to ensure accuracy and timeliness of processing. The mail payments log should contain the case or docket number, name of the person making the payment, check amount, check number, date received, name of the person handling the check, and have attached an adding machine tape of all checks and money orders. If the Court determines not to use a two-person team or not to log all mail payments due to inadequate resources, low volume of case received in the mail, or some other justifiable reason, it should submit an alternative procedure request to the AOC for approval.		C	To address recommendations 1,2 & 3 the Santa Cruz Superior Court will implement a mail log process in accordance with the sample attached log from another county. The mail will be processed in Santa Cruz by another unit that does not do counter payment processing. The issue of backlog mail beyond the 48 hour time limit will be resolved by the log and oversight by the unit supervisor when there is difficulty in processing payments timely. The backlog will be reported to the unit Manager and then to the AEO if older than 48 hours. Payments that are older than 48 hours will be entered into a trust account.	Melodee Parmenter, Court Services Manager Santa Cruz and Victoria Nahnsen, Court Services Manager Watsonville	September 1, 2010
			The Court should either separate mail payment processing from counter payment processing, or institute mitigating controls, such as the two-member team approach and mail log provided in the FIN Manual.					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			To be in compliance with the spirit of the FIN Manual and to minimize the adverse affect on customers, the Court should not allow multiple days of mail payments to go unprocessed. To facilitate this, the Court should prioritize older mail with payment attached to be processed first. Supervisors should periodically review unprocessed mail payments to assess volume and timeliness, and clerks should notify their supervisors immediately when they have difficulty processing a particular mail payment. Supervisors should escalate mail backlog to CFO and CEO if older than 48 hours.					
			The Watsonville location must use a two-person team approach as required by the FIN Manual to open mail. When a two-person team is used to open, log, and process mail payments into the CMS, proper segregation of duties requires that one person opens and logs mail payments while a different person enters mail payments in CMS away from the cashier window. Otherwise, the Court must submit a request for alternative procedure, and offer mitigating controls in place of the two-person team.		C	Please see attached alternate procedure for the Watsonville location	Pat Hammermaster, Assistant CEO	September 1, 2010
	5.4	3	<b>Some Physical Safeguards are Inadequate Due To Poor Controls</b>					
			The court must implement a daily closeout process that requires a lead or supervisor to count and verify each cashier's collections in front of that cashier. This process should be documented by both the lead/supervisor and cashier signing the end of close totals.		C	The Court Services Managers will be providing training to all supervisors and leads on the proper procedures to do daily closeouts, where they will verify each cashier's collections in front of the cashier as recommended. Verification specifically will consist of; each cashiers cash collected (change and bills) will be counted and verified against cashiers till count total sheet and case management system cash totals. In addition, each check and money order will be reviewed to ensure it is filled out properly and verified against cashier adding machine tape and case management system check and money order totals.	Court Services Manager, Melodee Parmenter, Santa Cruz and Court Services Manager, Victoria Nahnsen, Watsonville	September 1, 2010
			The Court should disable the case deletion feature on the civil module of the case management system ISD for non-management staff. The ability for all court civil staff to delete cases was discovered while performing void testing. Since LPC IIIs ring transactions daily, disabling this capability for non-supervisory staff is recommended to help ensure deletions are properly authorized by management.		C	The Court is disabling the case deletion feature so only supervisors and above will have the ability to delete cases in the civil module		
			All court stamps and official court seals should stored away from collection window and secured overnight in a locked drawer or safe.		C	All court stamps and court seals will be stored away from the collection windows during the business day and secured in a drawer or safe overnight during non-business hours.		
		Log	Daily cash collections in traffic area are not secured locked in supervisor desk or cabinet between the close of the business day and until the Fiscal Department collects the deposits.		C	All checks are put in the safe or locked drawer each night, by the supervisor.	Pat Hammermaster, Assistant CEO and Melodee Parameter, Court Services Manager	December 1, 2010
		Log	Court does not have security cameras at the cash collections area of the Criminal/Traffic Department at Santa Cruz location.	I		Court is in process of installing surveillance recording system that covers cash collections are of the windows.	Michelle Duarte, Information Technology Director	March 11, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log</b>	Court employee Labor Law posters that are posted in breakrooms are outdated.		<b>C</b>	Posters were recently purchased and posted to replace outdated posters.	Tim Newman, Administrative Services Manager	December 29, 2010
		<b>Log</b>	The court does not perform reconciliation of daily internet payments to Case Management System.	<b>I</b>		The Court Operations Supervisor will perform reconciliations on random cases on the list of internet transactions provided by the third party vendor.	Melodee Parmenter, Court Services Manager Santa Cruz and Victoria Nahnsen, Court Services Manager Watsonville	July 1, 2011
		<b>Log</b>	Fiscal department has a segregation of duties conflict in that they perform voids and suspends. This procedure is a operations procedure and should only be performed and documented by them.		<b>C</b>	The Finance Department does not perform fine suspensions. September 1, 2010 the Operation Department began performing all voids.	Chris Ghio, Fiscal Manager	September 1, 2010
	<b>5.5</b>	<b>16</b>	<b>The Court Needs to Improve Its Procedures for Collecting Court-Ordered Monies</b>					
			The court needs to be a party to the contract for enhanced collections between The County and the court.		<b>C</b>	<b>AGREE:</b> The Court will be party to future contracts between the County and the Collection Vendor.	Melodee Parameter, Court Services Manager	January 1, 2011
			The court needs to negotiate an MOU between The County and the court for enhanced collections activities.	<b>I</b>		<b>AGREE:</b> The Court and the County are currently negotiating an Enhanced Collections MOU. We hope to have this in place by June 1, 2011.	Melodee Parameter, Court Services Manager	June 1, 2011
			Track the cases it refers to A-1 or FTB to determine the amounts collected and the remaining amounts due on a per-case basis. Perhaps even more importantly, the Court should use the collection results as a means to measure if A-1 and the FTB are genuinely effective at collecting and worth the cost of using their service. In addition, the Court must perform periodic reconciliations of its case referrals to A-1 or FTB to ensure all case referrals are properly reflected and accounted for in case management system.	<b>I</b>		<b>AGREE:</b> But unfortunately, the court's case management system does not provide reports on collections, as it is not automated and no way to reconcile. We are currently upgrading the system with our vendor, ISD and will possibly be able to go automated in the next year for collections, at which time this may be an automated reporting process. We hope to have this in place by January 2012	Melodee Parameter, Court Services Manager	January 1, 2012
			The Court should perform and document an analysis to determine if its current practice for recovering delinquent debt renders the best results and is the most cost effective. Currently, the court makes no effort to collect on the delinquent fines and fees but rather bundles the delinquent cases and sends them first to A-1 then to the FTB. If it is determined that the Court's current enhanced collection practices are not the most productive and cost effective the Court should update its practice on enhanced collections activities to employ a comprehensive enhanced collection program.	<b>I</b>		<b>AGREE:</b> We agree with this recommendation, but unfortunately we are a small court and do not have the resources or staff to have a separate collections unit.	Melodee Parameter, Court Services Manager	January 1, 2012
<b>6</b>	<b>Information Systems</b>							
	<b>6.1</b>	<b>21</b>	<b>Court Did Not Always Calculate Correct Assessments or Comply with Certain Statutes and Guidelines Governing Distribution</b>					
		<b>Repeat Issues</b>	Modify the logic in ICMS that assesses VC§40508.6(a) – Priors Admin Assessment of \$10. It is assessed on subsequent offenses not on the first offense.	<b>I</b>		<b>AGREE:</b> Our current CMS does not have the ability to address this issue, but our CMS vendor is preparing an upgrade for this pursuant to a request from another county. Santa Cruz Court will upgrade their system when this upgrade is available, within the fiscal year 2011.	Chris Ghio, Fiscal Manager	July 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Modify the logic in ICMS to correctly reduce the base fine with PC§ 1463.18(a)(1) – Indemnification of Victims or first \$20 to the Restitution Fund of \$20 similar to PC§1463.14 of \$50 and PC§1463.16 of \$50. This prevents the overstatement of base fine distributions.		C	AGREE: The court has changed the logic in ICMS to correctly assess the \$20.00 assessed by PC§1463.18-Indemnification of Victims.	Chris Ghio, Fiscal Manager	January 1, 2011
			Ensure proportional reduction of PC§1463.22 distribution of \$30.50 from the City and County base fine distributions for cases with city arrests. This is better achieved if performed automatically in ICMS on a case-level basis by reducing the base fine by \$30.50 before calculating the City and County base fine shares.		C	AGREE: The distribution for PC§1463.22 distribution of \$30.50 from the City and County base fine distributions was corrected November 1, 2010.	Chris Ghio, Fiscal Manager	November 1, 2010
			Eliminate the application of the 2% State Automation to the Automated Warrant System Assessment in the month-end spreadsheet. Per SCO Appendix C, 2% does not apply to fees and assessments.		C	AGREE: The 2% State Automation to the Automated Warrant System Assessment in the month-end spreadsheet has been discontinued as of December 1, 2010.	Chris Ghio, Fiscal Manager	December 1, 2010
			Eliminate the application of the 2% State Automation to the GC §76000.5 – Additional EMS penalty assessment and GC 70372(a) – State Court Facility Construction Fund traffic school distribution components. Per SCO Appendix C, 2% State Automation does not apply to any distribution component of traffic school dispositions.		C	AGREE: The 2% State Automation to the GC §76000.5 – Additional EMS penalty assessment and GC 70372(a) – State Court Facility Construction in the month-end spreadsheet has been discontinued as of December 1, 2010.	Chris Ghio, Fiscal Manager	December 1, 2010
		New Issues	Ensure that Vehicle Code infraction base fines set in the Judicial Council's UBS are appropriately communicated to judicial officers. The Court should also review its bail and penalty amounts for misdemeanor and non-vehicle infraction offenses for consistency with the UBS. If the Court adopts different amounts in its local bail and penalty schedule, per PC§ 1269b, a copy of the schedule must be provided to the Judicial Council with a report stating how the revised schedule differs from the UBS.	I		AGREE: We are currently revising the bail schedule and will provide a copy to the Judicial Council or align with the Uniform Bail Code. July 2011.	Chris Ghio, Fiscal Manager	July 1, 2011
			Modify the logic in ICMS to ensure that PC §1463.14(a)-Lab Fees of \$50, PC §1463.16-Alcohol Programs and Services Fees and PC §1463.18 – DUI Indemnity of \$20 are correctly configured in the base fine distribution calculation of DUI and Reckless Driving cases. For DUI cases (VC §23152 and VC §23153), base fine should be reduced by PC §1463.14(a), PC §1463.16, and PC §1463.18. On the other hand, for Reckless Driving cases (VC §23103 and VC §23104), base fine should only be reduced by the first two statutes.	I		AGREE: We are currently upgrading our ICMS and this will be corrected in the revision we are installing. Staff will be trained on the correct procedure. This should be accomplished by March 1, 2011.	Chris Ghio, Fiscal Manager	March 1, 2011
			Test ICMS to ensure GC §70373 – Criminal Conviction Assessments of \$35 for infractions and \$30 for misdemeanors are imposed for every conviction within a case and not per case or citation. If also imposed by judicial officers on a case-by case basis, communicate the requirements on assessing the assessment appropriately.	I		AGREE: Currently the ICMS does not have the capability to impose the GC §70373 – Criminal Conviction Assessments of \$35 for infractions and \$30 for misdemeanors for every conviction within a case. A modification was requested from the ICMS vendor, we are currently testing this modification. The ability to impose the Criminal Conviction Assessments per conviction will be in production as soon as testing is completed. This should be accomplished by March 1, 2011.	Chris Ghio, Fiscal Manager	March 1, 2011
			Modify the ICMS calculation and distribution logic of Red Light violations disposed as traffic school and identify if it complies with VC §42007.3 guidance set in the SCO Appendix C. For County arrests, there is no separate base fine distribution of the City portion thus VC §42007 TVS fee distribution will increase by the amount of the City portion.	I		AGREE: The court agrees with this finding. This may be difficult to set-up in ICMS; the Court will need to rely on manual calculations. This will be corrected by March 1, 2011.	Chris Ghio, Fiscal Manager	March 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Modify the ICMS distribution logic of traffic school dispositions to comply with VC §42007. Specifically, GC §76101 – Local Criminal Justice Fund of \$1 and GC §76104 – EMS penalty assessment distributions should be separated while both DNA penalty assessments (GC §76104.6 and GC §76104.7) and base fine distributions to the County should be included (not separately distributed) in the VC 42007 – TVS Fee. Also, the City portion of the base fine is distributed separately. Distribution components follow Table 1 (above) excluding 30% Red Light allocation.	I		<b>PARTIALLY AGREE:</b> The Court does not distribute any monies to the Local Criminal Justice Fund as per GC §76101, this distribution is performed by the County outside the Court distribution. The ICMS distribution logic of traffic school does show separate ledgers for both DNA penalty assessments, these ledgers are consolidated into the Traffic School Penalty ledger at months end. The GC §76104 – EMS penalty assessment distribution is performed outside of the ICMS system. A copy of the spreadsheet is attached. The Court will attempt to program the ICMS system to consolidate these penalties into the traffic school penalty ledger	Chris Ghio, Fiscal Manager	Currently Court does this process manually on a spreadsheet. The Court is going to address this item in the next ISD user group, but no specific date can be given at this time that change can be made in ICMS.
			Eliminate the calculation of GC 76100 – Local Court Construction fund of \$1 for traffic school dispositions in the month-end spreadsheet because the most recently approved board of supervisor resolution regarding the establishment of GC §76000 (a) local funds, resolution no. 342-92, did not levy such local fund.	I		<b>DISAGREE:</b> Court disagrees on the basis that this distribution is not performed by the Court. The County Auditor/Controller's Office distributes this money. The County does not believe a board of supervisor resolution is necessary for the distribution of this money. The Court has no control over the distributions performed by the County Auditor/Controller.	Chris Ghio, Fiscal Manager	Court advises they have no control over this. This is under county distribution.
		<b>Untested Issues</b>	Test and evaluate ICMS logic to ensure child seat violations (VC §27360 and VC §27360.5) are distributed in a similar manner regardless of disposition. For child seat cases disposed as traffic school, the total fine remains a fine thus should follow the distribution of a case disposed as a conviction. Traffic school service fee (VC §42007.1) should be assessed and the 2% State Automation (GC §68090.8) applies to applicable fines and penalty assessments.	I		<b>AGREE:</b> The Court agrees and will independently test and evaluate ICMS logic to ensure child seat violations (VC §27360 and VC §27360.5) are distributed appropriately. In addition, the Court will test and evaluate the Traffic School Service Fee (VC §42007.1) to ensure that it is assessing the 2% State Automation (GC §68090.8) to applicable fines and penalty assessments.	Chris Ghio, Fiscal Manager	Date open, CMS vendor ISD will review but no specific date given.
			Evaluate if PC §1464 and GC §76000(a) is combined into a single ledger code then test if monies from this ledger code is where the Fish & Game PC §1464 distribution component is taken as reflected in the month-end spreadsheet.	I		<b>AGREE:</b> The Court agrees and will evaluate and determine if PC §1464 and GC §76000(a) is combined into a single ledger code then test if monies from this ledger code is where the Fish & Game PC §1464 distribution component is taken as reflected in the month-end spreadsheet.	Chris Ghio, Fiscal Manager	January 1, 2011
			Test and evaluate if Fish & Game base fines are distributed to the correct ledger codes and ensure aggregate monies from these ledger codes are accurately reported in the month-end spreadsheet where the special base fine distribution pursuant to FG §13003 is correctly calculated and distributed.		C	<b>DISAGREE:</b> The base fines for monies collected pursuant to FG §13003 are set up correctly in the ICMS system. The money in this ledger is the split 50/50 between the State and County pursuant to FG 13003 on the month-end spreadsheet	Chris Ghio, Fiscal Manager	Court disagrees
		<b>Log</b>	Court does not have ledger accounts for Railroad traffic school distributions thus incorrectly distributing amounts using regular TS or VC 42007 ledger codes. Railroad TS distrib must follow VC 42007.4, where distribution is the same as if it was a conviction.	I		Per Chris Ghio, there are no ledgers set-up because Operations has yet to request them.	Chris Ghio, Fiscal Manager	January 1, 2011
		<b>Log</b>	Court has yet to provide copy of board resolution levying GC 76000.5 EMS Additional PA of \$2 for every 10.		C	Court Provided to IAS		January 1, 2011
	6.2	19	<b>Court Does Not Have Formalized Business Continuity and Disaster Recovery Plans</b>					
			Develop a formal disaster recovery plan (DRP) that identifies and details the process of recovering the critical IT systems, applications and/or programs, normally at an alternative site, necessary to support mission-critical business functions described in the business continuity plan (BCP).	I		<b>AGREE:</b> The court began working with the AOC in April of 2009 to develop a comprehensive BCP/COOP. The plan, which is 85% complete, identifies servers and other critical components that must be maintained for varying degrees of disruption. The courts CCOP is a Web-based tool that can be accessed from anywhere with Wi Fi capability.	Tim Newman, Administrative Service Manager	April 1, 2011

6/23/2011

Key: As of close of fieldwork:  
 I - Incomplete  
 C - Complete

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Develop a comprehensive BCP that addresses all mission-critical business functions or processes needed to be sustained during and after an emergency. The BCP should be used in conjunction with the continuity of operations plan (COOP) and DRP to implement an effective court-wide continuity and contingency plan	I		<b>AGREE:</b> The court's COOP addresses all mission-critical business functions needing to be sustained and/or recreated in the event of a disruption. The court's plan identifies critical systems present in both the Santa Cruz and Watsonville locations for the purpose of creating redundancy in the event of a major disruption.	Tim Newman, Administrative Service Manager	April 1, 2011
			Perform annual testing of the BCP, DRP and COOP, document the test results, and make adjustments to the plans as necessary. Full testing should address both short-term and long-term emergency or disruption scenarios	I		<b>AGREE:</b> The court will complete its COOP by April 2011 with the intent to test routinely and document the results of these tests. These tests will address disruptions of varying length and severity.	Tim Newman, Administrative Service Manager	April 1, 2011
		<b>Log</b>	Media liaison strategies are not documented in any of the Court's BCP plans.	I		The court will work with staff at the AOC Office of Emergency Response and Security to develop a comprehensive protocol for notifying media outlets of the courts operational capability in the event of a disruption of service. This protocol will be established no later than March 30, 2011	Tim Newman, Administrative Service Manager	March 30, 2011
		<b>Log</b>	Off-site storage for non-CMS back-ups (network, email server, Active Directory, etc) is not sufficiently remote. Non-CMS off-site back-ups are located in each court location, 18 mi apart, (Santa Cruz and Watsonville) thus each act as the primary back-up of the other. Court also has back-up location in the Juvenile Center in Felton, 5 mi. from Santa Cruz and 21 mi. from Watsonville .	I		The court will review purchasing an environmentally safe transport box as we will continue to store backup archives cross-existing court locations secured within climate controlled data centers. The court will also have a documented backup plan to support these efforts.	Michelle Duarte, Information Technology Director	March 30, 2011
	<b>6.3</b>	<b>20</b>	<b>Court Needs to Strengthen its Logical Security Controls Such As Password and User Account Controls and to Improve Related IT Policies and Procedures</b>					
			Perform periodic password changes to ICMS similar to the network. This requires IT staff to notify employees of password expiration because ICMS currently does not perform this automatically. Court should re-evaluate the risk-benefit of an ICMS enhancement for this function.	I		<b>PARTIALLY AGREE</b> – Although it is cost prohibitive for the court to fund modifications to the current case management system, however the court will conduct a risk analysis to determine necessity.	Michelle Duarte, Director of Information Technology	Cost Prohibitive at this time
			Similar to the first recommendation, Court should analyze the risk-benefit of an ICMS enhancement to perform automatic password set-up including change of password after initial log-in.	I		<b>AGREE</b> – The court will request a preliminary estimate from the CMS vendor to add the functionality of aging passwords in the ICMS application.	Michelle Duarte, Director of Information Technology	March 30, 2011
			Automatically disable user accounts after a period of inactivity (e.g. 90 days), at least at the network-level, if ICMS enhancement cannot be expressly implemented. Court should also independently review active users on its system and immediately communicate non-active users to security administrators to disable/delete their user accounts until an automatic process is operational	I		<b>AGREE-</b> The Court has installed a new CMS server. With this server we have and are implementing enhanced security measures. All server accounts passwords will expire every 90 days and the account will disable if the account is idle for more than 90 days. The server will require the use of a complex password. Go-live in production 2/14/11.	Sandy Crisel, Systems Administrator	February 14, 2011
			Automatically disable user accounts after numerous failed log-in attempts (e.g. 3 attempts), at least at the network-level, if ICMS enhancement cannot be expressly implemented.	I		<b>AGREE</b> – The new CMS server will lock an account that has five unsuccessful login attempts.	Sandy Crisel, Systems Administrator	February 14, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Evaluate the need for concurrent log-in into the network. If proven as a significant operational need, Court should limit concurrent log-in capability to select court users preferably management and some operational clerks	I		<b>PARTIALLY AGREE</b> – Although the court has acknowledged the potential security risk of allowing con-current sessions, the court has determined Clerks require the use of multiple con-current sessions to perform day to day work. In most cases clerks will always have at least 2 open sessions up to 5. These staff members are not part of the supervisor of manager staff. By limiting the con-current sessions to the CMS, the overall operational processing efficiencies will be severely impacted as well as our ability to service the public.	Michelle Duarte, Director of Information Technology	Court unable to implement at this time due to staff limitations
			Implement a timeout function on a user's network session (e.g. after 30 minutes of inactivity). If cannot be implemented remotely and universally, IT staff should notify court employees and enforce the timeout function by manually setting it in each active computer terminal	I		<b>AGREE</b> – all ICMS server connections will have an idle timeout set to disconnect after 15 minutes.	Sandy Crisel, Systems Administrator	February 14, 2011
			Improve the current IT policies and procedures to address necessary password controls, user account controls and remote access provisions. To be more comprehensive, Court then should review all existing IT policies and procedures, identify other items needing improvement and consolidate and categorize them for appropriate dissemination and communication (e.g. what are for all court employees and what are internal to IT staff only).	I		<b>AGREE</b> – IT will review all documented procedures and policies related to security and remote access. There is extensive information already documented, but a review for better dissemination and distinction will be taken under consideration in the review process.	Michelle Duarte, Director of Information Technology	March 30, 2011
		<b>Log</b>	The Santa Cruz locations computer room does not have temperature and humidity controls, emergency power cut-off switches, smoke and water detectors.		C	Rm 60 computer room construction has been completed as of 11/10. All servers in previous room have been migrated into the area. There is fire suppression, however there are not water detectors.	Michelle Duarte, Director of Information Technology	11/1/2010, however the water detectors installation is cost prohibitive at this time.
		<b>Log</b>	Both the Santa Cruz and Watsonville locations only has a water-based fire suppression equipment in its computer room.	I		Cost prohibitive to redesign and institute new fire suppression system. New center in rm. 60 has extinguisher. Watsonville also has one right outside the IDF door. Coutny data center also has extinguishers at hand	Michelle Duarte, Director of Information Technology	Cost prohibitive to complete at this time
		<b>Log</b>	The Santa Cruz locations environment and safety equipment is under County maintenance thus testing is County's responsibility. But Court is unaware if any testing is performed because such documentation is not requested nor provided.	I		Requested county datacenter test plan for redundant power systems and environment safety equipment maintenance schedules on 1/10/11.	Michelle Duarte, Director of Information Technology	March 31, 2011
		<b>Log</b>	Santa Cruz locations computer room wires are not properly secured.		C	Room constructions has been completed as of 11/10. Wiring properly secured.	Michelle Duarte, Director of Information Technology	November 1, 2010
		<b>Log</b>	Santa Cruz locations computer room is not built on elevated floors.	I		Cost prohibitive. County data center has elevated floor tiles.	Michelle Duarte, Director of Information Technology	Cost prohibitive to complete at this time

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Santa Cruz locations computer room does not have flood alarms installed.	I		County has flood gates installed on the exterior of the building to prevent overflow. Flood detection system are cost prohibitive.	Michelle Duarte, Director of Information Technology	Cost prohibitive to complete at this time
	6.4	6	<b>The Court's Procedures for Monitoring and Controlling Access to DMV Information is Inadequate</b>					
			Identify and compile a list of employees and non-employees who have direct or incidental access to electronic or hardcopy DMV records and require these individuals to complete the Form INF 1128 and re-certify annually. The list should be updated annually to reflect who has access and maintained with the forms.		C	<b>AGREE:</b> The court does maintain a list of all current users. The court has just refreshed the security forms required by DMV. A schedule reminder has been set so that the renewals can be completed on schedule in 1/2012	Michelle Duarte, Director of Information Technology	January 1, 2011
			Court should work with their case management system vendor (ISD) to develop a report that can serve as an electronic log of DMV access activity to ensure that DMV access confidentiality and appropriateness requirements are met. If an electronic log cannot be developed in the Courts case management system the Court must investigate and develop other manual or electronic methods to monitor DMV access activity at the Court. For example, the Court could require clerks to maintain manual DMV access logs and Court management could use the Failure to Appear (FTA) and Failure to Pay (FTP) reports to routinely test random cases to ensure DMV activity was appropriate	I		<b>AGREE:</b> It must be noted that the case management vendor is not associated with DMV user access; therefore there is no reason to request the case management vendor to create a report per this recommendation. All DMV reporting through the CMS is driven by system configuration and workflow and contained in the DMVHFILE database table. Previously user access was provided via a mainframe connection from Contra Costa to DMV. The Court has recently migrated to a new provider through the AOC (Effective 12/17/10) which is HWDC. After much research and testing it has been determined that the court can achieve complete logging of user sessions on a daily basis to a network storage share. The share will be accessible only by managerial staff for random audit operations. The logging includes all screen transactions and will be archived and backed up for the term of 2 years as specified in the MOU between the court and DMV. This solution will be completely implemented on 2/11/11 inline with the new release and configuration of the ssh supported emulator application.	Michelle Duarte, Director of Information Technology	February 11, 2011
			As part of the annual renewal procedures the Court should be assessing each employee to ensure that DMV user access is appropriate for each employee current job duties		C	<b>AGREE:</b> The court regularly modifies user configurations throughout the year as the business needs change and staffs are moved around. This finding is atypical of the norm as a result of the workforce reduction the court experienced during the timeframe of this finding. As to satisfy the finding the court will request operational review of the DMV user list for needed changes. It must also be noted that as staff exit their employment with the court user credentials are removed.	Michelle Duarte, Director of Information Technology	January 1, 2011
7	<b>Banking and Treasury</b>		<b>No issues identified in this area.</b>					
8	<b>Court Security</b>							
		Log	The court does not have smoke detectors installed in Santa Cruz building.	I		The court will work with the AOC OCCM to determine that what can be done to install fire alarm detection equipment in the building. Pending the outcome of that analysis, the court will attempt to have equipment in place by March 2011 or at least have more information about alternatives.	Tim Newman, Administrative Service Manager	March 1, 2011
9	<b>Procurement</b>							

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	9.1	13	<b>The Court Needs To Improve Its Procurement Practices</b>					
			Require procurement staff to use the competitive procurement method appropriate to the transaction as outlined in the FIN Manual and keep complete vendor records of for all procurement activity. If the Court determines that a competitive procurement method is not feasible for the goods or services it desires, it must document the justification for the method used especially if the procurement was sole-sourced. Moreover, if the Court desires to use purchase approval thresholds and procurement method thresholds that are higher than those suggested in the FIN Manual, it should submit and obtain AOC approval of its alternative procedures.	I		<b>AGREE:</b> The court agrees with this recommendation. All future purchases will follow the FIN Manual procurement guidelines.	Chris Ghio, Fiscal Manager	March 1, 2011
			Use purchase requisitions to initiate the procurement process as required by FIN Manual, Procedure No. FIN 6.01, paragraph 6.3	I		<b>AGREE:</b> The court is in agreement on this recommendation. The court currently uses purchase requisitions for all purchase orders and will have full compliance by March 1, 2011	Chris Ghio, Fiscal Manager	March 1, 2011
			Set up one contract purchase order per agreement to avoid the appearance that it is dividing purchase orders to circumvent procurement requirements. In the case of a copier lease for several court locations, the Court should set up one purchase order with multiple line items, and assign one line item per copier per location	I		<b>AGREE:</b> The court is in agreement with this recommendation. The purchase orders for the fiscal years 09/10 and 10/11 reflect that this change has been adopted by the court	Chris Ghio, Fiscal Manager	March 1, 2011
	9.2	12	<b>Court Does Not Comply With FIN Manual Purchase Card Requirements</b>					
			Limit purchase card transactions to \$1,500 per transaction. Purchases exceeding the \$1,500 limit must be made via the formal procurement process. If the Court had a reasonable justification for not meeting this requirement, it must submit an alternative procedure request to the AOC for approval.	I		<b>AGREE:</b> The Credit card transaction limits have been changed for each card holder to be in compliance with the FIN procedure.	Chris Ghio, Fiscal Manager	March 1, 2011
			Require all purchase card transactions to be supported by an approved purchase requisition. Since requisitions cannot be prepared on the Phoenix Financial System for purchase card transactions, a hardcopy requisition should be used instead to document that appropriate approval have been obtained prior to purchase.	I		<b>AGREE:</b> Purchase Card transactions will have a purchase requisition authorized by an approver above the level of the card holder.	Chris Ghio, Fiscal Manager	March 1, 2011
			Ensure purchase card transactions comply with procurement methods specified in Procurement No. FIN 6.01, Section 6.5. Specifically, but not limited to: Suggested Purchase Value, Procurement Type, Procurement Method. Less than \$500 Mini Purchase; Good purchasing practice \$500 to \$2,500 Micro Purchase At least three documented telephone or internet offers; \$2,501 to \$10,000 Small Purchase At least three written offers; Greater than \$10,000 Competitive Procurement Formal written offers	I		<b>AGREE:</b> Card holders will use the procurement methods listed in section 6.5 of the Fin procedure. The Finance Department will maintain the documentation for quotes, instead of the card holder.	Chris Ghio, Fiscal Manager	March 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Ensure compliance with IRS Form 1099-MISC reporting requirements for purchase card transactions for services. The Court must track purchase card transaction totals for the year by vendor in order to identify vendors who require a 1099-MISC form and the total amount to be reported for each vendor	I		<b>AGREE:</b> The court has set up tracking for purchase card transaction to be in compliance with IRS 1099 reporting	Chris Ghio, Fiscal Manager	March 1, 2011
			Court should strengthen controls on purchase cards by adopting and strictly enforcing FIN Manual Procedure No. 6.01, Section 6.14. The Court's local purchase card policy should be updated to include the specific restriction of employees using the purchase card to pay for individual travel expenses	I		<b>AGREE:</b> November 1, 2010 the Court met with Purchase cards holders providing them with a copy of the FIN Manual Procedure 6.01. The card holders have received documentation of prohibited purchases on their cards, the list includes travel.	Chris Ghio, Fiscal Manager	March 1, 2011
<b>10</b>	<b>Contracts</b>							
	<b>10.1</b>	<b>18</b>	<b>The Court Does Not Have MOU Agreements for Some County Services While Some Existing MOU Agreements Need Enhancements</b>					
			Draft a comprehensive MOU or individual departmental MOUs for all County provided services including but not limited to: janitorial services, information technology services, mail and postage services, and vehicle maintenance services.	I		<b>AGREE:</b> The court is in the process of creating individual service MOU's with the County. We have completed the janitorial MOU; we are not going to use the county for vehicle maintenance. The court will work with the county to create an MOU for information technology, mail and postage this will be accomplished by December 31, 2011.	Chris Ghio, Finance Manager and Michelle Duarte, Director of Information Technology	December 31, 2011
			The Court needs to review Procedure No. FIN 7.02, 6.5, County Provided Services under GC 77212 for all contracts between the County and the Court to ensure the MOUs are complete and in compliance with State statutes and regulations.	I		<b>AGREE:</b> The Court will have contract with each individual county department by December 31, 2011.	Chris Ghio, Finance Manager and Michelle Duarte, Director of Information Technology	December 31, 2011
			Prepare MOUs that contain a clause in which county services will be provided to the court at a rate that shall not exceed the costs of providing similar services to county departments or special district.		C	<b>AGREE:</b> The Court will make sure all future MOUs with the county contain this clause.	Chris Ghio, Finance Manager and Michelle Duarte, Director of Information Technology	January 1, 2011
			Establish a central depository for all original executed contracts and e-mail working copies to all appropriate Court departments.		C	<b>AGREE:</b> The Court will keep all original contracts in one location.	Chris Ghio, Finance Manager and Michelle Duarte, Director of Information Technology	January 1, 2011
			The Court needs to comply with CRC 10.805 (formerly CRC 6.705) that states, if the court receives or issues a notice regarding the discontinuation of county-provided services under GC77212, a copy of the notice must be provided to the AOC Manager of Fiscal Services within 10 days of the notice issue or receipt date.		C	<b>AGREE:</b> The Court will notify the AOC Manager of Fiscal Services within 10 days of the notice issue or receipt date regarding the discontinuation of county-provided services.	Chris Ghio, Finance Manager and Michelle Duarte, Director of Information Technology	January 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court needs to ensure that all MOUs with the County provide concise descriptions of the method used to develop the billing rate used to charge the Court. The Court should require the County to provide a basis for the billing rate methodology used to bill the Court in order to determine whether the charge is an allocated methodology or a direct bill methodology. The Court should verify the county billings to ensure that the billed rates agree with the rates stated in the MOU.		C	<b>AGREE:</b> The Court will make sure all future MOUs with the county includes the basis for billing. The Court will verify all county invoices match the rates stated in the MOU.	Chris Ghio, Finance Manager and Michelle Duarte, Director of Information Technology	January 1, 2011
			To mitigate unnecessary financial risk and liability, the Court should re-establish its SLA with the Contra Costa County Department of Information Technology (Contra Costa DoIT) since it continues to receive the same services as before during its current month-to-month arrangement. The SLA must be amended to identify and include, but not limited to: • Cost of services for the monthly billing set-up • Scope of any additional services associated with the transfer of ICMS hosting and support to the Court	I		The Court <b>AGREES</b> with the finding but the Court is migrating all these services in-house by the end of February 2011. The expected go-live date is 1/18/11. It is neither feasible nor necessary at this time to pursue contract negotiation, considering the amount of time necessary to construct an MOU that is mutually agreed upon current services will already have terminated. All future support services for the new equipment are under support agreement with SAIC under the Judicial Branch master contract.	Chris Ghio, Finance Manager and Michelle Duarte, Director of Information Technology	February 14, 2011
	10.2	14	<b>Court Did Not Contract for One Large Multi-Year Purchase, Lacked a Contract for Storage Services and Did Not Adequately Review a Contract to Protects its Interests</b>					
			The court will execute a written contract when entering into agreements for services or complex procurements of goods and services that is signed and dated by the Court Presiding Judge or his/her designee. Furthermore, if and when any contract amendments are required the amended contract shall be dated and executed by the Court Presiding Judge or his/her designee.		C	<b>AGREE:</b> The court will have the Court Presiding Judge or his/her designee sign future contracts and amendments.	Chris Ghio, Fiscal Manager	January 1, 2011
			The Court will incorporate and apply the "three point match" process when processing and paying vendor invoices. This process consists of matching a vendor invoice to the purchase agreement, to the proof of receipt and acceptance of goods and services. Discrepancies between the contract agreed upon amount and the vendor invoice will not be processed for payment and will be escalated to the appropriate manager		C	<b>AGREE:</b> The court will apply the "three point match" process to all future vendor payments.	Chris Ghio, Fiscal Manager	January 1, 2011
			The Court should comply with all travel guidelines in FIN 8.03, 6.1.8, specific to contractors.		C	<b>AGREE:</b> The court will negotiate future contracts to be in compliance with FIN 8.03, 6.1.8 guidelines.	Chris Ghio, Fiscal Manager	January 1, 2011
			The Court should consider revising Clause 3.5 of its vendor contract for the ISD Corporation at least every three years to ensure the Court's interests are protected and the Court is receiving a good value consistent with the economic climate.		C	<b>AGREE:</b> The court is currently renegotiating this contract with ISD. The Court and the AOC Office of General Counsel is working on contract language.	Chris Ghio, Fiscal Manager	January 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court should perform a complete review all vendors' contracts to ensure that all contracts, existing and new, contain all required elements and terms and conditions so to best protect the interest of the Court. A helpful tool in the process would be for the Court to adopt and use the AOC standardized boilerplate contract format.		C	<b>AGREE:</b> The Court is currently in the process of reviewing existing contracts and will work with the AOC Office of General Counsel for future Contracts.	Chris Ghio, Fiscal Manager	January 1, 2011
			The Court should improve its contract administration processes by developing procedures that are defined in FIN 7.03.	I		<b>AGREE:</b> The Court agrees to improve its contract administration process. The Court is evaluating options to have one staff person responsible for Monitoring, tracking and documenting performance and progress. Identify problems that may threaten performance. Address contractual disputes immediately by settling according to sound administrative practice and business judgment. The Court will maintain contract files in one central location.	Chris Ghio, Fiscal Manager	December 31, 2011
11	Accounts Payable							
		11.1	10			<b>Travel Expense Reimbursement Procedures do not Comply with FIN Manual Requirements</b>		
					I	Pursuant to FIN 8.03, paragraph 6.4.1, require all judges, CEO, and employees to submit reimbursement for travel expenses on an appropriate TEC form with all fields filled out completely with all the information necessary to determine the accuracy, necessity, and reasonableness of the travel expense reimbursements. Provide periodic refresher training on travel policies and how to properly complete the TEC form. Strictly enforce travel policies and reject claims that are not fully and accurately completed.	Chris Ghio, Fiscal Manager	March 1, 2011
					I	Require appropriate level review and approval signatures on TEC forms from the employee's immediate supervisor or above before processing these claims for payment. If the claim is for the Court CEO, the PJ or APJ would be the appropriate review and approval level that would sign the TEC approving the travel expenses of the CEO. All claims for the PJ would be reviewed and approved by the CEO.	Chris Ghio, Fiscal Manager	March 1, 2011
					I	Require and enforce all employees claiming mileage on their TEC's to provide complete detail supporting the mileage being claimed. This can be achieved by the employee fully documenting the (to/from) under section #3 (location) on the TEC form. In addition, both the home address and headquarters address should be completed and do not allow a P.O. Box to be used for the home address. Furthermore, it is a suggested good practice that all TEC claims requesting mileage reimbursement be accompanied by a printout from Google Maps as backup supporting the mileage. Adopting this process helps accounts payable staff to easily review and verify that mileage is appropriate.	Chris Ghio, Fiscal Manager	March 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court must follow FIN 6.01, paragraph 6.14, and discontinue Court purchase cards for business travel expenses. The Court should adopt and follow the travel policies set forth by FIN 8.03, paragraph 6.1.2. This section states specifically, "Arrangements for business travel involving airfare and car rentals should be made through the court-designated travel planner". Following this process would enable the court set up a business travel account (BTA) with a corporate travel agent or airline.	I		<b>AGREE:</b> The court has set up a business travel account (BTA) for both a corporate travel agent and airline. The purchase cards were never to be used for travel. The use of the purchase card for travel was an oversight by the employee. Employees with a purchase card have all been trained not to use the card for business travel expenses.	Chris Ghio, Fiscal Manager	March 1, 2011
		<b>Log, Travel</b>	1 of the travel expense claims where hotel expenses were claimed did not include a hotel bill that showed a zero balance due, per FIN 8.03 section 6.3(f).	I		The Court will make sure future hotel receipts show a zero balance.	Chris Ghio, Fiscal Manager	March 1, 2011
		<b>Log, Travel</b>	1 of the travel expense claims reviewed claimed nightly hotel in excess of the allowed rate of \$110 and did not have approval of CEO/Judge.	I		The Court will make sure hotel expenses above the allowed rate are attached to the travel reimbursement claim.	Chris Ghio, Fiscal Manager	March 1, 2011
		<b>Log, Travel</b>	1 of travel expense claim reviewed where hotel expense was claimed did not have occupancy tax waived and had no documentation to support the fact the hotel declined to waive.	I		The Court will make sure employees are informed to present the occupancy tax form to the hotel for signature..	Chris Ghio, Fiscal Manager	March 1, 2011
		<b>Log, Travel</b>	4 expense claims reviewed that were for a conference or training did not have completion certificate or documentation to support completion.	I		The Court will make sure completion certificates are attached to the travel claim.	Chris Ghio, Fiscal Manager	March 1, 2011
		<b>Log, Travel</b>	Meal reimbursement is not a per diem. Policy states that meals are reimbursed for actual cost up to \$6, \$10, and \$18. One travel expense claim had meals expenses reimbursed for the maximum when the actual expense incurred was less.	I		The Court will make sure all future business meal expenses follow FIN 8.05.	Chris Ghio, Fiscal Manager	March 1, 2011
	<b>11.2</b>	<b>11</b>	<b>Court Does Not Comply with FIN Manual Requirements to Reimburse Business-Related Meal Expenses</b>					
			Require Court management to adhere to the FIN Manual business meal procedures that include using the business-related meal form and requiring prior approval of the business meals by the PJ to ensure the meal expenses are appropriate and necessary. This includes completion of the business-related meal form, including a clear explanation of the business need for the meal, documenting prior approval of the meal by the PJ, use and retention of meeting sign-in logs to document a list of participants, and retention of the itemized meal receipts to adequately substantiate the cost of meals per attendee.	I		<b>AGREE:</b> The Court is in agreement with this recommendation. All business-related meal forms will contain a clear explanation of the business need for the meal, documenting prior approval of the meal by the PJ, use and retention of meeting sign-in logs to document a list of participants, and retention of the itemized meal receipts to adequately substantiate the cost of meals per attendee.	Chris Ghio, Fiscal Manager	March 1, 2011
			Require Court management to ensure that approved meal expenses are within the allowed maximum business meal expense limits. This would include ensuring that requests for pre-approval of the business-related meals are within the allowable per-person limits for the event type and location, as well as ensuring that the actual per person meal expenses remain within the allowable limits.	I		<b>AGREE:</b> The Court will make sure all future business meal expenses follow FIN 8.05.	Chris Ghio, Fiscal Manager	March 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			Business meal reimbursements made to individuals, require submission of a travel expense claim in addition to required receipts. If the after hours business meal was for a group then this would need to be documented on the business meal expense form along with the reason to support the need for this expense after hours.	I		<b>AGREE:</b> The Court will require individuals to submit a travel expense claim in addition to the required receipts. After hours business meals for a group will be documented on the business meal expense form along with the reason to support the need for this expense after hours.	Chris Ghio, Fiscal Manager	March 1, 2011
	11.3	8	<b>The Court Must Improve Controls over Accounts Payable</b>					
			Provide training and instruction to accounts payable staff to ensure they require and obtain approval signatures or necessary supporting documents on all expenditures, including items considered "special expenditures", to ensure the payments are appropriate before processing claims and invoices for payment.	I		<b>AGREE:</b> The Court agrees to provide training and written guidelines to the accounts payable staff. This will include what the appropriate approvals and supporting documentation are for invoices and claims before payment can be made.	Chris Ghio, Fiscal Manager	March 1, 2011
			The Court must use the "three point match" procedure and document that the match has been made within the A/P files. A "three point match" procedure consists of matching a vendor invoice to a purchase agreement and to proof of receipt and acceptance of goods or services.	I		<b>AGREE:</b> The court will apply the "three point match" process to all future vendor payments.	Chris Ghio, Fiscal Manager	March 1, 2011
			The Court must document appropriately on all invoices that all goods listed on an invoice were, in fact, received by the court and all services were performed.	I		<b>AGREE:</b> The Court will verify all goods or services ordered match to the details of the packing slip or other form of delivery of product or completion of work and are approved by an authorized employee.	Chris Ghio, Fiscal Manager	March 1, 2011
			The Court must pay all claims in accordance with terms stated in the contract, PO, BPO, and bill or invoice of one time or "direct pay" vendors.	I		<b>AGREE:</b> The Court will have a written procedure in place to ensure claims are paid in accordance to the terms of the contract, PO, or individual invoice of each vendor.	Chris Ghio, Fiscal Manager	March 1, 2011
			Invoices from Court Reporters must show sufficient details to support the amount charged to the court. GC § 69950 states the following: For original ribbon or printed copy of transcript, \$0.85 for each 100 words; for each copy ordered with the original transcript, \$0.15 for each 100 words; for the first copy not ordered with an original transcript, \$0.20 per each 100 words; for each additional copy ordered with the first copy, \$0.15 per each 100 words.	I		<b>AGREE:</b> The Court is in agreement with this finding. The Court will have a new invoicing procedure for Court Reporters in place by April 1, 2011. Court reporters will invoice according to statute.	Chris Ghio, Fiscal Manager	April 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court should be consistently in compliance with the Judicial Council approved rates for Court Interpreter compensation. The Court should have a documented policy on Court Interpreter compensation rates to include languages that are common and uncommon, spoken & unspoken (i.e. sign language). Further, the Court should develop a policy to define prevailing amounts charged by specialized language interpreters such as sign language interpreters, as defined in evidence code 754(i) and pre-approve compensating interpreters that seek to charge the Court more than the amounts allowable by the Judicial council as stated in the Payment Policies for Contract Court Interpreters.	I		The Court <b>AGREES</b> with the finding. It is the intent of the Superior Court to conform to the Judicial Council's Payment Policies for Contract Court Interpreters. Although daily rates are set forth in the Council's policy, the Court and Council recognize that daily payment rates may vary depending on unique and unusual circumstances. It will be the responsibility of Court staff soliciting the services of a contract interpreter to negotiate fair and reasonable compensation rates. Furthermore, if the Court must use an interpreter at a higher rate the Court will provide all supporting documentation to justify the higher rate was a necessity and was appropriately approved. Because of unique and unusual circumstances, staff must negotiate for these services on a case-by-case basis with the intent of getting the best price for the Court. The Court will work with its sister courts and the AOC to establish price parameters in the best interest of the Court. The Court will create a contract matrix establishing base rates for unique languages to be used as a reference for establishing new service contracts.	Chris Ghio, Fiscal Manager	April 1, 2011
			The Court must verify all mileage claims before paying invoices to avoid overpayment and incorrect claims. Mileage on claims can be verified by utilizing online map programs or require all mileage claims include a map showing the starting address & ending address. Furthermore, in order to verify the address the claimant's registered home address must be on claim and not a PO Box. a.) The Court should consider modifying the court interpreter claim form to provide the information necessary, such as business or home address and to and from locations, that would allow a reviewer to assess the appropriateness and reasonableness of the mileage claimed before approving and submitting the claim for payment	I		<b>AGREE:</b> The Court will modify the interpreter claim to include starting address and ending address for mileage. The Court will require the interpreter to use their home address and not a PO Box	Chris Ghio, Fiscal Manager	March 1, 2011
		<b>Log, A/P</b>	One of thirty-six or 2.77% of OE&E expenditures tested contained vendor information that did not agree with the vendor payment information in SAP.		C	The Court will make sure vendor payment information matches SAP.	Chris Ghio, Fiscal Manager	March 1, 2011
		<b>Log, A/P</b>	Two of thirty-six or 5.55% of OE&E expenditures tested did not contain a date stamp.		C	All future expenditures will contain a date stamp.	Chris Ghio, Fiscal Manager	March 1, 2011
		<b>Log, Petty Cash</b>	One out of sixty-two or 1.6% of petty cash expenses tested found that the court has made expenditures/disbursements greater than \$100 without prior approval of the CEO or designee. For example, the court paid \$155.21 for tuition for a court employee.		C	The Court will make sure any exception has the proper documentation attached to the purchase document.	Chris Ghio, Fiscal Manager	January 1, 2011
		<b>Log, Petty Cash</b>	Petty cash fund disbursements were made for expenditures that should have been procured through the standard procurement methods per FIN 8.04 paragraph 6.5.		C	The Court will make sure expenditures follow FIN procedures.	Chris Ghio, Fiscal Manager	January 1, 2011
		<b>Log, Petty Cash</b>	Thirteen out of sixty-two or 20% of petty cash expenses tested found that the court paid office supplies, food, beverages and flowers for parties and meetings totaling \$491.39. These items could be practically purchased through the normal procurement process.		C	The Court will purchase all practical items through the normal procurement process.	Chris Ghio, Fiscal Manager	January 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log, Petty Cash</b>	One out of sixty-two or 1.6% of petty cash expenses tested found that the court paid start up costs for the small claims advisor for a Consumer Affairs Book costing \$40.		C	The Small Claims Advisor is a Court Employee. The Court receives Small Claims Funds from filing fees to cover these costs and support the program.	Chris Ghio, Fiscal Manager	Noted
		<b>Log, Petty Cash</b>	One out of sixty-two or 1.6% of petty cash expenses tested did not have a receipt retained to document the purchase.		C	The Court will have all receipts attached to the purchase document.	Chris Ghio, Fiscal Manager	January 1, 2011
<b>12</b>	<b>Fixed Assets Management</b>		Any issues considered significant enough to bring to management's attention are noted in (Section 17, Facilities) and in (Section 4, Accounting Practices).					
<b>13</b>	<b>Audits</b>		Any issues noted that were considered repeat issues are noted in this report in (Section 5, Cash Handling) and (Section 6, Information Systems).					
<b>14</b>	<b>Records Retention</b>		There were no significant issues to report to management.					
<b>15</b>	<b>Domestic Violence</b>							
	<b>15.1</b>	<b>7</b>	<b>Required Fines and Fees Were Not Always Assessed for Criminal Domestic Violence Cases Reviewed</b>					
			In all 15 cases reviewed by IAS where the defendant was sentenced to probation, the Court did not assess the \$400 domestic violence probation fine pursuant to PC §1203.097 (a). Specifically, 2 cases had no fine at all assessed and no notes in the minutes to document why no fine was assessed. 13 cases had the fine amount of \$200 assessed but this fine amount did not take effect until 01/1/10 and these 13 cases took place prior to that date		C	Santa Cruz Superior Court agrees with the recommendation. The Court currently utilizes a bench guide/schedule that outlines special fines and fees associated with Domestic Violence. The Criminal Judges Team meets quarterly to discuss issues involving criminal cases, such as sentencing, processing and workflow management. We continue to remind the judges in the criminal team to impose the mandatory fees and that any waivers of such fees be clearly stated and written in the official court minutes	Melodee Parmenter, Court Operations Manager	January 1, 2011
		In 1 out of 15 or 6 percent of cases reviewed by IAS where the defendant was sentenced to probation, found that the required fine for PC §1202.44 Probation Revocation Restitutions Fine did not match PC §1202.4(b) as required.						
		In 1 out of 15 or 6 percent of cases reviewed, the Court did not assess the \$30 criminal conviction assessment pursuant to GC §70373, per conviction for cases with multiple criminal convictions.						
		In 1 out of 15 or 6 percent of cases reviewed, the Court did not assess the court security fee of \$20 pursuant to PC §1465.8(a)(1), per conviction for cases with multiple criminal convictions.						
		In 1 out of 15 or 6 percent of cases reviewed, the Court did not assess the required penal code fines for instances when a sentence is included in the penal code fine. These are (PC §1464(a), PC §1465.7, GC §70372, and GC §76104.6).						

6/23/2011

Key: As of close of fieldwork:  
 I - Incomplete  
 C - Complete



FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			<p>Improve the logical access controls and tracking capabilities of the exhibit tracking database by implementing at least the following database enhancements:</p> <ul style="list-style-type: none"> <li>Create a log-in screen requiring a username and password to provide a stronger control in the event of an unauthorized user getting a hold of a user's terminal.</li> <li>Limit user access levels in such a way that any edits to existing critical exhibits data such as, but not limited to, exhibit location and itemized description (e.g. total currency, number of narcotic packets) should require a supervisory approval via a secondary password entry in the database or a supervisor signature in an edit log, whichever is easier.</li> <li>Modify data entry fields to improve recording and tracking of exhibits:                             <ul style="list-style-type: none"> <li>The "Description" field size must be increased or another field added to accommodate a more descriptive, if not itemization, recording of exhibits.</li> <li>"Unusual Item" field must not be null. If exhibits do not include any sensitive items, user must be required to select "None" before an exhibit record is saved. This ensures completeness of the exhibit record entry.                                     <ul style="list-style-type: none"> <li>Add database reporting functionality once a complete physical inventory is performed and all exhibit items are entered in and reconciled against the database to aid in subsequent inventories. Authorized users, preferably the exhibits supervisor or manager, should be able to generate a list of exhibits by category (e.g. by exhibit location or by age date) for expediency and efficiency.</li> </ul> </li> </ul> </li> </ul>	I		<p><b>A. Log in screen.</b>  <b>AGREE.</b> The technology department is unable to limit access to the exhibit data base with a user name and password, but they have restricted access to the file to records personnel only.</p> <p><b>B. Limit user access levels which edits "unusual items" and description of the number of exhibits received.</b>  <b>AGREE.</b> But, due to budget restrictions, we currently do not have staff with programming knowledge on how to limit user access levels.</p> <p><b>C. Modify data entry fields to improve recording and tracking of exhibits.</b>  <b>AGREE.</b> Court already added the "None" in the Unusual Item field list as recommended. Though currently Court cannot increase the field size of the Description field as recommended, it has implemented procedures in the interim to add specificity in entering descriptions, which is the intent of the recommendation.</p> <p><b>D. Add database reporting functionality once a complete physical inventory is performed and all exhibit items are entered in and reconciled against the database to aid in subsequent inventories.</b>  <b>PARTIALLY AGREE.</b> Court cannot perform a complete physical inventory but has explored the possibility of using its CMS not its exhibits database to generate a report or list of exhibits for inventory purposes. Intent of the recommendation is the ability to generate an adequate exhibits report for subsequent inventory.</p>	Lillian Taft, Court Exhibit Supervisor	December 31, 2011
			<p>Develop a court-wide exhibits procedures manual to ease transfer of knowledge and to promote consistent good practices that contains, but is not limited to, the following:</p> <ul style="list-style-type: none"> <li>Procedures that define and detail the responsibilities of the exhibit custodian/s and courtroom clerks to ensure appropriate chain of custody of exhibits</li> <li>Procedures that address access to the exhibit rooms during business and non-business hours. To ensure safety of exhibits and accountability of authorized exhibits personnel with access, we suggest that upper management is informed and a non-exhibit person (Court manager or security personnel) accompanies the exhibit person accessing the exhibit rooms during non-business hours to validate the reason for the visit. Once a manual is completed, the Court should:                             <ul style="list-style-type: none"> <li>Distribute the manual among individuals involved in the exhibits activity</li> <li>Require individuals provided with the manual to sign a document stating understanding of the manual and reaffirm this understanding for any changes or updates to the manual.</li> <li>Perform periodic review of the manual for any necessary</li> </ul> </li> </ul>	I		<p><b>AGREE.</b> A. We have been in the process of initiating this for a while. Due to recent budget cuts, we do not currently have enough personnel to perform daily work assignments. The supervisor of the records department will continue to work on this and have the manual completed by July 1, 2011.</p> <p>B. Access of exhibit rooms during business and non-business hours. Card readers are being installed which will limit access of staff to work hours only. Managers and CEOs will have access to exhibit rooms during non-working hours and they will accompany the exhibit person to access exhibits during non-work hours. Exhibit manuals will be distributed to all records personnel handling exhibits, courtroom clerks, managers, and CEOs. All individuals provided with a manual will sign a document stating understanding of the manual and reaffirm this understanding for any changes or updates to the manual. Yearly reviews of the manual will be done for any necessary updates.</p>	Lillian Taft, Court Exhibit Supervisor	July 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Key box and logs of court-wide extra keys and master keys are not audited annually. Facilities supervisor has audited them twice in 5 years.	I		We agree, we will audit annually beginning July 2011	Tim Newman, Administrative Service Manager	July 1, 2011
		Log	Court does not maintain a log of combination lock changes. However, since the AOC has assumed facilities work for the Court, future lock change requests will be directed to the AOC.		C	Santa Cruz Court transitioned to a card access system in January 2011.	Tim Newman, Administrative Service Manager	January 1, 2011
		Log	Court is unaware if the combination lock of Exhibit room C meets GSA federal standards.		C	Exhibit Room C is no longer on combination, it is card access as of January 2011	Tim Newman, Administrative Service Manager	January 1, 2011
		Log	Only Exhibit Rm A has a steel door with a fire rating (3 hour). Exhibit Rms B & C are hollow doors with no explicit fire door rating.	I		The AOC has plans to remodel the exhibits area by July 2011.	Tim Newman, Administrative Service Manager	July 1, 2011
		Log	Emergency exit by the Records/Exhibits department is not alarmed or covered by CCTV.		C	<b>PARTIALLY AGREE:</b> This door is now monitored by a new security camera and card reader, which will allow the Court to monitor who is coming and going at all times. The Court will work with the AOC and its security systems contractor to develop a solution to monitor and/or alarm the door in question, possibly using video analytics. Placing an alarm on this door is challenging because there is no elevator for transporting files and clerks must use the door throughout the day to move files back and forth.	Tim Newman, Administrative Service Manager	July 1, 2011
		Log	Exhibit rooms' solid walls do not extend from floor to ceiling. The upper portion of the wall is enclosed by a wire mesh that can be broken into. This issue has been raised by the current Exhibits SV to upper management but no action is yet to be taken.	I		The Court will submit a proposal to the AOC facilities working group to erect a new wall.	Tim Newman, Administrative Service Manager	March 1, 2011
		Log	Exhibit rooms are not covered by alarms or CCTV.	I		<b>AGREE:</b> The court will work with the AOC to deploy security technology to this space as part of Phase II of the Court's Security Camera and Card Access Pilot Project, which will begin by July 1, 2011.	Tim Newman, Administrative Service Manager	December 31, 2011
		Log	Copy of the return affidavit signed by the requesting party confirming receipt of exhibits is maintained by the exhibits custodian and not by Court personnel independent from courtroom and exhibit room activities.	I	C	We have two exhibits clerks verify the exhibits being returned. We do not have additional personnel to monitor the exhibit receipts	Melodee Parmenter, Court Operations Manager	January 1, 2011
		Log	Courtroom clerks do not use a formal or standard pre-numbered exhibit transfer/receipt form or exhibit list. Courtroom clerks manually create an exhibit list from Word.	I		<b>AGREE:</b> Presently the courtroom clerks enter all exhibits that have been presented in a case into a pre-formed word template. The courtroom clerks will print three copies of this exhibit form that itemizes all exhibits for each case. One copy will go to the exhibits clerk in the exhibit storage room, one copy goes into the case file, and one copy will be held with the court manager, independent from the exhibit function. Date of implementation 7/1/2011. In addition, the court no longer accepts sensitive items (money, drugs, weapons, biohazard material) for holding and storage in the exhibit room. These items are given back to the DA or Sheriff	Melodee Parmenter, Court Operations Manager	July 1, 2011
		Log	Copies of the exhibit list are kept by the courtroom clerk and the exhibit custodian and not by Court personnel independent from courtroom and exhibit room activities.	I		<b>AGREE:</b> A copy of the Exhibit list for each case exhibit will be kept and held by Court Manager.	Melodee Parmenter, Court Operations Manager	July 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	In the Santa Cruz location Item-to-List testing, exhibit item was not destroyed though it was noted in the database as destroyed. Case documents maintained proved the exhibit should have been destroyed.	I		<b>AGREE:</b> We have corrected our procedure to reflect the "return to agencies" are noted as returned exhibits, rather than destroyed by the agencies.	Melodee Parmenter, Court Operations Manager	January 1, 2011
		Log	The Watsonville exhibit log does not include the exhibit description.	I		<b>AGREE:</b> We have corrected the log to include descriptions.	Melodee Parmenter, Court Operations Manager	January 1, 2011
17	Facilities							
	17.1	17	The Court Improperly Expended Court Funds on Facility Related Expenditures					
			The Court must ensure that it only commits (contracts/MOUs) and expends Court funds only for expenditures that are considered "court operations" as defined and provided for in GC 77003 and in CRC 10.810.		C	<b>AGREE:</b> The court will expend court funds only for expenditures that are considered "court operations" as defined and provided for in GC 77003 and CRC 10.810.	Pat Hammermaster, Assistant Executive Officer and Chris Ghio, Court Finance	January 1, 2011
			In addition to recommendation number 1 above, since the Court's facilities have since transferred from the County to the Judicial Council, the Court must contact the AOC's Office of Courthouse Construction and Management for its future facility related needs.		C	<b>AGREE:</b> The Court will contact the AOC's Office of Courthouse Construction and Management for its future facility related needs.	Pat Hammermaster, Assistant Executive Officer and Chris Ghio, Court Finance Manager	January 1, 2011
			In order to protect the Court's interest, before committing Court funds to any project, it must have a contract/MOU in place to document the financial and non-financial aspects of the transaction.		C	<b>AGREE:</b> The Court will have a contract/MOU in place to document the financial and non-financial aspects of any project before committing court funds to the project.	Pat Hammermaster, Assistant Executive Officer and Chris Ghio, Court Finance Manager	January 1, 2011
			The Court should work with the County to obtain the detail (example: invoices, warranties...) of the purchases for security system, equipment, and fixtures charged to the Court so that the Court can track these assets in its fixed asset management system.	I		<b>AGREE:</b> The Court has made a good faith effort to acquire the best possible breakdown of purchases for the courts security system as installed by the vendor (COMTEL) in the Watsonville project. The AOC had previously known and approved the invoice as submitted to qualify for the AOC's Trial Court Security Grant Program in the amount of \$595,000. The entire system, as installed, is court property for asset control purposes.	Pat Hammermaster, Assistant Executive Officer and Chris Ghio, Court Finance Manager	Court Unbale to secure these items at this time but will secure all backup for all grants in future
			When the Court obtains the detail for the security system, equipment, and fixtures purchased by the County on its behalf as recommended in 4 above, it should submit to the AOC an itemized invoice detailing the purchases made from the \$595,000 received from the AOC's Trial Court Security Grant Program.	I		<b>AGREE:</b> As stated above, the AOC Trial Court Security Grant Program, approved the invoice submitted for the funds, as it was made known to the AOC of the complexity of the County/Court bid process when this project was started. The vendor gave an invoice after the fact, which was an all inclusive invoice to the court when the court requested such information. The County was the lead in this bid process and the Court did not receive any further breakdowns of any security systems other than this invoice. The Court made a good faith effort to provide as much as possible for meeting the security grant requirements and the AOC accepted this invoice, as it was all that the vendor could provide.	Pat Hammermaster, Assistant Executive Officer and Chris Ghio, Court Finance Manager	Court Unbale to secure these items at this time but will secure all backup for all grants in future
			The Court must accrue expenditures in the proper fiscal year. Since the payments of civil assessment revenues are to partially offset the County's debt service costs incurred for the New Watsonville Courthouse, these payments should be recorded in the "Capital fund" rather than the "General Fund".		C	<b>AGREE:</b> The court will record all future payments to the "Capital Fund".	Pat Hammermaster, Assistant Executive Officer and Chris Ghio, Court Finance Manager	January 1, 2011

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			The Court must accrue expenditures in the proper fiscal year and should not net expenditures against revenues.		C	AGREE: The court will accrue all future expenditures in the proper fiscal year.	Pat Hammermaster, Assistant Executive Officer and Chris Ghio, Court Finance Manager	January 1, 2011