



Audit of the
Superior Court of California,
County of Orange

REPORT OF INTERNAL AUDIT
SERVICES

DECEMBER 2012



ADMINISTRATIVE OFFICE
OF THE COURTS

JUDICIAL COUNCIL AND COURT LEADERSHIP
SERVICES DIVISION

INTERNAL AUDIT SERVICES

This report contains confidential and privileged material for the sole use of the intended recipient(s). Any review, use, distribution, or disclosure by others not identified in the report transmittal letter is strictly prohibited.

For authorization to distribute this report to any other parties please contact:

Mr. John A. Judnick
Senior Manager, Internal Audit Services
Administrative Office of the Courts
Phone: (415) 865-7450
Fax: (415) 865-4337
E-mail: john.judnick@jud.ca.gov

Superior Court of California, County of Orange

Table of Contents

MANAGEMENT SUMMARY i

STATISTICS v

FINANCIAL STATEMENTS..... vii

PURPOSE AND SCOPE..... xiii

TIMING AND REVIEWS WITH MANAGEMENT xiii

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration 1

- Organization
- Responsibilities and Authority

2. Fiscal Management and Budgets 2

- Financial Management
- Internal Controls
- Payroll & Timekeeping

3. Fund Accounting..... 4

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

- Fund Accounting
- Grant Accounting and Administration
- Revenues and Expenditures
- General Ledger

5. Cash Collections 7

- Cash Handling

6. Information Systems 15

- Revenue Collection and Distribution

7. Banking and Treasury 26

- Investments

8. Court Security 28

9. Procurement 29

- Procurement and Encumbrances
- Administration and Documentation

10. Contracts 31

- Contracts
- Memorandums of Understanding
- Contract Administration

11. Accounts Payable.....	32
• Judge and Employee Travel Expense Reimbursement	
• Vendor Invoice and Claim Processing	
• Business Meal Expense Guidelines	
• Petty Cash	
12. Fixed Assets Management	44
13. Audits	45
14. Records Retention	46
15. Domestic Violence.....	47
16. Exhibits	51
17. Bail	53

APPENDIX

Issue Control Log.....	53
------------------------	----

MANAGEMENT SUMMARY

Introduction

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

The audit of the Superior Court of California, County of Orange (Court) was initiated by IAS in May 2012. Depending on the size of the court, the audit process typically involves three or four audit cycles encompassing the following primary areas:

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

IAS audits cover all four of the above areas. The audit process involves the review of the Court's compliance with California statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS external consultants conducted reviews of the Court and issued reports in November 2004 and October 2007. IAS followed up on issues identified in these prior reports to determine whether the Court adequately resolved previous issues.

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

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

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

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

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

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

Audit Issues Overview

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

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

Collection Calculations and Distributions Need Improvement (Issue 6.1 on page 16)

The Court did not distribute certain collections as prescribed by statutes and guidelines. State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. The Court uses a traffic and criminal case management system that automatically calculates the distributions of most court collections, and manually calculates and reports at month-end special base fine distributions for proof of insurance cases.

However, our review of the Court's distributions of collections for the cases we selected to review identified various calculation and distribution errors. For example, the Court did not correctly calculate the 2 Percent State Automation amounts, did not correctly distribute

collections on cases disposed with traffic school, and did not correctly calculate the 30 percent allocations on Red Light and Railroad cases, among other calculation and distribution errors.

The Court agreed with the issues and most of the recommendations, and indicates it is in the process of prioritizing corrective actions to remediate the findings. The Court also indicates it is developing preventive measures for future distribution issues including increased training, analytical procedures, and enhanced documentation. Finally, the Court indicates that guidance over distribution is not always transparent and originates from several different sources, thus, it appreciates support from the AOC and the State Controller's Office in applying distribution laws and guidelines, and requests additional resources on legislative updates.

Improvement Needed In Review and Approval of Travel Expenses (Issue 11.1 on page 33)

The Court needs to improve its procedures for reviewing and approving travel expenses. As stewards of public funds, courts are obligated to demonstrate responsible and economical use of public funds. Additionally, statute and policy requires trial court judges and employees to follow business-related travel reimbursement procedures recommended by the AOC Administrative Director of the Courts and approved by the Judicial Council. As such, the FIN Manual provides trial courts with policy and procedures-including rules and limits-for arranging, engaging in, and claiming reimbursement for the travel expenses employees incur while on official court business.

Although the FIN Manual provides uniform guidelines for courts to follow when processing travel expense claims (TEC) for payment, the Court did not always follow these guidelines. For instance, the Court reimbursed employee claims for out-of-state travel expenses without consistently requiring written pre-approval by the presiding judge (PJ) or written designee of the out-of-state travel. In addition, the Court did not adequately review employee travel expenses before approving and processing the TECs for payment. As a result, the Court reimbursed personal business travel expenses that an employee claimed on an out-of-state TEC. For two other TECs, contrary to the Judicial Council approved travel reimbursement policy, the Court paid the overnight lodging expenses for two employees even though the hotel conference site was less than 10 miles from Court headquarters, and less than 25 miles from each employee's respective home. Further, the Court allowed an employee to use the Court purchase card to pay for travel expenses, but did not require the employee to submit the associated receipts to support the expenses charged to the purchase card nor question the charges even though the amount charged for dinner exceeded the allowed maximum limit for dinner.

The Court agreed with the issues and recommendations, and indicates taking action to remind staff of the travel reimbursement policy and procedures.

Business-Related Meals Need Closer Oversight (Issue 11.2 on page 39)

The Court needs to exercise closer oversight over its business-related meals. The FIN Manual defines the rules and limits trial courts must observe when arranging or claiming reimbursement for meals connected to official court business. To be reimbursable, these business meals must have the advance written approval of the PJ or, if delegated in writing by the PJ, the Court Executive Officer (CEO) or another judge. 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 and documenting certain required

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

Our review revealed that the Court did not adequately account for and justify its business-related meal expenditures. Specifically, the Court asserted that three business-related meal transactions were not business-related meal expenses, but instead were expenses related to employee appreciation events that follow its separate internal policy for Employee Appreciation Expenses. Nevertheless, for at least two of these three employee appreciation events, the amounts spent per person exceeded the amounts allowed by its written Employee Appreciation Expense policy, indicating that the Court is not appropriately overseeing these employee appreciation expenses. For another business-related meal transaction, although the Court recorded the expense in the meals/food general ledger account, the expense was for the purchase of flowers, which is not a California Rules of Court, rule 10.810, allowable court operations cost. Subsequent to the audit, the Court indicated it received reimbursement for this expense in January 2013.

In addition, the Court did not demonstrate appropriate pre-approval of the business-related meal forms and did not include all the information necessary to assess the propriety of the meal expense. Specifically, five of the six business-related meal forms were signed by the director for the division incurring the meal expense, instead of by the PJ, the CEO, or another judge. Although the Court asserts that its Business-Related Meal Form itself stands as an official document adopted by the Court to authorize executives, as the PJ's delegates, to pre-approve business meal requests and exceptions, the FIN Manual indicates that the PJ—or, if delegated in writing by the PJ, the CEO or another judge—must pre-approve business-related meals; not executives in general as the Court asserts. The FIN Manual also states that the PJ—or, if delegated in writing by the PJ, the CEO or another judge—must determine in each instance that there is a business purpose to permit the business meal expenditure.

The Court also did not ensure that the business-related meals met the FIN Manual timeframe requirements and maximum meal rate limits. Specifically, one business-related meal did not meet the FIN Manual time requirements for breakfast and another business-related meal did not meet the time requirements for lunch. In addition, although the FIN Manual states that no exceptions will be granted for exceeding the maximum meal rates, two of the six business-related meal reimbursements exceeded the maximums. Moreover, for another business-related meal reimbursement, the Court inappropriately reimbursed meal expenses that the employee incurred one week after the business event date.

The Court agreed with the issues and recommendations, and indicates implementing corrective action. However, the Court asserts that the FIN Manual requirement of having only the PJ, CEO, or another judge review and authorize small claims is not practical for the Court, so it will seek AOC approval of an alternate procedure.

STATISTICS

The Superior Court of California, County of Orange (Court) operates nine court locations in Santa Ana, Laguna Hills, Newport Beach, Orange, Fullerton, and Westminster. The Court has 146 judges and subordinate judicial officers and employs approximately 1,606 court staff to fulfill its administrative and operational activities. It incurred total trial court expenditures of more than \$207.5 million for the fiscal year that ended June 30, 2012.

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

For fiscal year 2011–2012, the Court received various services from the County of Orange (County). For instance, the Court received County-provided services such as dependency counsel, telecommunications, printing, payroll, parking services, and information technology services. At the time of our review, all County-provided services were covered under a Court-County Memorandum of Understanding (MOU). The Court also received court security services from the County Sheriff that were covered under this same MOU.

The charts that follow contain general Court statistical information.

County Population (Estimated as of July 1, 2012)	3,071,933
Source: California Department of Finance	
Number of Court Locations	9
Number of Courtrooms	154
Source: Superior Court of California, County of Orange	
Number of Case Filings in FY 2010–2011:	
Criminal Filings:	
▪ Felonies	16,106
▪ Non-Traffic Misdemeanor	37,823
▪ Non-Traffic Infractions	15,130
▪ Traffic Misdemeanors	50,936
▪ Traffic Infractions	431,265
Civil Filings:	
▪ Civil Unlimited	19,528
▪ Motor Vehicle PI/PD/WD	2,251
▪ Other PI/PD/WD	1,821
▪ Other Civil Complaints & Petitions	14,834

<ul style="list-style-type: none"> ▪ Small Claims Appeals ▪ Limited Civil ▪ Small Claims ▪ Family Law (Marital) ▪ Family Law Petitions <p>Juvenile Filings:</p> <ul style="list-style-type: none"> ▪ Juvenile Delinquency – Original ▪ Juvenile Delinquency – Subsequent ▪ Juvenile Dependency – Original ▪ Juvenile Dependency – Subsequent <p>Other Filings:</p> <ul style="list-style-type: none"> ▪ Probate ▪ Mental Health 	<p>622</p> <p>53,162</p> <p>17,795</p> <p>11,820</p> <p>17,161</p> <p>4,215</p> <p>1,894</p> <p>1,707</p> <p>4</p> <p>2,643</p> <p>1,343</p>
Source: Judicial Council of California's 2012 Court Statistics Report	
Select FY 2011-2012 Financial Information:	
Total Financing Sources	\$199,312,703
Total Expenditures	\$207,526,187
Total Personal Services Costs	\$166,758,283
Total Temporary Help Costs	\$3,626,267
Source: FY 2011-2012 Quarterly Financial Statements – Fourth Quarter	
Judicial Officers as of June 30, 2012:	
Authorized Judgeships	118
Authorized Subordinate Judicial Officers	27
Source: Judicial Council of California's 2012 Court Statistics Report	
Court Staff as of June 30, 2012:	
Total Authorized FTE Positions	1,688.22
Total Filled FTE Positions	1,606.00
Total Fiscal Staff	138.00
Source: FY 2011-2012 Quarterly Financial Statements – Fourth Quarter Superior Court of California, County of Orange	
FY 2010-2011 Average Daily Collections	\$944,966
Source: Superior Court of California, County of Orange	

FINANCIAL STATEMENTS

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

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

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

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

Two of the detailed policies are:

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

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

To assist in the fiscal accountability requirements of the branch, the Administrative Office of the Courts (AOC) developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of Orange (Court), implemented this fiscal system and processes fiscal data through the AOC Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data that follow are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three statements are:

1. Balance Sheet (statement of position);

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

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

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

- **Governmental**
 - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
 - **Special Revenue** – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received). Funds included here are:
 - **Special Revenue**
 1. Small Claims Advisory Fund – 120003
 2. Dispute Resolution Fund – 120004
 3. Grand Jury Fund – 120005
 4. Enhanced Collections Fund – 120007
 5. Children’s Waiting Room Fund – 180005
 - **Grants**
 1. Assembly Bill (AB)1058 Family Law Facilitator Program – 1910581
 2. AB1058 Child Support Commissioner Program – 1910591
 3. Substance Abuse Focus Program – 1910601
- **Fiduciary**
 - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”¹ Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:
 - Trust – 320001

¹ GASB Statement No. 34, paragraph 69.

- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the 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 acceptable for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide financial statements.² **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
 - Civil Filing Fees Fund – 450000
 - Treasury Fund – 910000

² GASB Statement No. 34, paragraph 12.

**Orange Superior Court
Trial Court Operations Fund
Balance Sheet
For the Fiscal Year Ended June 30,
(Unaudited)**

	2012				Total Funds (Info. Purposes Only)	2011 Total Funds (Info. Purposes Only)
	Governmental Funds			Fiduciary Funds		
	General	Special Revenue				
		Non-Grant	Grant			
ASSETS						
Operations	\$ 1,349,589	\$ 719,263	\$ (2,722,200)	\$ 0	\$ (653,349)	\$ (889,715)
Payroll						
Jury						
Revolving	\$ 5,000				\$ 5,000	\$ 5,000
Other		\$ 39,808			\$ 39,808	\$ 105,970
Distribution				\$ (5,200,699)	\$ (5,200,699)	\$ 398,599
Civil Filing Fees				\$ 0	\$ 0	\$ 0
Trust						
Cash on Hand	\$ 33,125				\$ 33,125	\$ 33,925
Cash with County	\$ 15,727,825	\$ 0	\$ 0	\$ 35,429,627	\$ 51,157,453	\$ 46,426,540
Cash Outside of the AOC						
Total Cash	\$ 17,115,539	\$ 759,070	\$ (2,722,200)	\$ 30,228,928	\$ 45,381,337	\$ 46,080,319
Short Term Investment	\$ 28,634,006			\$ 6,582,804	\$ 35,216,811	\$ 45,853,984
Investment in Financial Institution						
Total Investments	\$ 28,634,006			\$ 6,582,804	\$ 35,216,811	\$ 45,853,984
Accrued Revenue	\$ 0	\$ 0		\$ 0	\$ 0	\$ 113,968
Accounts Receivable - General	\$ 495,030	\$ 128,327	\$ 2,393,340	\$ 0	\$ 3,016,697	\$ 4,454,011
Dishonored Checks						
Due From Employee	\$ 39				\$ 39	\$ 64
Civil Jury Fees						
Due From Other Funds	\$ 0				\$ 0	\$ 4,461,756
Due From Other Governments	\$ 9,885	\$ 0	\$ 0	\$ 657,693	\$ 667,578	\$ 3,187,650
Due From State	\$ 0	\$ 0	\$ 0		\$ 0	\$ 3,983,105
Trust Due To/From				\$ 0	\$ 0	\$ 4,084,861
Civil Filing Fee Due To/From				\$ 0	\$ 0	\$ 5,288,731
General Due To/From	\$ 0	\$ 0			\$ 0	\$ 1,074,581
Total Receivables	\$ 504,955	\$ 128,327	\$ 2,393,340	\$ 657,693	\$ 3,684,315	\$ 26,648,727
Prepaid Expenses - General	\$ 20,077,358	\$ 0			\$ 20,077,358	\$ 21,859,669
Salary and Travel Advances						\$ 0
Total Prepaid Expenses	\$ 20,077,358	\$ 0			\$ 20,077,358	\$ 21,859,669
Other Assets						
Total Other Assets						
Total Assets	\$ 66,331,858	\$ 887,397	\$ (328,860)	\$ 37,469,425	\$ 104,359,820	\$ 140,442,699
LIABILITIES AND FUND BALANCES						
Accrued Liabilities	\$ 0	\$ 0	\$ 0	\$ 6,181	\$ 6,181	\$ 3,068,625
Accounts Payable - General	\$ 469,735	\$ 73,163	\$ 0	\$ 0	\$ 542,898	\$ 2,354,922
Due to Other Funds	\$ 2	\$ 0	\$ (2)	\$ 0	\$ 0	\$ 14,909,929
Due to State	\$ 0			\$ 0	\$ 0	\$ 5,579,518
TC145 Liability				\$ 0	\$ 0	\$ 10,229,516
Due to Other Governments	\$ 0		\$ 0	\$ 4,250,337	\$ 4,250,337	\$ 12,744,420
Sales and Use Tax	\$ 2,242			\$ 2,242	\$ 2,242	\$ 3,728
Interest				\$ 0	\$ 0	\$ 155
Total Accounts Payable and Accrued Liab.	\$ 471,979	\$ 73,163	\$ (2)	\$ 4,256,517	\$ 4,801,657	\$ 48,890,814
Civil						\$ 0
Criminal				\$ 1,382,105	\$ 1,382,105	\$ 0
Unreconciled - Civil and Criminal						
Trust Held Outside of the AOC				\$ 31,830,803	\$ 31,830,803	\$ 22,426,566
Trust Interest Payable				\$ 0	\$ 0	\$ 0
Miscellaneous Trust						
Total Trust Deposits				\$ 33,212,908	\$ 33,212,908	\$ 22,426,566
Accrued Payroll	\$ 0	\$ 0	\$ 0		\$ 0	\$ 6,326,633
Benefits Payable	\$ 0				\$ 0	\$ 0
Payroll Clearing						
Total Payroll Liabilities	\$ 0	\$ 0	\$ 0		\$ 0	\$ 6,326,633
Revenue Collected in Advance	\$ 24,698	\$ 39,808			\$ 64,505	\$ 198,840
Liabilities For Deposits	\$ 78,378	\$ 110			\$ 78,488	\$ 92,939
Jury Fees - Non-Interest						
Uncleared Collections						\$ 0
Other Miscellaneous Liabilities						\$ 0
Total Other Liabilities	\$ 103,076	\$ 39,918			\$ 142,993	\$ 291,779
Total Liabilities	\$ 575,055	\$ 113,081	\$ (2)	\$ 37,469,425	\$ 38,157,559	\$ 77,935,792
Fund Balance - Nonspendable	\$ 28,244,094				\$ 28,244,094	
Fund Balance - Restricted	\$ 0	\$ 1,757,368			\$ 1,757,368	\$ 9,333,430
Fund Balance - Committed	\$ 16,169,633				\$ 16,169,633	
Fund Balance - Assigned	\$ 16,335,813				\$ 16,335,813	\$ 43,723,269
Fund Balance - Unassigned	\$ 0	\$ 0	\$ 0		\$ 0	\$ 0
Excess (Deficit) of Rev. Over Expenses/Op. Transfers	\$ 5,007,264	\$ (983,052)	\$ (328,858)		\$ 3,695,354	\$ 9,450,209
Total Fund Balance	\$ 65,756,804	\$ 774,316	\$ (328,858)		\$ 66,202,262	\$ 62,506,907
Total Liabilities and Fund Balance	\$ 66,331,858	\$ 887,397	\$ (328,860)	\$ 37,469,425	\$ 104,359,820	\$ 140,442,699

SOURCE: Phoenix Financial System

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

	2011-2012				2010-2011		
	Governmental Funds			Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue					
Non-Grant		Grant					
REVENUES							
State Financing Sources							
Trial Court Trust Fund	\$ 121,073,519	\$ 328,267		\$ 121,401,786	\$ 158,484,197	\$ 206,284,191	\$ 205,546,912
Trial Court Improvement Fund	\$ 308,254			\$ 308,254	\$ 554,953	\$ 516,877	\$ 723,260
Judicial Administration Efficiency & Mod Fund	\$ 456,675			\$ 456,675	\$ 856,820	\$ 978,693	\$ 841,920
Judges' Compensation (45.25)	\$ 957,920			\$ 957,920	\$ 1,130,500	\$ 1,078,875	\$ 1,111,500
Court Interpreter (45.45)	\$ 6,415,030			\$ 6,415,030	\$ 8,850,000	\$ 8,021,586	\$ 8,381,000
Civil Coordination Reimbursement (45.55)	\$ 31,883			\$ 31,883	\$ 100,000	\$ 93,452	\$ 83,000
MOU Reimbursements (45.10 and General)	\$ 7,481,590			\$ 7,481,590	\$ 8,952,343	\$ 9,447,410	\$ 9,456,959
Other Miscellaneous	\$ 46,338			\$ 46,338	\$ 69,000	\$ 59,729	\$ 84,846
	\$ 136,771,208	\$ 328,267		\$ 137,099,475	\$ 178,997,813	\$ 226,480,813	\$ 226,229,397
Grants							
AB 1058 Commissioner/Facilitator			\$ 2,381,183	\$ 2,381,183	\$ 3,511,017	\$ 3,550,615	\$ 3,509,654
Other AOC Grants	\$ (79,274)		\$ 184,269	\$ 104,995	\$ 189,012	\$ 223,304	\$ 141,320
Non-AOC Grants			\$ 79,319	\$ 79,319	\$ 102,424	\$ 794,149	\$ 670,000
	\$ (79,274)		\$ 2,644,771	\$ 2,565,497	\$ 3,802,453	\$ 4,568,068	\$ 4,320,974
Other Financing Sources							
Interest Income	\$ 150,048	\$ 2,891		\$ 152,939	\$ 389,000	\$ 346,379	\$ 230,892
Donations					\$ 2,500	\$ 2,602	\$ 2,000
Local Fees	\$ 3,147,393	\$ 13		\$ 3,147,406	\$ 4,668,000	\$ 4,358,447	\$ 3,954,500
Non-Fee Revenues	\$ 444,301			\$ 444,301	\$ 666,400	\$ 665,629	\$ 1,097,300
Enhanced Collections		\$ 3,140,729		\$ 3,140,729	\$ 5,150,000	\$ 4,997,815	\$ 4,415,000
Escheatment	\$ 0			\$ 0	\$ 45,000	\$ 42,128	\$ 18,000
Prior Year Revenue						\$ 1,919,016	
County Program - Restricted	\$ 217,293	\$ 4,377,987		\$ 4,595,279	\$ 8,839,433	\$ 9,734,057	\$ 9,244,792
Reimbursement Other	\$ 1,080,710	\$ 2,103		\$ 1,082,813	\$ 1,435,500	\$ 1,450,542	\$ 1,411,500
Sale of Fixed Assets							
Other Miscellaneous	\$ 1,139,495			\$ 1,139,495	\$ 1,000,000	\$ 1,290,420	\$ 1,085,000
	\$ 6,179,239	\$ 7,523,723		\$ 13,702,962	\$ 22,195,833	\$ 24,807,035	\$ 21,458,984
Total Revenues	\$ 142,871,173	\$ 7,851,990	\$ 2,644,771	\$ 153,367,934	\$ 204,996,099	\$ 255,855,916	\$ 252,009,355
EXPENDITURES							
Personal Services							
Salaries - Permanent	\$ 77,965,353	\$ 2,565,670	\$ 1,417,617	\$ 81,948,640	\$ 113,425,995	\$ 110,728,372	\$ 111,439,673
Temp Help	\$ 2,763,388	\$ 96,057	\$ 6,368	\$ 2,865,813	\$ 2,022,242	\$ 3,112,102	\$ 2,851,170
Overtime	\$ 292,418	\$ 43,251		\$ 335,669	\$ 362,000	\$ 875,288	\$ 413,820
Staff Benefits	\$ 35,434,053	\$ 1,113,345	\$ 673,284	\$ 37,220,682	\$ 49,019,967	\$ 46,488,348	\$ 45,326,764
	\$ 116,455,212	\$ 3,818,323	\$ 2,097,269	\$ 122,370,804	\$ 164,830,204	\$ 161,204,110	\$ 160,031,427
Operating Expenses and Equipment							
General Expense	\$ 1,976,156	\$ 43,508	\$ 45,257	\$ 2,064,921	\$ 3,623,697	\$ 5,397,197	\$ 4,940,010
Printing	\$ 301,893	\$ 59,350		\$ 361,243	\$ 705,539	\$ 561,437	\$ 654,338
Telecommunications	\$ 909,965	\$ 599		\$ 910,564	\$ 1,501,441	\$ 1,688,227	\$ 1,751,827
Postage	\$ 578,646	\$ 148,214		\$ 726,860	\$ 969,950	\$ 875,990	\$ 954,475
Insurance	\$ 49,966			\$ 49,966	\$ 53,274	\$ 50,737	\$ 48,763
In-State Travel	\$ 98,103	\$ 14,055	\$ 3,238	\$ 115,396	\$ 237,388	\$ 182,296	\$ 223,474
Out-of-State Travel	\$ 1,032	\$ 431	\$ 4,682	\$ 6,145	\$ 2,471	\$ 33,377	\$ 20,000
Training	\$ 164,745	\$ 353	\$ 2,475	\$ 167,573	\$ 271,930	\$ 426,037	\$ 586,574
Security Services	\$ 329,687		\$ 179,311	\$ 508,998	\$ 1,441,333	\$ 40,518,051	\$ 41,595,219
Facility Operations	\$ 754,315			\$ 754,315	\$ 2,274,659	\$ 2,222,321	\$ 2,475,915
Contracted Services	\$ 11,128,478	\$ 4,716,548	\$ 145,777	\$ 15,990,804	\$ 22,249,399	\$ 23,194,007	\$ 25,629,584
Consulting and Professional Services	\$ 224,344		\$ 0	\$ 224,344	\$ 230,358	\$ 379,123	\$ 711,042
Information Technology	\$ 3,689,989	\$ 33,660	\$ 79,274	\$ 3,802,923	\$ 9,684,410	\$ 5,592,722	\$ 8,806,518
Major Equipment	\$ 723,083			\$ 723,083	\$ 822,936	\$ 2,794,130	\$ 2,312,912
Other Items of Expense	\$ 24,281			\$ 24,281	\$ 70,409	\$ 60,356	\$ 72,626
	\$ 20,954,683	\$ 5,016,718	\$ 460,014	\$ 26,431,416	\$ 44,139,194	\$ 83,975,998	\$ 90,783,277
Special Items of Expense							
Grand Jury							
Jury Costs	\$ 853,483			\$ 853,483	\$ 1,190,000	\$ 1,112,575	\$ 1,164,000
Judgments, Settlements and Claims	\$ 168			\$ 168		\$ 1,034	
Debt Service							
Other	\$ 16,708			\$ 16,708	\$ 30,651	\$ 111,989	\$ 30,651
Capital Costs							
Internal Cost Recovery	\$ (409,581)		\$ 409,581	\$ 0		\$ 0	
Prior Year Expense Adjustment	\$ 460,779		\$ 409,581	\$ 870,360	\$ 1,220,651	\$ 1,225,599	\$ 1,194,651
Total Expenditures	\$ 137,870,675	\$ 8,835,042	\$ 2,966,863	\$ 149,672,580	\$ 210,190,049	\$ 246,405,707	\$ 252,009,355
Excess (Deficit) of Revenues Over Expenditures	\$ 5,000,498	\$ (983,052)	\$ (322,092)	\$ 3,695,354	\$ (5,193,950)	\$ 9,450,209	\$ 0
Operating Transfers In (Out)	\$ 6,766		\$ (6,766)	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance (Deficit)							
Beginning Balance (Deficit)	\$ 60,749,539	\$ 1,757,368	\$ 0	\$ 62,506,907	\$ 62,506,907	\$ 53,056,699	\$ 53,056,699
Ending Balance (Deficit)	\$ 65,756,804	\$ 774,316	\$ (328,858)	\$ 66,202,262	\$ 57,312,957	\$ 62,506,907	\$ 53,056,699

SOURCE: Phoenix Financial System

**Orange Superior Court
Trial Court Operations Fund
Statement of Program Expenditures
For the Fiscal Year
(Unaudited)**

	2011-2012					2010-2011			
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
PROGRAM EXPENDITURES:									
Judges & Courtroom Support	\$ 48,942,843	\$ 1,824,630	\$ (70)			\$ 50,767,403	\$ 66,918,088	\$ 67,252,779	\$ 66,776,599
Traffic & Other Infractions	\$ 4,439,719	\$ 706,833				\$ 5,146,552	\$ 7,595,286	\$ 7,259,121	\$ 8,538,153
Other Criminal Cases	\$ 8,270,144	\$ 3,476,909				\$ 11,747,053	\$ 18,006,362	\$ 18,866,756	\$ 17,589,647
Civil	\$ 7,065,991	\$ 327,290				\$ 7,393,281	\$ 10,216,738	\$ 11,441,716	\$ 10,202,408
Family & Children Services	\$ 6,923,186	\$ 359,738		\$ 409,581		\$ 7,692,505	\$ 9,560,276	\$ 10,187,617	\$ 9,511,310
Probate, Guardianship & Mental Health Services	\$ 2,484,057	\$ 90,315				\$ 2,574,372	\$ 3,091,414	\$ 3,294,831	\$ 3,146,997
Juvenile Dependency Services	\$ 1,431,586	\$ 6,013,690				\$ 7,445,276	\$ 10,114,209	\$ 10,145,421	\$ 9,750,342
Juvenile Delinquency Services	\$ 1,013,255	\$ 1,146,100				\$ 2,159,354	\$ 2,839,984	\$ 2,568,047	\$ 3,097,297
Other Court Operations	\$ 11,987,640	\$ 2,280,473				\$ 14,268,113	\$ 22,393,636	\$ 14,765,987	\$ 20,522,573
Court Interpreters	\$ 5,080,825	\$ 1,392,653				\$ 6,473,479	\$ 8,674,899	\$ 8,520,669	\$ 8,278,845
Jury Services	\$ 1,262,194	\$ 396,554	\$ 853,483			\$ 2,512,231	\$ 3,513,205	\$ 3,321,029	\$ 3,355,891
Security	\$ 1,712,085	\$ 655,108				\$ 2,367,193	\$ 3,615,699	\$ 43,734,392	\$ 44,560,385
Trial Court Operations Program	\$ 100,613,526	\$ 18,670,293	\$ 853,413	\$ 409,581		\$ 120,546,812	\$ 166,539,796	\$ 201,358,366	\$ 205,330,447
Enhanced Collections	\$ 2,396,062	\$ 635,270				\$ 3,031,332	\$ 4,354,662	\$ 4,998,876	\$ 4,342,374
Other Non-Court Operations	\$ 1,302,020	\$ 40,098				\$ 1,342,118	\$ 1,849,172	\$ 1,836,596	\$ 2,160,913
Non-Court Operations Program	\$ 3,698,082	\$ 675,368				\$ 4,373,450	\$ 6,203,834	\$ 6,835,472	\$ 6,503,287
Executive Office	\$ 316,912	\$ 8,217				\$ 325,129	\$ 1,442,952	\$ 434,183	\$ 907,206
Fiscal Services	\$ 5,443,679	\$ 1,347,168	\$ 168	\$ (409,581)		\$ 6,381,435	\$ 10,247,536	\$ 7,423,081	\$ 11,011,758
Human Resources	\$ 3,831,172	\$ 228,061				\$ 4,059,233	\$ 5,069,279	\$ 5,019,205	\$ 3,536,325
Business & Facilities Services	\$ 4,544,696	\$ 2,231,276	\$ 0			\$ 6,775,972	\$ 10,725,547	\$ 12,306,641	\$ 13,281,818
Information Technology	\$ 3,922,737	\$ 3,271,033	\$ 16,779			\$ 7,210,549	\$ 9,961,105	\$ 13,028,759	\$ 11,438,514
Court Administration Program	\$ 18,059,196	\$ 7,085,755	\$ 16,947	\$ (409,581)		\$ 24,752,318	\$ 37,446,419	\$ 38,211,869	\$ 40,175,621
Expenditures Not Distributed or Posted to a Program									
Prior Year Adjustments Not Posted to a Program									
Total	\$ 122,370,804	\$ 26,431,416	\$ 870,360	\$ 0		\$ 149,672,580	\$ 210,190,049	\$ 246,405,707	\$ 252,009,355

SOURCE: Phoenix Financial System

PURPOSE AND SCOPE

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

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

The scope of audit work included reviews of the Court's major functional areas, including: cash collections, contracts and procurement, accounts payable, payroll, fixed assets, financial accounting and reporting, case management, information technology, domestic violence, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2011–2012.

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

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on February 2, 2012.

The entrance meeting was held with the Court on May 2, 2012.

Audit fieldwork commenced on June 4, 2012.

Fieldwork was completed in December 2012.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary review of the audit results was held on May 23, 2013, with the following:

- Alan Carlson, Court Executive Officer
- Mark Dubeau, Chief Financial and Administrative Officer

IAS received the Court's final management responses to the IAS recommendations on March 28, 2013. IAS incorporated the Court's final responses in the audit report and subsequently provided

the Court with a draft version of the audit report for its review and comment on May 3, 2013. On May 23, 2013, the Court provided its final comments and suggestions concerning its review of the audit report and did not consider another review of the report necessary before IAS issued the final audit report.

ISSUES AND MANAGEMENT RESPONSES

1. Court Administration

Background

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

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

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

ACCOUNT	Total as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Revenue				
314014 SPECIAL REVENUE-DUE TO GE	2,833,181.80	4,461,756.01	(1,628,574.21)	-36.50%
Expenditures				
* 906300 - SALARIES - JUDICIAL OFFI	3,232,758.91	3,680,539.93	(447,781.02)	-12.17%
* 920500 - DUES AND MEMBERSHIPS	87,648.00	87,709.00	(61.00)	-0.07%
* 933100 - TRAINING	241,594.41	426,036.57	(184,442.16)	-43.29%

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. Tests included an evaluation of:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch* (operating guidelines), including 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.

We also obtained an understanding of the Court's organizational structure and reviewed the cash handling and fiscal responsibilities of Court staff to ensure that duties are sufficiently segregated.

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

2. Fiscal Management and Budgets

Background

Trial courts must employ sound business, financial, and accounting practices to conduct its fiscal operations. To operate within the limitations of the funding approved and appropriated in the State Budget Act, courts should establish budgetary controls to monitor their budgets 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 court budgets, courts must establish a position management system that includes, at a minimum, a current and updated position roster, a process for abolishing vacant positions, and a process and procedures for requesting, evaluating, and approving new and reclassified positions.

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Assets				
120050 SHORT TERM INVESTMENTS-LAIF	31,763,290.84	35,774,205.22	(4,010,914.38)	-11.21%
120051 SHORT TERM INVESTMENTS-CAPITAL	9,292,822.14	10,079,778.54	(786,956.40)	-7.81%
Liabilities – Payroll				
375001 ACCRUED PAYROLL	6,677,177.01	6,326,633.00	350,544.01	5.54%
Expenditures – Payroll				
* 900300 - SALARIES - PERMANENT	107,731,345.03	105,842,617.03	1,888,728.00	1.78%
* 903300 - TEMP HELP	3,626,267.14	3,112,102.10	514,165.04	16.52%
* 906300 - SALARIES - JUDICIAL OFFI	3,232,758.91	3,680,539.93	(447,781.02)	-12.17%
* 908300 - OVERTIME	426,943.25	875,287.92	(448,344.67)	-51.22%
** SALARIES TOTAL	115,017,314.33	113,510,546.98	1,506,767.35	1.33%
910302 MEDICARE TAX	1,490,529.86	1,460,123.51	30,406.35	2.08%
* 910300 - TAX	1,490,529.86	1,460,123.51	30,406.35	2.08%
910401 DENTAL INSURANCE	219,778.76	145,215.42	74,563.34	51.35%
910501 MEDICAL INSURANCE	13,417,551.60	11,958,987.89	1,458,563.71	12.20%
910503 RETIREE BENEFIT	2,870,670.20	-	2,870,670.20	100.00%
* 910400 - HEALTH INSURANCE	16,508,000.56	12,104,203.31	4,403,797.25	36.38%
910604 RETIREMENT - OTHER	26,764,355.80	26,855,647.38	(91,291.58)	-0.34%
912301 RETIREMENT (SUBORDINATE AND J	1,286,370.79	1,470,968.27	(184,597.48)	-12.55%
* 910600 - RETIREMENT	26,764,355.80	26,855,647.38	(91,291.58)	-0.34%
* 912500 - WORKERS' COMPENSATION	1,301,616.00	1,363,919.00	(62,303.00)	-4.57%
913301 UNEMPLOYMENT INSURANCE	311,649.85	-	311,649.85	100.00%
913501 LIFE INSURANCE	25,052.75	-	25,052.75	100.00%
913502 LONG-TERM DISABILITY	76,773.69	-	76,773.69	100.00%
913503 ACCIDENTAL DEATH & DISMEMBERM	4,696.97	-	4,696.97	100.00%
913699 OTHER INSURANCE	913,937.61	1,406,227.58	(492,289.97)	-35.01%
* 912700 - OTHER INSURANCE	1,332,110.87	1,406,227.58	(74,116.71)	-5.27%
913701 OTHER JUDGES BENEFITS	577,562.77	597,852.85	(20,290.08)	-3.39%
913802 EDUCATIONAL INCENTIVES	25,559.99	23,429.39	2,130.60	9.09%
913899 OTHER BENEFITS	1,276,690.81	1,205,976.85	70,713.96	5.86%
* 913800 - OTHER BENEFITS	1,879,813.57	1,827,259.09	52,554.48	2.88%
** STAFF BENEFITS TOTAL	49,276,426.66	45,017,379.87	4,259,046.79	9.46%
*** PERSONAL SERVICES TOTAL	164,293,740.99	158,527,926.85	5,765,814.14	3.64%

We assessed the Court's budgetary controls by obtaining an understanding of how its 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 significant issues identified during this audit to report to management in this section. Appendix A contains a minor issue associated with this section.

3. Fund Accounting

Background

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Fund Balances				
551001 FUND BALANCE - NON SPENDABLE	28,244,094.00	-	28,244,094.00	100.00%
552001 FUND BALANCE - RESTRICTED	1,757,368.02	9,333,429.99	(7,576,061.97)	-81.17%
552002 FUND BALANCE - COMMITTED	16,169,632.52	-	16,169,632.52	100.00%
553001 FUND BALANCE - ASSIGNED	16,335,812.87	43,723,268.72	(27,387,455.85)	-62.64%
*** Fund Balances	65,424,412.85	54,466,009.95	10,958,402.90	20.12%
Revenues				
** 836000-MODERNIZATION FUND - REIMB	877,634.68	978,693.00	(101,058.32)	-10.33%
** 837000-IMPROVEMENT FUND - REIMBUR	510,344.00	516,877.00	(6,533.00)	-1.26%
841010 SMALL CLAIMS ADVISORY	143,666.45	154,191.61	(10,525.16)	-6.83%
841012 GRAND JURY	234,242.00	259,426.65	(25,184.65)	-9.71%
841015 OTHER COUNTY SERVICES	8,560,355.89	9,320,438.96	(760,083.07)	-8.16%
** 840000-COUNTY PROGRAM - RESTRICTE	8,938,264.34	9,734,057.22	(795,792.88)	-8.18%
Expenditures				
939412 ATTORNEY JUVENILE CONFLICT OF	1,022,294.92	1,095,795.86	(73,500.94)	-6.71%
939420 SMALL CLAIMS ADVISORY SERVICE	155,000.00	184,999.92	(29,999.92)	-16.22%

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

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

There were no significant issues identified during this audit to report to management in this section.

4. Accounting Principles and Practices

Background

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

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

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Assets				
130001 A/R-ACCRUED REVENUE	439,344.93	113,967.79	325,377.14	285.50%
131201 ACCOUNTS RECEIVABLE (CUSTOMER)	-	42,033.24	(42,033.24)	-100.00%
131202 A/R-DUE FROM OTHER GOVERNMENT	881,380.08	1,728,477.52	(847,097.44)	-49.01%
131204 A/R-DUE FROM AOC (CUSTOMER)	1,605,699.52	2,683,500.04	(1,077,800.52)	-40.16%
131601 A/R - DUE FROM EMPLOYEE	-	64.20	(64.20)	-100.00%
140002 TRUST-DUE FROM DISTRIBUTION	4,131,207.55	4,080,674.82	50,532.73	1.24%
140004 TRUST-DUE FROM OPERATIONS	-	4,186.01	(4,186.01)	-100.00%
140007 DISTRIBUTION-DUE FROM OPERATI	1,902.42	-	1,902.42	100.00%
140008 UCF-DUE FROM TRUST	4,787,248.48	5,288,731.34	(501,482.86)	-9.48%
140010 UCF-DUE FROM OPERATIONS	722,885.65	-	722,885.65	100.00%
140011 OPERATIONS-DUE FROM TRUST	902,965.73	1,048,895.07	(145,929.34)	-13.91%
140013 OPERATIONS-DUE FROM UCF	23,994.25	25,685.76	(1,691.51)	-6.59%
140014 GENERAL-DUE FROM SPECIAL	2,833,181.80	4,461,756.01	(1,628,574.21)	-36.50%
150001 A/R - DUE FROM OTHER GOVERNMENT	10,696,017.43	3,187,649.91	7,508,367.52	235.55%
152000 A/R-DUE FROM STATE	3,615,567.18	3,983,105.36	(367,538.18)	-9.23%
** Receivables	30,641,395.02	26,648,727.07	3,992,667.95	14.98%
172001 PRE-PAID EXPENSES	14,202,948.06	21,859,669.30	(7,656,721.24)	-35.03%
** Prepaid Expenses	14,202,948.06	21,859,669.30	(7,656,721.24)	-35.03%
Revenues				

** 812100-TCTF - PGM 10 OPERATIONS	149,254,280.94	206,284,191.41	(57,029,910.47)	-27.65%
** 816000-OTHER STATE RECEIPTS	4,786,774.58	59,729.11	4,727,045.47	7914.14%
** 821000-LOCAL FEES REVENUE	4,625,030.23	4,358,446.64	266,583.59	6.12%
** 821200-ENHANCED COLLECTIONS - REV	4,830,363.48	4,997,814.83	(167,451.35)	-3.35%
** 822000-LOCAL NON-FEES REVENUE	700,249.60	665,628.94	34,620.66	5.20%
** 823000-OTHER - REVENUE	1,605,352.96	1,335,150.45	270,202.51	20.24%
** 825000-INTEREST INCOME	200,683.30	346,378.95	(145,695.65)	-42.06%
** 826000-INVESTMENT INCOME	6,126.26	-	6,126.26	100.00%
** 831000-GENERAL FUND - MOU/REIMBUR	75,240.00	78,865.00	(3,625.00)	-4.60%
** 832000-PROGRAM 45.10 - MOU/REIMBU	9,336,750.50	9,368,544.50	(31,794.00)	-0.34%
** 833000-PROGRAM 45.25 - REIMBURSEM	1,083,976.00	1,078,875.00	5,101.00	0.47%
** 834000-PROGRAM 45.45 - REIMBURSEM	7,739,207.00	8,021,586.00	(282,379.00)	-3.52%
** 838000-AOC GRANTS - REIMBURSEMENT	3,597,775.03	3,773,918.60	(176,143.57)	-4.67%
861010 CIVIL JURY REIMBURSEMENT	400,329.85	419,765.30	(19,435.45)	-4.63%
861011 MISCELLANEOUS REIMBURSEME	586,861.57	555,128.73	31,732.84	5.72%
861014 CONVENIENCE FEE REIMBURSEMENT	450,616.50	475,648.13	(25,031.63)	-5.26%
Expenses				
** 890000-PRIOR YEAR REVENUE	(423,401.09)	1,919,016.00	(2,342,417.09)	-122.06%

We compared year-end general ledger account balances between the prior two fiscal year trial balances and reviewed accounts with material balances that experienced significant variances from year-to-year. We also assessed the Court's procedures for processing and accounting trust deposits, disbursements, and refunds to determine whether it is adequate controls over trust funds. Additionally, we reviewed various FY 2011–2012 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant guidance. We reviewed selected grants that the Court administered in the fiscal year audited. For these grants, we determined whether the Court properly accounted for grant activity, complied with specific grant requirements, and claimed reimbursement for allowable expenditures.

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

5. Cash Collections

Background

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Cash				
100000 POOLED CASH	586,296.05	623,774.05	(37,478.00)	-6.01%
100011 OPS DEPOSIT	228,076.16	6,259.81	221,816.35	3543.50%
100012 OPS CREDIT CARD DEPOSIT	6,556.68	-	6,556.68	100.00%
100025 DISB CHECK-OPERATIONS	1,116,121.03	1,518,795.31	402,674.28	26.51%
100027 DISB OUTGOING EFT	5,827.00	953.95	(4,873.05)	-510.83%
100132 DIST CREDIT CARD DEPOSIT	400,931.74	-	400,931.74	100.00%
114000 CASH-REVOLVING	5,000.00	5,000.00	0.00	0.00%
115000 CASH-OTHER	50,936.84	105,969.85	(55,033.01)	-51.93%
117000 CASH DISTRIBUTION ACCOUNT	-	112,606.44	(112,606.44)	-100.00%
117002 CASH DISTRIBUTION IN-TRANSIT	-	285,992.65	(285,992.65)	-100.00%
119001 CASH ON HAND - CHANGE FUND	33,125.00	33,925.00	(800.00)	-2.36%
120001 CASH WITH COUNTY	40,136,767.43	46,426,540.40	(6,289,772.97)	-13.55%

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

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

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

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

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

5.1 Closer Oversight Is Needed Over Partial Payments of Civil Filing Fees

Background

Before courts proceed on civil cases, parties must pay their required civil filing fees in full or be granted a fee waiver. Otherwise, when a party does not pay the required civil filing fees in full, the court must void the filing. Specifically, the California Code of Civil Procedure, Section 411.21, requires the clerk to notify the party tendering the check payment that the check was made out for an amount less than the required filing fee; that an administrative charge of \$25 or a reasonable amount determined by the Court has been imposed to reimburse the court for the costs of processing the partial payment and providing the notice; and that the party has 20 days from the date of the mailing of the notice within which to pay the remainder of the required fee and administrative charge. It further states that the clerk shall void the filing if the party who tendered a check in an amount less than the required filing fee has not paid the full amount of the fee and administrative charge within 20 days of the date on which the required notice was mailed. In addition, if any trial or hearing is scheduled to be heard prior to the expiration of the 20-day period, the fee shall be paid prior to the trial or hearing; otherwise, the court shall void the filing and proceed as if it had not been filed.

Issue

Our review of 10 civil cases in which parties made partial payments of civil filing fees found that the Court does not always fully collect the required civil filing fees. The Court allows parties to make installment payments for the required civil filing fees, but does not always send a 20-day letter or similar letter notifying the party of the late payment or when it does not receive full payment by the scheduled payment date. As a result, the Court's accounts receivable report as of the time of our review in June 2012 indicates that more than \$27,000 in civil fees remains uncollected from as far back as 2008.

Specifically, for eight of the ten cases we reviewed where the Court permitted the party to make monthly payments until the fees were paid in full, there was no indication that the Court compelled the party to pay or pursued any collection efforts when the party did not pay. For example, in one case the Court granted a fee waiver in part ordering the defendant to make payments of \$100 per month until the \$320 filing fee was paid. The Court's October 16, 2008, payment plan notice indicates that the judicial officer ordered the defendant to make four monthly installment payments starting on October 17, 2008. The Court received two payments of \$100 each on October 17, 2008, and November 19, 2008, but did not receive payments for the remaining \$120 filing fee even though the answer to the complaint was filed on November 13, 2008, and the case was disposed with a stipulated judgment on July 2, 2009. As a result, \$120 of the filing fee remains due to the Court.

In another case, a plaintiff filed a civil complaint and requested a fee waiver of the \$240 filing fee. Twice, on March 8, 2012, and March 20, 2012, the Court denied in whole the plaintiff's Request to Waive Court Fees. Nevertheless, the Court permitted the plaintiff to make monthly payments and ordered the plaintiff to pay \$50 a month beginning April 2, 2012, until the \$240 filing fees were paid in full. The Court received one \$50 payment on April 2, 2012, but no subsequent payments, leaving \$190 in filing fees due to the Court as of the time of our review in June 2012. The Court denied the defendant's Request to Waive Court Fees, voided the defendant's answer because of non-payment of court fees, and ordered a default entered against the defendant on April 5, 2012. As of the time of our review in June 2012 the judgment remained pending with no indication in the case history that the Court notified the plaintiff of the \$190 overdue filing fees.

For another case we reviewed, the Court voided an insurance company's \$200 civil filing fee payment in March 2009 because the company paid using a stale dated check. However, instead of sending the company a 20-day notice and adding a \$25 administrative fee, the Court established a partial payment trust on behalf of the company in March 2009, and ultimately canceled the fee in June 2009. In February 2010 the Court entered judgment for the company and disposed of the case. The Court re-established the filing fees due by the company and the company made a \$20 payment on December 28, 2010, but no other payments. As a result, the case was disposed even though a balance of \$180 in filing fees remained as of the time of our review in June 2012.

The Court's May 2012 accounts receivable report indicates that the uncollected civil fees as of the time of our review in June 2012 date back to 2008. These unpaid civil fees owed to the Court total nearly \$27,400 and are summarized as follows:

Calendar Year	Civil Fees Due to Court
2012	\$ 5,139
2011	15,926
2010	3,267
2009	915
2008	2,150
Total	\$ 27,397

Recommendations

To better ensure the collection of all civil filing and administrative fees, the Court should consider the following:

1. Develop and implement a process to monitor the civil filing fee payment plans to ensure the filing fees are paid in full before allowing cases to proceed. If the parties do not make the monthly payments as ordered, the Court should consider automatically voiding the filing or at least suspending the filing until the parties pay all the required civil filing fees in full.

2. Ensure clerks consistently mail the required 20-day notice within one business day of receiving a partial payment on civil filing fees. Also, civil operations supervisors should track and follow up on civil cases in which the Court issued a 20-day notice of insufficient filing fees and void the filings that are not paid in full by the due date, trial date, or hearing date, whichever comes first.
3. Commence collection efforts of the unpaid civil fees due to the Court.

Superior Court Response By: Solange Backes, Accounting Manager; and Vicky Brizuela, Civil Unit Manager Date: December 20, 2012

The Court agrees with the recommendations to 1) Develop and implement a process to monitor the civil filing fee payment plans to ensure the filing fees are paid as ordered by the court or in full before allowing cases to proceed; 2) Ensure clerks consistently mail the required 20-day notice as soon as practicable after receiving a partial payment.

The Court has drafted a procedure to track and pursue collections of the civil filing fees when litigants fail to make scheduled payments. The procedure includes setting a clock in the case management system when a payment plan is established to ensure that payments are received. The case management system will add payments that are not received within the set time period to a work queue for review. A clerk will be assigned to review the expired clocks on civil filing fee cases and take appropriate action such as void the filing, notify the courtroom, or send a delinquent payment notice.

To ensure completeness of processing, the Accounting Department will provide the Civil Operations Department with the Quarterly Accounts Receivable Report for review and follow-up actions. This oversight will serve as a detective control to investigate any outstanding cases where jurisdiction was entered on the case and the filing fees not paid in full.

Based upon the balance of amounts outstanding to the Court for partial payments for civil filing fees (\$27,397 over five years), the Court has determined to not pursue further Collections efforts as the cost of resources to pursue the debt would exceed the amounts owed to the Court. In reviewing the Accounts Receivable Report from 2008 to June 2012, we found that a majority of the cases with fees due arose out of court ordered payment plans for defendants on Unlawful Detainer cases. The probability for collecting in these instances is small; in all likelihood the defendants have moved and current residential addresses are not available in the court records.

Date of Corrective Action: All above procedures are targeted with an implementation date of January 31, 2013.

5.2 The Court Can Improve Its Comprehensive Collections Program

Background

Penal Code (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) also requires Courts and

counties to maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the Court and county.

PC§1463.010 further requires the Judicial Council to develop performance measures and benchmarks, and to report to the Legislature the extent to which each Court or county is following best practices for its collections program. To assist Courts with their comprehensive collections 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
- Evaluating the effectiveness and efficiency of external collection agencies or companies to which Court-ordered debt is referred for collection.

In addition, various statutes provide Courts with the means to assist with and enhance their collection of Court-ordered amounts, primarily Court-ordered debts. For instance, if an individual violates a written promise, a continuance of a written promise, or a Court order to appear in Court, VC §40509.5 allows Courts to report to DMV the individual's failure to appear (FTA). The Court may also report to DMV an individual's failure to pay (FTP) if the person willfully fails to pay a lawfully imposed fine within the time authorized by the Court. Additionally, PC §1214.1 authorizes Courts to impose a civil assessment of up to \$300 against any defendant who fails, after notice and without good cause, to appear in Court for any proceeding authorized by law or to pay all or any portion of a fine ordered by the Court or an installment of bail as agreed under VC §40510.5.

Issues

Our review determined that the Court established an in-house comprehensive collections program, and uses the services of several third-party collection agencies for hard-to-collect accounts. The Court is continually striving to improve its in-house collection efforts as shown by its long timeframes before referral to third-party collection agencies, plans to decrease outside collection services, and recent implementation of a new collections management system to better track, monitor, and collect statutory fines, fees, and assessments.

However, our review of the Court's collection efforts identified the following areas where it can improve its comprehensive collections program:

1. The Court does not have a process for referring certain cases with delinquent fines and fees to other in-house programs or outside agencies for further collection efforts. Specifically, for one of the ten payment plan cases we reviewed, the Court did not refer the case to its in-house collections program or a third-party collection agency for enhanced collection efforts because the case had only delinquent State Restitution fines and fees. According to the Court, although it has a policy and procedure for referring cases with delinquent State Restitution fines and fees to another State agency when the individual is no longer on probation, it does not have a similar policy and procedure for cases with only delinquent

State Restitution fines and fees while the individual remains on probation. As a result, these later types of cases remain in limbo with no referral or collection efforts even though the Court has the ability to compel payment of the delinquent amounts since the individual remains under probation and the amounts owed may be enforced in the same manner as a civil money judgment.

2. The Court does not impose the civil assessment for failure-to-appear (FTA) and failure-to-pay (FTP) cases in a timely manner. For example, for one of the six FTA cases we reviewed with non-DMV reportable violations, the Court did not impose the civil assessment until 83 days after it ordered the case transferred to its in-house collections program. Similarly, for two FTP cases we reviewed, the Court imposed the civil assessment 310 days after the last activity (Court hearing) on one case, and 242 days after the last activity (vacating a payment plan because the Court did not receive the scheduled payments) on a second case.
3. The Court also does not refer delinquent cases to its in-house collections program or third-party collection agencies in a timely manner. For example, for two delinquent cases we reviewed, the Court did not refer one case to its in-house collections program until 310 days after the last activity on the case (Court hearing). For the second delinquent case, it referred this case 222 days after the last activity on the case (vacating the payment plan because the Court did not receive the schedule payment.)

In addition, for one of the ten delinquent cases we reviewed and that the Court referred to a third-party collection agency, the Court referred the case to the collection agency 797 days after it imposed the civil assessment. This gap in time far exceeds its self-imposed 270-day timeframe of when its in-house collections program attempts to collect on the case before it refers the case to a third-party collection agency. Specifically, on November 6, 2009, the Court vacated its authorization for a payment plan and imposed a \$300 civil assessment after not receiving the scheduled payment plan payment. On May 11, 2011, the Court held a hearing allowing the defendant to again pay in-full or re-establish a payment plan. The Court again did not receive any payments, so the Court referred the case to a third-party collection agency on January 12, 2012. However, its referral to a third-party collection agency was not timely as it was 797 days, more than two years, after the Court imposed the initial civil assessment when it did not receive the scheduled payment on the initial plan payment.

Recommendations

To ensure the Court uses effectively the available means allowed by statute to collect on Court-ordered debt and efficiently administers its comprehensive collections program, it should consider the following:

1. Develop and implement a policy and process to collect on cases with only delinquent State Restitution fines and fees while the individual remains under probation. The policy should go through a rigorous review process and may involve other departments, such as the probation department. Once approved by appropriate Court management, the Court should integrate the policy into its collections process, both operationally and systematically.

2. Reevaluate its process and procedures to ensure that civil assessments are imposed more timely on FTA and FTP cases. For instance, the Court should consider automatically imposing the civil assessment when individuals FTA or FTP. Although not found problematic during our review, the Court should also consider ensuring DMV reporting is timely because any systematic adjustment of when civil assessments are imposed may also effect other functional processes that are triggered by FTA or FTP cases.
3. Reevaluate its monitoring, referral, and notification process and procedures to ensure that delinquent and hard-to-collect cases are referred to its in-house collections program and third-party collection agencies more timely. For example, the Court should consider shortening the time gaps between when delinquent cases are referred to its in-house collections program and then to a third-party collection agency.

Superior Court Response By: Kathleen Himber, Accounting and Collections Manager; and Fred Acosta, Collection Manager Date: January 31, 2013.

1. The Court agrees with the finding to develop and implement a policy and process to collect on cases with only delinquent State Restitution fines and fees while the individual remains under probation. The Court is in the process of changing current policy to address this issue. The inventory produced by this policy change will follow current Collection practice. The case identified in the audit falls under this policy change and the Court is taking active measures to move forward with correcting this process to ensure all State Restitution fines and fees owed to the court are collected in a timely manner. The policy will state that these cases will be forwarded to Collections once the fine/fee is past due for in-house collections efforts. The procedure will include a process built within the case management system to track these fines and fees prior to probation expiration. The Court's in-house Collections Department will prioritize these fines and fees to specifically focus on collecting the debt by tracking the debt prior to the end of probation. The in-house Collections Department will perform various activities to contact the debtor that include using a predictive dialer phone campaign, noticing, and skip tracing. If the Court's in-house Collection Department is unable to collect the debt, the Court will send the debt to a third-party vendor to pursue the debt by way of wage garnishments, liens on property, and the possible offsetting of state tax returns.
2. The Court does not agree with the finding regarding the failure to appear (FTA) process. Effective January 9, 2012 the Court has already implemented a process whereby the case identified in the audit would be processed timely for an FTA civil assessment. The case reviewed for the audit was processed through automation when the case was identified as Collections Eligible once delinquent. On February 24, 2011, the case in question did in fact go through the automated FTA process and was identified as a Collections case with future activities to add a \$300.00 civil assessment and a DMV referral for a suspension of the driver's license. On February 25, 2011, the case was given an extension which removed the activity from the case to effectuate the civil assessment and DMV hold process as designed in the automated process. The case in question was then placed in a pause status due to the future date. In reviewing this scenario, it was determined that the automated case management system does not identify cases when an extension to appear or pay is granted after an initial delinquency warning notice is sent. As a result, the case did not follow the

civil assessment path timely and was later identified thru a report. A thorough review of the process was conducted and modifications were made to identify and verify that all FTA cases are worked through an automated or manual process. Effective January 9, 2012, an Activity Report was created to capture cases referred to Collections for non-compliance processing that is reviewed daily to ensure timely FTA and DMV impositions.

The Court agrees with the recommendation to reevaluate the Failure to Pay (FTP) process. The Court's FTP process includes a manual review and validation of cases that are eligible for an FTP civil assessment and DMV hold. Both of the cases identified in the audit were a result of delay in processing of docket entries which would validate the case being eligible for a civil assessment and DMV hold. Specifically, one of the cases that previously had traffic school approved and was not completed, needed the traffic school status on the case to be reversed and bring case back to its original case status and amount due. For the second case, the defendant transferred Court locations (Central Justice Center to North Justice Center) and the case was overlooked by the Collections staff in processing the civil assessment timely. The Court's Collections Department is working with Court Technology to create an automated process for FTP cases to ensure the timely imposition of a civil assessment and DMV reporting once the case is delinquent in all scenarios. The new process will allow the Court's case management system to identify these cases based on specific criteria, impose civil assessment, report to DMV, and effectuate a notice with no manual intervention required.

3. The Court also agrees to reevaluate the procedures for the referral process to both in-house and third-party collections. The Court will stand to make significant improvements in this area after a review and modification of the current automated FTA process and implementation of an automated FTP case process within our case management system for direct referral to in-house collections. The same two cases identified for a delay in FTP civil assessment processing were also the two cases delayed in referral to an outside collections vendor. The FTP process is the indicator for referral to the vendor. The Collections Department is working with Court Technology to review and modify the automated FTP and Outside Vendor referral process further. In the interim, the Court will create an exception report to review and evaluate cases that have not yet been flagged for Collections but are significant days in arrears of their pay/appear date. The report will be worked daily by Collections Staff and cases needing further assessment or correction will be forwarded directly to the Traffic/Criminal Department for correction. This process will ensure referral to Collections occurs timely and within the policy guidelines. The Collections Department will also assess the need to revise the current process for the referral of cases to an outside vendor after all in-house collection efforts have been exhausted. The Court's Collections Department will consider all internal activities performed (i.e., predictive dialer, noticing, skip tracing, DMV reporting, etc.) to determine the appropriate time to refer the case out to a vendor for further collections efforts.

Date of Corrective Action: All procedures and policy revisions are targeted for completion for the date of July 1, 2013.

Responsible Person(s): Kathleen Himber, Accounting and Collection Manager
Fred Acosta, Collection Manager

6. Information Systems

Background

Courts make wide use of information technology (IT) to support their court operations. For example, courts use IT services to operate and maintain automated case management systems, accounting systems, and local area networks. Because these information systems are integral to daily court operations, courts must maintain and protect these systems from interruptions.

Should courts experience an unexpected system crash, they must have plans for system recovery to minimize interruptions to court operations. Additionally, because courts maintain sensitive and confidential information in these systems, courts must also take steps to control and prevent unauthorized access to these systems and the information contained in them.

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Expenditures				
* 943200 - IT MAINTENANCE	746,946.49	791,775.36	(44,828.87)	-5.66%
* 943300 - IT COMMERCIAL CONTRACT	2,524,297.56	2,412,979.00	111,318.56	4.61%
943501 IT REPAIRS & SUPPLIES	-	29,091.44	(29,091.44)	-100.00%
943502 IT SOFTWARE & LICENSING FEES	2,048,201.54	2,358,875.93	(310,674.39)	-13.17%
* 943500 - IT REPAIRS/SUPPLIES/LICE	2,048,201.54	2,387,967.37	(339,765.83)	-14.23%
** INFORMATION TECHNOLOGY (IT) TOTAL	5,319,445.59	5,592,721.73	(273,276.14)	-4.89%
946601 MAJOR EQUIPMENT - IT	597,357.84	1,022,661.28	(425,303.44)	-41.59%

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

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

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

6.1 Court Calculations and Distributions of Collections Need Improvement

Background

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

Issues

Our review of the Court’s process for calculating and distributing the fines, penalties, fees, and other assessments it collects determined that the Court uses Vision as its traffic and criminal case management system. According to the Court, it only performs base-up distributions, which minimizes the potential for distribution inaccuracies resulting from the assessment of top-down or judge-ordered fines. The Court provides judicial officers with a penalty chart and a bail calculator to assist them with ascertaining the standard fines to assess. Vision automatically calculates the distributions of most court collections, except for the Penal Code (PC) §1463.22 special base fine distributions for proof of insurance cases that the Court manually calculates and reports at month-end.

To determine whether the Court calculates and distributes its collections in accordance with applicable statutes and guidelines, we selected certain types of cases to review the Court’s calculation and distribution of the collections it collected in fiscal year 2011-2012. Our review focused on high-volume case types, such as Speeding and Red Light cases, and on cases with violations involving complex or special distributions, such as Driving Under the Influence (DUI) and cases disposed with traffic school.

Our review of the Court’s distributions of collections noted the following calculation and distribution exceptions:

1. The Court did not always correctly calculate the GC §68090.8 – 2 Percent State Automation amounts. According to GC §68090.8, 2 percent is to be transmitted to the State from all the fines, penalties, and forfeitures collected on criminal cases. However, the Court did not always correctly calculate the 2 Percent State Automation amounts on the following cases we reviewed:
 - For two DUI cases, the 2 Percent State Automation amount was not calculated from the PC §1463.14(b) DUI Lab additional penalty and the PC §1463.25 Alcohol Abuse Education penalty. Since both are penalties, they are subject to the 2 Percent State Automation amount that is calculated and transmitted to State.
 - For the one Health and Safety case we reviewed, the 2 Percent State Automation amount was also not calculated from the \$50 HS §11372.5 Criminal Lab fee. HS

§11372.5 considers this fee to be an increment to the total fine; thus, the SCO Appendix C considers this increment to be a fine subject to State and local penalties, including when calculating the 2 Percent State Automation amounts.

- On the other hand, the Court incorrectly calculated and distributed the 2 Percent State Automation amount from the amounts collected for the one Railroad traffic school case we reviewed. Specifically, for traffic school cases, except for child seat traffic school cases, VC §42007 converts the fines and penalties to a Traffic Violator School fee. As a result, these collections are now considered a Traffic Violator School fee, instead of fines and penalties, and are thus no longer subject to calculation of the 2 Percent State Automation amount.
 - For two other traffic school cases, the Court incorrectly calculated the 2 Percent State Automation amount from the GC §76000.10 EMAT penalty. As noted in number 2 below, the Court did not include the GC §76000.10 EMAT penalty as a part of the VC §42007 Traffic Violator School fee. Because of this omission, the Court inadvertently calculated the 2 Percent State Automation amount from this penalty, overstating the 2 Percent State Automation amounts, as well as overstating the EMAT penalties and understating the Traffic Violator School fees.
2. The Court did not correctly calculate and distribute collections on some cases disposed with traffic school as follows:
- The Court did not include the \$4 GC §76000.10 EMAT penalty as a part of the fines and penalties that are converted to the VC §42007 Traffic Violator School fee that is distributed to the county. Instead, the Court distributed this \$4 GC §76000.10 EMAT penalty separately to the State. As a result, the Court distributions overstate the State EMAT penalty amounts and understate the county Traffic Violator School fees and the 50/50 MOE revenue split amounts.
 - For traffic school cases with city arrests, the Court did not calculate the correct distribution to the city. Specifically, pursuant to VC §42007 (c), the amount distributed to the city on traffic school cases is the same amount that would have been distributed to the city on a bail forfeiture case. This means that the city distribution is equivalent to the city base fine share net of the 2 Percent State Automation amount. However, the Court distributed the entire city base fine share to the city without subtracting the 2 Percent State Automation amount. As a result, for these types of cases, the Court distributions overstate the city share by 2 percent and understate the county VC §42007 Traffic Violator School fee by this same amount.
 - For Child Seat violation (VC §27360 or VC §27360.5) cases disposed with traffic school, the Court incorrectly distributed the collections as VC §42007 Traffic Violator School fees. Specifically, according to VC §27360 and VC §27360.5, the fines collected for child restraint violations are exempt from other statutes, including VC §42007 that converts the collections to a Traffic Violator School fee. The SCO

Manual of Accounting and Audit Guidelines for Trial Courts, Appendix C – Revision 22 provides guidance that is consistent with these child seat violation statutes. Consequently, courts should not distribute the fines and penalties collected for child restraint violations as Traffic Violator School fees even when disposed with traffic school, but instead should distribute these collections the same as a non-traffic school child restraint bail forfeiture case.

3. The Court did not correctly calculate its distributions on Red Light traffic school cases as follows:

- The Court's use of slightly inaccurate red light traffic school distribution formulas resulted in some overstated penalty assessments. Specifically, our analysis of the Court's distribution formulas using a Red Light traffic school case with an enhanced base fine of \$110 indicates that the Court overstates both the GC §76104 EMS penalty and the GC §76000.5 Additional EMS penalty by a combined amount of \$0.04, and overstates the GC §70372(a) State Court Construction penalty by \$0.06. As a result, the Court understates the county VC §42007 Traffic Violator School fee distribution by the combined overstatements when the base fine exceeds \$100 on Red Light traffic school cases.

Further analysis of the Court's distribution formulas indicate that these penalty overstatements increase by approximately one percent for every \$10 increment from the standard \$100 base fine for Red Light violations disposed with traffic school. Although these variances are individually small, they may become significant when aggregated and over time.

- The Court did not include the \$4 GC §76000.10 EMAT penalty as a part of the Traffic Violator School fee when calculating the 30 percent allocation to the Red Light fund pursuant to VC §42007.3 for red light violation cases disposed with traffic school. As a result, the Court understates the 30 percent allocation to the Red Light fund and overstates the distribution to the GC §76000.10 EMAT penalty.
4. For Railroad violation cases disposed with traffic school, the Court did not correctly calculate the 30 percent allocation to the Railroad fund pursuant to VC §42007.4. Specifically, for these cases, the Court incorrectly calculated the 30 percent allocation to the Railroad fund pursuant to PC §1463.12, which is applicable to bail forfeiture Railroad cases. However, Railroad traffic school cases are subject to VC §42007.4 instead of PC §1463.12. VC §42007.4 converts, in effect, the collections on Railroad violation cases disposed with traffic school to a Traffic Violator School Fee. Thus, the penalty assessments that are usually exempt from the calculation of the 30 percent allocation to the Railroad fund are no longer exempt when converted as a part of the Traffic Violator School fee. As a result, the Court's distributions to the Railroad fund for Railroad traffic school cases are understated because it did not include the following penalty assessments—GC §76104.6 DNA penalty, GC §76104.7 Additional DNA penalty, GC §76000.5 Additional EMS penalty, and GC

§76000.10 EMAT \$4 penalty—in its calculation of the 30 percent allocation to the Railroad fund.

5. The Court formulas for calculating the 30 percent allocation to the Red Light fund pursuant to PC §1463.11 and the Railroad fund pursuant to PC §1463.12 for non-traffic school cases overstate the 30 percent allocations and understate the applicable penalty assessments as follows:

- The Court formula sums the 30 percent allocation for the Red Light or Railroad funds and the 2 percent for the State Automation amounts and subtracts this 32 percent from 100 percent. It then multiplies the penalty assessments that are applicable to the 30 percent allocations by the resulting 68 percent to calculate the amounts to distribute to each applicable penalty assessment. However, the Court’s simplified formula overstates the amounts calculated from the applicable penalty assessments as shown in the table below for variances on a single occurrence:

Penalty/Allocation	Std Per 10	COURT Formula	EXPECTED Formula	VARIANCE Over (Under)		
				Per 10	If Base is \$35	If Base is \$100
30% Allocation to Red Light or Railroad Fund		$= (\$29 - \$1 - \$4 - \$2) \times 30\%^1$	$= (\$29 - \$1 - \$4 - \$2) \times 30\% \times 98\%$	0.132	0.528	1.320
PC 1464 State Penalty	7	$= \$7 \times 68\%$	$= \$7 \times 70\% \times 98\%$	(0.042)	(0.168)	(0.420)
PC 1464 County Penalty	3	$= \$3 \times 68\%$	$= \$3 \times 70\% \times 98\%$	(0.018)	(0.072)	(0.180)
GC 76000(a)	7	$= \$7 \times 68\%$	$= \$7 \times 70\% \times 98\%$	(0.042)	(0.168)	(0.420)
GC 70372(a) SCFCF	1.5	$= \$1.50 \times 68\%$	$= \$1.50 \times 70\% \times 98\%$	(0.009)	(0.036)	(0.090)
GC 70372(a) ICNA	3.5	$= \$3.5 \times 68\%$	$= \$3.50 \times 70\% \times 98\%$	(0.021)	(0.084)	(0.210)

¹ As of 7/1/12, the Court's penalty assessments total \$29 for each \$10 portion of the base fine. Penalties not subject to the 30% allocation are: \$1 GC 76104.6 DNA Penalty, \$4 GC 76104.7 Additional DNA Penalty, and \$2 GC 76000.5 Additional EMS Penalty.

Although the above variances are individually small, they may become significant when aggregated and over time. As a result, the penalty assessments that are applicable to the 30 percent allocations, such as PC §1464, GC §76000, and GC §70372(a), are understated by 2 percent of the 30 percent allocation, while the 30 percent allocations to the Red Light or Railroad funds are overstated by the combined understatements.

- The Court did not include the \$4 GC §76000.10 – EMAT penalty when calculating the 30 percent allocations to the Red Light or Railroad funds. As a result, for non-traffic school/bail forfeiture cases, the Court overstates the EMAT distribution to the State while understating the 30 percent allocations to the Red Light or Railroad funds by the same amount.
6. The Court did not calculate and assess several distributions related to violations under the Health and Safety (HS) code as follows:
- The Court did not calculate and assess the PC §1465.7 20 Percent State surcharge from the \$50 HS §11372.5 Criminal Analysis Lab fee. HS §11372.5 considers this fee to be an increment to the total fine, thus the SCO Appendix C considers this

- increment to be a fine subject to State and local penalties, including the 20 Percent State surcharge.
- For the case we reviewed with a violation under chapter 6 of the Health and Safety code, the Court did not assess the HS §11372.7 (a) Drug Program fee of up to \$150. Although courts must make a determination of the defendant's ability to pay and can waive this Drug Program fee if the court determines that the person does not have the ability to pay, the minutes for the case we reviewed did not indicate that the Court made such a determination. Similar to the Criminal Analysis Lab fee discussed above, HS §11372.7 considers this Drug Program fee to be an increment to the total fine, thus the SCO Appendix C considers this increment to be a fine subject to the calculation and assessment of State and local penalties, including the 20 Percent State surcharge and the 2 Percent State Automation amount.
7. The Court incorrectly assessed and distributed the PC §1463.18 DUI Indemnity on cases that are not convictions of DUI violations. Specifically, according to PC §1463.18, the first \$20 collected for convictions of DUI violations pursuant to VC §23152 and VC §23153 is distributed to the Restitution Fund with the balance distributed pursuant to PC §1463. However, the Court incorrectly assessed the \$20 DUI Indemnity to a case we reviewed that was for a conviction of a VC §23103 Reckless Driving violation. As a result, for the Reckless Driving case we reviewed, the Court overstated the distribution to the Restitution Fund and understated the base fine distributions to the city and county.
 8. The Court did not correctly distribute the base fine pursuant to VC §15630 for convictions of Unattended Child violations. Specifically, according to VC §15630, 70 Percent and 15 Percent of the base fine—to fund an Education Program and for Program Administration, respectively—is distributed to the city or county health department where the violation occurred. However, for the VC §15630 Unattended Child case we reviewed, the Court distributed these amounts to the city instead of to the county even though the city where the violation occurred does not have its own health department. As a result, the Court overstated distributions to the city and understated distributions to the county health department.

Recommendations

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

1. Calculate the GC §68090.8 – 2 Percent State Automation amount on all fines, penalties, and forfeitures in criminal cases, including the following fines and penalties:
 - The PC §1463.14(b) DUI Lab additional penalty and PC §1463.25 Alcohol Abuse Education penalty,
 - The HS §11372.5 Criminal Lab fee that is a total fine increment and considered a fine when calculating penalty assessments,

- The PC §1463.12 Railroad fines and penalties, but not when converted to a Traffic Violator School fee, such as on Railroad traffic school cases,
 - The GC §76000.10 \$4 EMAT penalty, but not when converted to a Traffic Violator School fee, such as on non-child seat violation cases disposed with traffic school.
2. Correct its distributions on traffic school cases as follows:
- Include the GC §76000.10 EMAT penalty as a part of the VC §42007 Traffic Violator School fee distributed to the county.
 - For traffic school cases with city arrests, distribute to the city its portion of the base fine net of the 2 Percent State Automation amount that would have gone to the State, and redirect this 2 percent amount to the VC §42007 Traffic Violator School fee distributed to the county.
 - For traffic school cases with child seat violations (VC §27360 or VC §27360.5), distribute the fines and penalties the same as a child seat bail forfeiture case as statute exempts the fines and penalties collected on child seat traffic school cases from conversion to a Traffic Violator School fee.
3. Correct its distributions on Red Light traffic school cases as follows:
- Reevaluate its EMS and State Court Construction penalty assessment calculation and distribution formulas on red light traffic school cases to correct the small variances that result when the base fine exceeds the standard \$100 base fine.
 - Calculate and distribute the 30 percent allocation to the Red Light fund from the \$4 GC §76000.10 EMAT penalty, and distribute the remaining amount to the county Traffic School Violator School fee.
4. Correct its calculation and distribution of the 30 percent allocation to the Railroad fund for Railroad traffic school cases by converting the base fine and all penalties to a Traffic Violator School fee pursuant to VC §42007.4, and distributing 30 percent of this fee to the Railroad fund with the remaining amount distributed pursuant to PC §1463.
5. Correct its formulas for the 30 percent allocations to the Red Light fund pursuant to PC §1463.11 and to the Railroad fund pursuant to PC §1463.12 as follows:
- Calculate the 30 percent allocation from the applicable penalty assessments net of the 2 Percent State Automation amounts to make sure the 2 Percent State Automation amounts are proportionally deducted from both the 30 percent allocation amounts and the penalty assessments.

- Include the \$4 GC §76000.10 EMAT penalty in the fines and penalties used to calculate the 30 percent allocations to the Red Light or Railroad funds.
6. Correct the assessments and distributions related to Health and Safety violations as follows:
 - Calculate the PC §1465.7 20 Percent State surcharge from the \$50 HS §11372.5 Criminal Lab fee as the increment is considered a fine subject to State and local penalties, including the 20 Percent State surcharge.
 - Assess the HS §11372.7 (a) Drug Program fee of up to \$150 for violations under chapter 6 of the HS code, unless the Court determines that the person does not have the ability to pay. If the Court makes such a determination and waives the Drug Program fee, it should indicate in the case history that it made such a determination. If the Court assesses this Drug Program fee, it should consider this increment to be a fine subject to State and Local penalties, including the 20 Percent State surcharge and 2 Percent State Automation amounts.
 7. Take steps to ensure that the \$20 PC §1463.18 DUI Indemnity is assessed only on convictions of DUI violations, not on Reckless Driving violations.
 8. Identify all city health departments and unincorporated areas to ensure it properly distributes the base fine to the appropriate city or county health department in accordance with the special base fine distribution provided in VC §15630.

Superior Court Response By: Solange Backes, Centralized Accounting Manager

Date: March 28, 2013

The Court agrees in part with the findings and recommendations:

1. The Court agrees in part with the applicability of the 2 percent State Automation amount:
 - The Court agrees that it should calculate the 2 percent State Automation amount from PC §1463.14(b) DUI Lab additional penalty and the PC §1463.25 Alcohol Abuse Education penalty.
 - The Court agrees that the \$50 HS §11372.5 Criminal Lab Fee is a total fine increment and is thus considered subject to State and local penalties, including the 2 percent State Automation amount.
 - The Court agrees that it should not apply the 2 percent State Automation amount to the Railroad traffic school reviewed. Distribution for the case reviewed was performed as directed by Table #7-6 in the SCO Appendix C for VC §42007.4 Traffic Violator School for Railroad Crossing Violations. Per guidance under that table, the Court distributed 30% of VC §42007 fee to the County and the remainder pursuant to PC §1463 per Table 1, in which case the Court assumed that this amount would be subject to the 2 percent deposit for the State Automation. Since the total bail was converted to a fee, the Court agrees that the 2 percent State Automation amount does not apply.
 - The Court agrees with the finding stating that it incorrectly calculated the 2 percent State Automation amount to two traffic school cases reviewed. GC §76000.10 states that a

penalty of \$4 shall be imposed **upon every conviction** for a violation of the vehicle code. This section also states that this penalty is in addition to the state penalty assessment (PC §1464); however, is not included in the base fine to calculate the state penalty assessment, state surcharge (PC §1465.7) or to calculate additional penalties levied pursuant to this chapter. This code section does not indicate any special distribution requirements when assessed in conjunction with Railroad, Red Light or Traffic Violator School fines. The Court interpreted the \$4 EMAT penalty to be an upon conviction amount and did not associate it with the base fine or bail. Upon further research, the Court determined that the \$4 EMAT penalty is included in total bail per the Uniform Bail and Penalty Schedule and should be converted to TVS fees and distributed pursuant to VC §42007.

2. The Court agrees with the findings on traffic school cases:
 - The Court agrees with the recommendation that it should include the GC §76000.10 EMAT penalty as part of the VC §42007 Traffic Violator School Fee distributed to the County. See response for the fourth bullet point in finding 1 above.
 - The Court agrees that it should apply the 2 percent State Automation amount to traffic school cases with city arrests and distribute to the city its portion of the base fine net of the 2 percent State Automation amount.
 - The Court agrees that it should distribute fines and penalties resulting from traffic school cases with child seat violations per VC §27360 or VC §27360.5 the same as child seat bail forfeiture. The Court acknowledges that its conversion of such cases to a Traffic Violator School fee does not conform to statute.
3. The Court agrees with the two findings on Red Light traffic school cases:
 - The Court has reviewed its EMS and State Court Construction penalty assessment calculation and distribution formulas on Red Light traffic school cases and found that a very immaterial impact is caused by the small variances that result when the base fine exceeds the standard \$100 base fine. The Court estimates that the aggregate impact of these offsetting variances is about \$6 per year. System limitations would require the Court to implement a manual adjustment to its monthly automated distribution to correct these immaterial variances. Due to the small impact and high level of effort to correct the system calculations, the Court has decided to not take any corrective action in its case management system or make manual adjustments to its monthly distribution.
 - The Court agrees that the \$4 GC §76000.10 EMAT penalty is part of Traffic Violator School fee. See response for the fourth bullet point in finding 1 above.
4. The Court agrees that it did not correctly calculate the 30 percent allocation to the Railroad fund from the DNA penalty, the EMS penalty and the EMAT penalty. Distribution for the case reviewed was performed as directed by Table #7-6 in the SCO Appendix C for VC §42007.4 Traffic Violator School for Railroad Crossing Violations. The Court distributed 30% of Railroad Traffic School fee to the County and the remainder was incorrectly distributed pursuant to PC §1463.12 per Table 2-1, which excludes the DNA and EMS penalties from the calculation of the 30 percent. Additionally, the Court agrees that the \$4

GC §76000.10 EMAT penalty is part of the Railroad Traffic School fee. See response for the fourth bullet point in finding 1 above.

5. The Court agrees with the findings on its formulas for calculating the 30 percent allocation to the Red Light fund pursuant to PC §1463.11 and to the Railroad fund pursuant to PC §1463.12:
 - The Court agrees that it should ensure that the 2 percent State Automation amounts are proportionally deducted from both the 30 percent allocation amounts and the penalty assessments and will revise its formula.
 - The Court agrees that the \$4 GC §76000.10 EMAT penalty should be included in the fines and penalties used to calculate the 30 percent allocations to Red Light or Railroad funds. See response for the fourth bullet point in finding 1 above.
6. The Court agrees with the findings on the assessments and distributions related to Health and Safety violations:
 - The Court agrees that it should calculate the PC §1465.7 20 Percent State surcharge from the \$50 HS §11372.5 Criminal Lab fee. The Court also agrees that it should calculate the 2 percent State Automation amount from the \$50 HS §11372.5 Criminal Lab Fee. The Court agrees that it should assess the HS §11372.7(a) Drug Program fee of up to \$150 for violations under chapter 6 of the HS code, unless the Court determines that the person does not have the ability to pay. The Court has updated its Misdemeanor Sentence Recommendation form and has notified its Supervising Judges informing them of this fee.

The Court disagrees that it should indicate in the case history that it made a determination that the person does not have the ability to pay and has waived the fee per the following decisions:

- Trial court is not required to state a finding of a defendant's inability to pay a drug program fee on the record. *People v. Turner (App. 3 Dist. 2002) 118 Cal.Rptr.2d 99, 96 Cal.App.4th 1409, review denied. Costs 314*
 - On silent record, there is no jurisdictional error in failing to impose a drug program fee, which is mandatory if narcotics defendant has ability to pay; because sentencing court is not required to state its findings on record, judgment that fails to impose fee is not legally unauthorized judgment. *People v. Martinez (App. 2 Dist. 1998) 77 Cal.Rptr.2d 492, 65 Cal.App.4th 1511. Costs 316*
7. The Court agrees that it should not assess the \$20 PC §1463.18 DUI Indemnity on Reckless Driving violations and will take the necessary steps to separate distribution of Reckless Driving violations from DUI violations.
 8. The Court acknowledges that it needs to identify all city health departments and unincorporated areas to ensure it properly distributes the base fine to the appropriate city or county health department. The Court is exploring its contacts with the County to determine whether the County maintains a list of cities with a health department so it can update its distribution tables in the case management system.

In conclusion, the distribution of fines, fees, penalties, and other assessments in accordance with applicable statutes and guidelines are of utmost importance to the Court. The Court is in the process of prioritizing corrective actions that will be taken to remediate the findings agreed upon above.

The Court is developing preventive measures for future distribution issues including increased training, analytical procedures, and enhancements in documentation:

- Court staff that is responsible for distribution calculations has recently participated in AOC sponsored distribution training and will attend future sessions. The training reference materials will be used for periodic self-audits.
- The Court has recently implemented analytical procedures to identify quarterly variances in distribution. The analytics include variance analysis by fund and correlate variances to legislative changes.
- Management will improve documentation of distribution procedures and will perform periodic reviews of its policies to become better prepared for staff and management turnover.

Guidance over distribution is not always transparent and originates from several different sources. The Court appreciates any support from AOC and SCO in applying distribution laws and guidelines and would like to request additional resources on legislative updates.

Date of Corrective Action: All agreed-upon items are targeted with a remediation date of December 31, 2013.

Responsible Person(s): Solange Backes, Centralized Accounting Manager

7. Banking and Treasury

Background

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Assets				
100000 POOLED CASH	586,296.05	623,774.05	(37,478.00)	-6.01%
100011 OPS DEPOSIT	228,076.16	6,259.81	221,816.35	3543.50%
100012 OPS CREDIT CARD DEPOSIT	6,556.68	-	6,556.68	100.00%
100025 DISB CHECK-OPERATIONS	1,116,121.03	1,518,795.31	402,674.28	26.51%
100027 DISB OUTGOING EFT	5,827.00	953.95	(4,873.05)	-510.83%
100132 DIST CREDIT CARD DEPOSIT	400,931.74	-	400,931.74	100.00%
114000 CASH-REVOLVING	5,000.00	5,000.00	0.00	0.00%
115000 CASH-OTHER	50,936.84	105,969.85	(55,033.01)	-51.93%
117000 CASH DISTRIBUTION ACCOUNT	-	112,606.44	(112,606.44)	-100.00%
117002 CASH DISTRIBUTION IN-TRANSIT	-	285,992.65	(285,992.65)	-100.00%
119001 CASH ON HAND - CHANGE FUND	33,125.00	33,925.00	(800.00)	-2.36%
120001 CASH WITH COUNTY	40,136,767.43	46,426,540.40	(6,289,772.97)	-13.55%
120050 SHORT TERM INVESTMENTS-LAIF	31,763,290.84	35,774,205.22	(4,010,914.38)	-11.21%
120051 SHORT TERM INVESTMENTS-CAPITAL	9,292,822.14	10,079,778.54	(786,956.40)	-7.81%
*** Cash and Cash Equivalents	81,381,854.85	91,934,302.70	(10,552,447.85)	-11.48%
Accounts Payable				
301001 A/P - GENERAL	1,348,953.05	2,345,455.92	(996,502.87)	-42.49%
301002 A/P - CLEARING GR/IR ACCT	16,797.89	9,466.42	7,331.47	77.45%
314002 DISTRIBUTION-DUE TO TRUST	4,131,207.55	4,080,674.82	50,532.73	1.24%
314004 OPERATIONS-DUE TO TRUST	-	4,186.01	(4,186.01)	-100.00%
314007 OPERATIONS-DUE TO DISTRIBUTIO	1,902.42	-	1,902.42	100.00%
314008 TRUST-DUE TO UCF	4,787,248.48	5,288,731.34	(501,482.86)	-9.48%
314010 OPERATIONS-DUE TO UCF	722,885.65	-	722,885.65	100.00%
314011 TRUST-DUE TO OPERATIONS	902,965.73	1,048,895.07	(145,929.34)	-13.91%
314013 UCF-DUE TO OPERATIONS	23,994.25	25,685.76	(1,691.51)	-6.59%
314014 SPECIAL REVENUE-DUE TO GE	2,833,181.80	4,461,756.01	(1,628,574.21)	-36.50%
321501 A/P DUE TO STATE	5,129,337.23	5,579,518.01	(450,180.78)	-8.07%
321600 A/P - TC145 LIABILITY	10,253,220.13	10,229,515.86	23,704.27	0.23%
322001 A/P - DUE TO OTHER GOVERNMENT	4,527,743.97	12,744,420.22	(8,216,676.25)	-64.47%
323001 A/P - SALES & USE TAX	3,583.63	3,728.31	(144.68)	-3.88%
323010 TREASURY INTEREST PAYABLE	406.92	155.14	251.78	162.29%
330001 A/P - ACCRUED LIABILITIES	4,636,523.35	3,068,624.97	1,567,898.38	51.09%
*** Accounts Payable	39,319,952.05	48,890,813.86	(9,570,861.81)	-19.58%

Current Liabilities

342001 REIMBURSEMENTS COLLECTED IN ADVANCE	134,936.84	198,840.12	(63,903.28)	-32.14%
351003 LIABILITIES FOR DEPOSITS	74,440.26	92,939.06	(18,498.80)	-19.90%
353051 CRIMINAL FINES DUE TO OTHER PUBLIC AGENCIES	1,902.42	-	1,902.42	100.00%
353090 FUNDS HELD OUTSIDE OF THE AOC	25,724,366.05	22,426,565.62	3,297,800.43	14.70%
353999 TRUST INTEREST PAYABLE	-	-	0.00	0.00%
375001 ACCRUED PAYROLL	6,677,177.01	6,326,633.00	350,544.01	5.54%
*** Current Liabilities	32,612,822.58	29,044,977.80	3,567,844.78	12.28%

Revenues

** 825000-INTEREST INCOME	200,683.30	346,378.95	(145,695.65)	-42.06%
----------------------------------	-------------------	-------------------	---------------------	----------------

Expenditures

920301 MERCHANT FEES	486,139.52	570,037.48	(83,897.96)	-14.72%
920302 BANK FEES	16,960.72	15,690.03	1,270.69	8.10%
* 920300 - FEES/PERMITS	503,100.24	585,727.51	(82,627.27)	-14.11%
* 939700 - BANKING AND INVESTMENT SERVICES	9,730.40	11,597.53	(1,867.13)	-16.10%

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, local bank accounts).
- Processes for reconciling general ledger trust balances to supporting documentation; including daily deposit, CMS, and case file records.
- Whether AOC approval was obtained prior to opening and closing bank accounts.

There were no significant issues identified during this audit to report to management in this section.

8. Court Security

Background

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

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Expenditures				
934503 PERIMETER SECURITY-SHERIFF	-	20,520,770.43	(20,520,770.43)	-100.00%
934510 COURTROOM SECURITY-SHERIF	279,212.10	19,990,774.02	(19,711,561.92)	-98.60%
934512 ALARM SERVICE	11,015.44	6,506.90	4,508.54	69.29%
934599 SECURITY	946,591.46	-	946,591.46	100.00%
* 934500 - SECURITY	1,236,819.00	40,518,051.35	(39,281,232.35)	-96.95%
941101 SHERIFF - REIMBURSEMENTS	75,310.00	78,895.00	(3,585.00)	-4.54%
* 941100 - SHERIFF	75,310.00	78,895.00	(3,585.00)	-4.54%
952002 COURT ASSISTANT/ATTENDANT UNI	1,107.95	9,388.95	(8,281.00)	-88.20%
* 952000 - UNIFORM ALLOWANCE	1,107.95	9,388.95	(8,281.00)	-88.20%

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 to determine whether security services comply with MOU requirements.

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

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 document approval by an authorized individual. The requestor identifies the correct account codes(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the court employees responsible for approving the purchase, verifying that the correct account codes(s) are specified, and assuring that funding is available. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to enter into purchase orders, service agreements, or contracts to document the terms and conditions of its purchases.

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Expenditures				
* 920200 - LABORATORY EXPENSE	62,985.19	85,657.69	(22,672.50)	-26.47%
* 920500 - DUES AND MEMBERSHIPS	87,648.00	87,709.00	(61.00)	-0.07%
* 920600 - OFFICE EXPENSE	641,390.93	864,600.66	(223,209.73)	-25.82%
* 921500 - ADVERTISING	10,438.79	7,170.97	3,267.82	45.57%
* 921700 - MEETINGS, CONFERENCES, E	20,118.13	24,926.29	(4,808.16)	-19.29%
* 922300 - LIBRARY PURCHASES AND SU	800,378.00	888,809.61	(88,431.61)	-9.95%
* 922600 - MINOR EQUIPMENT - UNDER	262,851.14	2,106,706.41	(1,843,855.27)	-87.52%
* 922700 - EQUIPMENT RENTAL/LEASE	430,760.92	499,556.23	(68,795.31)	-13.77%
* 922800 - EQUIPMENT MAINTENANCE	181,084.60	131,450.51	49,634.09	37.76%
* 922900 - EQUIPMENT REPAIRS	-	63,634.99	(63,634.99)	-100.00%
* 923900 - GENERAL EXPENSE - SERVIC	35,921.68	51,247.47	(15,325.79)	-29.91%
* 924500 - PRINTING	510,185.87	561,436.84	(51,250.97)	-9.13%
* 925100 - TELECOMMUNICATIONS	1,216,611.95	1,688,226.56	(471,614.61)	-27.94%
* 926200 - STAMPS, STAMPED ENVELOPE	957,241.80	875,980.44	81,261.36	9.28%
* 928800 - INSURANCE	49,966.00	50,737.00	(771.00)	-1.52%
* 933100 - TRAINING	241,594.41	426,036.57	(184,442.16)	-43.29%
* 934500 - SECURITY	1,236,819.00	40,518,051.35	(39,281,232.35)	-96.95%
* 935200 - RENT/LEASE	1,141,189.08	1,067,725.17	73,463.91	6.88%
* 935300 - JANITORIAL	578,800.45	548,599.73	30,200.72	5.51%
* 935400 - MAINTENANCE AND SUPPLIES	94,598.19	34,195.88	60,402.31	176.64%
* 935600 - ALTERATION	103,642.79	286,975.88	(183,333.09)	-63.88%
* 935700 - OTHER FACILITY COSTS - G	-	23,897.70	(23,897.70)	-100.00%
* 938200 - CONSULTING SERVICES - TE	125,556.99	442,467.13	(316,910.14)	-71.62%
* 938300 - GENERAL CONSULTANT AND P	4,167,963.91	3,023,160.75	1,144,803.16	37.87%
* 938500 - COURT INTERPRETER SERVIC	1,710,309.86	1,857,096.65	(146,786.79)	-7.90%
* 938600 - COURT REPORTER SERVICES	242,496.60	222,559.32	19,937.28	8.96%
* 938700 - COURT TRANSCRIPTS	1,469,688.33	1,392,939.02	76,749.31	5.51%
* 938800 - COURT APPOINTED COUNSEL	12,389,392.33	12,771,929.98	(382,537.65)	-3.00%
* 938900 - INVESTIGATIVE SERVICE	363,612.80	385,780.13	(22,167.33)	-5.75%
* 939000 - COURT ORDERED PROFESSION	662,769.59	708,182.07	(45,412.48)	-6.41%
* 939100 - MEDIATORS/ARBITRATORS	4,050.00	2,250.00	1,800.00	80.00%
* 939200 - COLLECTION SERVICES	517,312.67	625,188.07	(107,875.40)	-17.25%
* 939400 - LEGAL	1,530,111.78	1,750,856.55	(220,744.77)	-12.61%
* 939700 - BANKING AND INVESTMENT S	9,730.40	11,597.53	(1,867.13)	-16.10%
* 943200 - IT MAINTENANCE	746,946.49	791,775.36	(44,828.87)	-5.66%
* 943300 - IT COMMERCIAL CONTRACT	2,524,297.56	2,412,979.00	111,318.56	4.61%
* 943500 - IT REPAIRS/SUPPLIES/LICE	2,048,201.54	2,387,967.37	(339,765.83)	-14.23%
* 952000 - UNIFORM ALLOWANCE	1,107.95	9,388.95	(8,281.00)	-88.20%
* 952300 - VEHICLE OPERATIONS	28,060.45	47,973.64	(19,913.19)	-41.51%
* 945200 - MAJOR EQUIPMENT	872,922.10	2,794,130.25	(1,921,208.15)	-68.76%

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

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

10. Contracts

Background

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Expenditures – Contracted Services				
* 938200 - CONSULTING SERVICES - TE	125,556.99	442,467.13	(316,910.14)	-71.62%
* 938300 - GENERAL CONSULTANT AND P	4,167,963.91	3,023,160.75	1,144,803.16	37.87%
* 938500 - COURT INTERPRETER SERVIC	1,710,309.86	1,857,096.65	(146,786.79)	-7.90%
* 938600 - COURT REPORTER SERVICES	242,496.60	222,559.32	19,937.28	8.96%
* 938700 - COURT TRANSCRIPTS	1,469,688.33	1,392,939.02	76,749.31	5.51%
* 938800 - COURT APPOINTED COUNSEL	12,389,392.33	12,771,929.98	(382,537.65)	-3.00%
* 938900 - INVESTIGATIVE SERVICE	363,612.80	385,780.13	(22,167.33)	-5.75%
* 939000 - COURT ORDERED PROFESSION	662,769.59	708,182.07	(45,412.48)	-6.41%
* 939100 - MEDIATORS/ARBITRATORS	4,050.00	2,250.00	1,800.00	80.00%
* 939200 - COLLECTION SERVICES	517,312.67	625,188.07	(107,875.40)	-17.25%
* 939400 - LEGAL	1,530,111.78	1,750,856.55	(220,744.77)	-12.61%
* 939700 - BANKING AND INVESTMENT S	9,730.40	11,597.53	(1,867.13)	-16.10%
Expenditures – County Provided Services				
* 942100 - COUNTY-PROVIDED SERVICES	382,109.44	300,227.84	81,881.60	27.27%

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

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

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

11. Accounts Payable

Background

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

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Liabilities				
*** Accounts Payable	39,319,952.05	48,890,813.86	(9,570,861.81)	-19.58%
*** Current Liabilities	32,612,822.58	29,044,977.80	3,567,844.78	12.28%
Revenue				
** 860000-REIMBURSEMENTS - OTHER	1,437,807.92	1,450,542.16	(12,734.24)	-0.88%

Expenditures

* 920200 - LABORATORY EXPENSE	62,985.19	85,657.69	(22,672.50)	-26.47%
* 920300 - FEES/PERMITS	503,100.24	585,727.51	(82,627.27)	-14.11%
* 920600 - OFFICE EXPENSE	641,390.93	864,600.66	(223,209.73)	-25.82%
* 921500 - ADVERTISING	10,438.79	7,170.97	3,267.82	45.57%
* 921700 - MEETINGS, CONFERENCES, E	20,118.13	24,926.29	(4,808.16)	-19.29%
* 922300 - LIBRARY PURCHASES AND SU	800,378.00	888,809.61	(88,431.61)	-9.95%
* 922700 - EQUIPMENT RENTAL/LEASE	430,760.92	499,556.23	(68,795.31)	-13.77%
* 922800 - EQUIPMENT MAINTENANCE	181,084.60	131,450.51	49,634.09	37.76%
* 922900 - EQUIPMENT REPAIRS	-	63,634.99	(63,634.99)	-100.00%
* 924500 - PRINTING	510,185.87	561,436.84	(51,250.97)	-9.13%
* 925100 - TELECOMMUNICATIONS	1,216,611.95	1,688,226.56	(471,614.61)	-27.94%
* 926200 - STAMPS, STAMPED ENVELOPE	957,241.80	875,980.44	81,261.36	9.28%
* 928800 - INSURANCE	49,966.00	50,737.00	(771.00)	-1.52%
* 929200 - TRAVEL- IN STATE	60,740.69	72,894.80	(12,154.11)	-16.67%
* 931100 - TRAVEL OUT OF STATE	12,195.41	33,377.45	(21,182.04)	-63.46%
* 933100 - TRAINING	241,594.41	426,036.57	(184,442.16)	-43.29%
* 935200 - RENT/LEASE	1,141,189.08	1,067,725.17	73,463.91	6.88%
* 935300 - JANITORIAL	578,800.45	548,599.73	30,200.72	5.51%
* 935400 - MAINTENANCE AND SUPPLIES	94,598.19	34,195.88	60,402.31	176.64%
* 935600 - ALTERATION	103,642.79	286,975.88	(183,333.09)	-63.88%
* 935700 - OTHER FACILITY COSTS - G	-	23,897.70	(23,897.70)	-100.00%
* 935800 - OTHER FACILITY COSTS - S	-	6,263.08	(6,263.08)	-100.00%
* 938200 - CONSULTING SERVICES - TE	125,556.99	442,467.13	(316,910.14)	-71.62%
* 938300 - GENERAL CONSULTANT AND P	4,167,963.91	3,023,160.75	1,144,803.16	37.87%
* 938500 - COURT INTERPRETER SERVIC	1,710,309.86	1,857,096.65	(146,786.79)	-7.90%
* 938600 - COURT REPORTER SERVICES	242,496.60	222,559.32	19,937.28	8.96%
* 938700 - COURT TRANSCRIPTS	1,469,688.33	1,392,939.02	76,749.31	5.51%
* 938800 - COURT APPOINTED COUNSEL	12,389,392.33	12,771,929.98	(382,537.65)	-3.00%
* 938900 - INVESTIGATIVE SERVICE	363,612.80	385,780.13	(22,167.33)	-5.75%
* 939000 - COURT ORDERED PROFESSION	662,769.59	708,182.07	(45,412.48)	-6.41%
* 939100 - MEDIATORS/ARBITRATORS	4,050.00	2,250.00	1,800.00	80.00%
* 939200 - COLLECTION SERVICES	517,312.67	625,188.07	(107,875.40)	-17.25%
* 939400 - LEGAL	1,530,111.78	1,750,856.55	(220,744.77)	-12.61%
* 939700 - BANKING AND INVESTMENT S	9,730.40	11,597.53	(1,867.13)	-16.10%
* 952000 - UNIFORM ALLOWANCE	1,107.95	9,388.95	(8,281.00)	-88.20%
* 952300 - VEHICLE OPERATIONS	28,060.45	47,973.64	(19,913.19)	-41.51%
* 965100 - JUROR COSTS	1,083,008.07	1,112,575.34	(29,567.27)	-2.66%

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with fiscal staff involved in accounts payable. We also reviewed selected invoices and claims processed in FY 2011–2012 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

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

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

11.1 The Court Needs to Improve Its Procedures for Reviewing and Approving Travel Expenses

Background

Government Code section 69505(a) requires trial court judges and employees to follow the procedures recommended by the Administrative Director of the Courts and approved by the

Judicial Council for reimbursement of business-related travel. The Administrative Office of the Courts (AOC) Travel Rate Guidelines are approved annually by the Judicial Council and provide specific information regarding the current limitations that apply to allowable travel expenses.

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

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 Judicial Branch Travel Guidelines, including any terms of an executed memorandum of understanding agreement by and between a recognized employee organization and a trial court, must be submitted in writing and have prior approval in accordance with alternative procedures guidelines established in Policy Number FIN 1.01, 6.4 (4).

Policy Number FIN 8.03 provides specific travel procedures for trial courts to follow. FIN 8.03, 6.3, states that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation, and other miscellaneous items. Further, FIN 8.03, 6.3.1, states that when the use of a personal vehicle is approved for trial court business and the travel commences from home, reimbursed personal vehicle mileage will be calculated from the traveler's designated headquarters or home, whichever results in the lesser distance, to the business destination. In addition, FIN 8.03, 6.1.1 states that travel costs incurred without written travel request approval may be subject to rejection when reimbursement is requested. Out-of-state or international travel requires the approval of the Presiding Judge (PJ) or written designee.

In addition, Policy Number FIN 8.03, 6.4, provides that reimbursable travel expenses are limited to the authorized, actual, and necessary costs of conducting the official business of the trial court and the limits established in the published AOC Travel Rate Guidelines. Judges and employees who incur reimbursable business travel costs, must submit a completed travel expense reimbursement claim (TEC) form that notes the business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level.

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

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

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

Policy Number FIN 8.03, also provides the Judicial Branch Travel Guidelines, that state to be eligible for lodging, incidentals, and meal reimbursement, expenses must be incurred in excess of 25 miles from headquarters. As previously stated, Policy Number FIN 8.03, 3.0 states all exceptions to the Judicial Branch Travel Guidelines, must be submitted in writing and have prior approval in accordance with the alternative procedures guidelines established in Policy Number FIN 1.01, 6.4 (4).

Issues

To determine whether the Court followed the travel expense guidelines required in the FIN Manual, we made inquiries of appropriate Court staff regarding current travel reimbursement practices. We also reviewed selected travel expense reimbursement transactions between July 2011 and June 2012. Our review determined that the Court needs to improve its business travel expense reimbursement procedures. Specifically, we noted the following in our review of travel expense reimbursements and credit card charges:

1. The Court reimbursed employee claims for out-of-state travel expenses without requiring written pre-approval by the PJ, or written designee, of the out-of-state travel. Specifically, for two of the five TECs we reviewed, the Court could not demonstrate prior approval by the PJ for the out-of-state travel. For one TEC, there was no "Employee Travel/Training Request" form pre-approving the out-of-state travel. The second out-of-state TEC included the form, but the form was not signed approved.
2. For one of the five TECs we reviewed, we could not confirm that the Court reimbursed the appropriate cost of the air travel. Specifically, after the employee paid \$720 out-of-pocket for airfare, the Court changed the employee's travel plans requiring the employee to cancel his flight and receive a \$720 airfare credit. The employee used \$398 of this credit towards another non-court business flight, and in April 2012, the Court reimbursed the employee \$322 for the difference between the cost of the original flight and the cost associated with the non-court business flight. Of this \$322 reimbursement, \$150 was for airfare credit that the employee used for the flight change, leaving the employee with an airfare credit of at least \$172.

Because the April 2012 expense reimbursement documents the Court provided did not mention or include a copy of the airfare credit voucher and its status, we followed up with the Court to determine the status of this airfare credit. In its response to our follow up questions regarding the status of this airfare credit, the Court contacted the employee, who then provided documentation confirming that in May 2012 the employee requested from the airline company a \$197 replacement travel voucher associated with this airfare credit. The Court indicated the airfare credit was for future use. However, the Court did not confirm whether or not the employee would subsequently use this airfare credit on court business; and if used on personal business, whether the employee would subsequently reimburse the Court.

3. For another TEC we reviewed, the Court reimbursed the employee for travel expenses that the employee incurred while on personal travel status. Specifically, the business event the employee attended ran from May 9th to 11th. However, closer analysis of the TEC indicates that the employee traveled two days earlier and stayed a few days later for personal reasons. As a result, the \$6 breakfast, \$10 lunch, and \$18 dinner the employee claimed for that earlier first day on May 7th are considered non-reimbursable personal travel expenses, not business travel expenses. In addition, the first \$6 incidental expense is also not reimbursable since the business travel did not officially start until after the personal-travel days and incidental expenses cannot be claimed until after the first 24 hours of business travel. Similarly, since the business event ended on May 11th, the \$18 dinner that the employee claimed on May 14th is also not reimbursable as it was incurred three days after the end of the event while on personal travel status, not business travel status.

In response to our follow up questions, the Court asserted that the employee misstated the dates for the claimed meals and is entitled to the meal expenses had the employee claimed these expenses on May 8th, the first day of business travel, and on May 11th, the last day of business travel. However, the Court was unable to provide copies of the meal receipts we requested to verify the dates the Court asserts the employee incurred the meal expenses. Specifically, even though the FIN Manual advises travelers to retain receipts for IRS documentation purposes, the Court stated that the employee did not retain the meal receipts since Policy Number FIN 8.03, states, "Receipts for meals need not be submitted to the court." As a result, the Court could not support its assertion that the employee misstated the information the employee recorded on the contemporaneously prepared TEC.

4. Our review of selected travel expenses charged to a Court purchase card found that the Court paid the lodging expenses for two employees even though the conference hotel is located less than 10 miles from Court headquarters, and less than 25 miles from each of these two employee's respective homes. Specifically, in response to our request for additional information regarding these lodging expenses, the Court stated that, although not documented on the travel request forms, the PJ made an exception to allow these employees to stay overnight at the conference hotel since their services were needed until midnight the first day and by 5:30 a.m. the next day.

However, as previously indicated in the Background section, the Judicial Branch Travel Guidelines state that to be eligible for lodging reimbursement, expenses must be incurred more than 25 miles from headquarters. Further, since the Court-sponsored education conference ran until 9:30 p.m. the first day and resumed at 8 a.m. the next day, and the conference facility was less than 25 miles from each employee's respective home, a sufficient amount of time remained for these two employees to reasonably commute home for the evening and arrive at the conference site the next morning in time to resume their assigned duties. Specifically, the conference agenda indicates that the first day of the conference began with registration from 5 p.m. to 6 p.m., then a welcome reception/No Host Bar from 6 p.m. to 8 p.m., and ended with an 8 p.m. to 9:30 p.m. dinner. The following day, registration and a full breakfast buffet were scheduled to begin at 8 a.m., with a "State of the Court" address beginning at 9 a.m., and training sessions concluding at 3:30 p.m.

5. For one travel expense transaction we selected to review and that was charged to a Court purchase card, the Court did not provide us with the requested credit card statement and corresponding receipts. Instead, the Court provided a spreadsheet noting that these credit card charges were for a July 2011 dinner and hotel charges. A note on the spreadsheet states that the dinner charges exceed the amount allotted; therefore, the employees will not seek reimbursement for their lunch cost. However, the maximum amounts allowed for meal reimbursements (\$6 for breakfast, \$10 for lunch, and \$18 for dinner) are for the actual costs incurred for each meal, not an aggregate total per diem amount. Therefore, if each person exceeded the \$18 maximum reimbursement allowed for dinner, the amount charged to the Court credit card over that \$18 maximum limit should be repaid to the Court. In this case, the credit card charge for dinner was \$49.34 indicating that these two employees combined exceeded the \$36 maximum amount allowed for dinner, and owe the Court at least \$13.34.

This overpayment resulted, at least in part, because the Court did not require these two employees to submit the receipts required to support the meal and hotel expenses they charged to the Court purchase card. According to Policy Number FIN 6.01, procedure 6.14, if purchase cardholders receive a monthly statement of activity, they are responsible for providing documentation in the form of requisitions and receipts for purchases made using the purchasing card. The receipts and the statement shall be forwarded to accounts payable for verification. As of October 31, 2012, the Court has not provided the requested TECs or receipts for the meal and lodging expenses these two employees charged to the Court purchase card for this trip.

Recommendations

To ensure its travel and business meal expenses comply with the AOC travel expense reimbursement policy and procedures, and are an appropriate and necessary use of public funds, the Court should consider the following:

1. Require traveling employees to obtain prior written approval from the PJ, or written designee, for out-of-state business travel. In addition, instruct accounts payable staff to require this written approval before processing employee out-of-state TECs for reimbursement.
2. Instruct and require employees to attach and submit all required receipts with their TECs, including airfare credit vouchers. If the Court reimburses employees for credit vouchers, it should make sure these vouchers are used only for Court business; and any non-Court use, such as for personal business, is subsequently reimbursed to the Court.
3. Develop and implement a constructive travel policy that clearly defines the procedures to follow should an employee wish to extend business travel for personal reasons. In addition, the Court should collect from the employee the reimbursements it paid to the employee for the unallowable meal and incidental expenses the employee claimed while on personal business travel status.
4. Adhere to the Judicial Branch Travel Guidelines which require that to be eligible for lodging, incidentals, and meal reimbursement, expenses must be incurred more than 25 miles from

headquarters. All exceptions to the travel guidelines must be submitted in writing and have prior approval in accordance with the alternative procedures guidelines established in Policy Number FIN 1.01.

5. Provide instruction to traveling employees, managers, supervisors, and accounts payable staff regarding the information and documentation necessary to properly claim, review, and approve allowable travel expenses. This instruction should include information on FIN Manual travel expense reimbursement requirements, AOC maximum reimbursement limits, what type of travel expenses are allowed and not allowed, and the submittal of appropriate itemized receipts to support the travel expense charges to the Court purchase cards.

In addition, staff reviewing the charges to the Court purchase card used for travel expenses should require travelers to submit the required itemized receipts supporting the travel expense charges and ensure all charges are for travel expenses that meet the FIN Manual and AOC travel expense reimbursement requirements and limits.

Superior Court Response By: Jennifer Han, General Accounting Manager

Date: March 15, 2013

1. The Court, as recommended, will require traveling employees to obtain prior written approval from the PJ, or written designee, for out-of-state business travel. The PJ will also delegate in writing to the CEO and CFO the authority to approve out-of-state business travel. The Court will remind the Accounts Payable staff that an Employee Travel/Training Request (TTR), or any alternative approval documentation, is required prior to processing Travel Expense Claims.
2. The Court, as recommended, will require all receipts and supporting documentation, including travel vouchers, prior to processing any Travel Expense Claims. The Court will remind the Accounts Payable staff regarding backup requirements. In addition, tracking of any credits or refunds will be performed with the assistance of the Travel Coordinator to ensure they are being utilized for business purposes.
3. The Court, as recommended, will ensure expenses incurred during extended business travel for personal purposes are not reimbursed and eligible expenses are properly documented. The Court will remind the Accounts Payable staff regarding the travel policy limits and applicability and the distinction between business expenses and personal expenses.

The Court has collected from the employee any reimbursement it paid to the employee for unallowable expenses the employee claimed while on personal business travel status.

4. It was the judgment of the court at the time these travel expenses were incurred that the employees' onsite attendance throughout the conference was vital to the success of a court-wide judicial education conference. However, the travel and business meal expenses for future education conferences will be the responsibility of the employees.

5. The Court, as recommended, will ensure that proper documentation is provided for all business travel that is charged to the Court purchase cards. Employees at all levels will provide receipts for expenses incurred on their Court purchase card. The Court will remind the Accounts Payable staff that all backup and approval documentation is required prior to processing payment.

Date of Corrective Action: All agreed-upon items are targeted with a remediation date of April 30, 2013.

Responsible Person(s): Jennifer Han, General Accounting Manager; and Joy Solon, Account Payable Supervisor

11.2 Its Business-Related Meal Expenditures Need Closer Court Oversight

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, the FIN Manual, Policy No. FIN 8.05, defines the rules and limits that courts must observe when arranging or claiming reimbursement for meals associated with 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. FIN 8.05, 6.2, states the following:

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

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

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.

FIN 8.05, 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.

Further, FIN 8.05, 6.5, outlines the authorized business meal timeframes. For instance, breakfast is permissible if the business function begins by 8:30 a.m. and continues for at least three hours.

Lunch is permissible during the noon hour for court wide functions that start no later than 11:00 a.m., have business duration of at least three hours, and continue at least one hour after lunch. An example of timeframes for an allowable lunch hour business meal would be the function starts at 11:00 a.m., lunch is from 12:00 p.m. to 1:00 p.m., and the business function concludes at 3:00 p.m.

Allowable business meal expenses vary depending on when, where, and how many people are involved with the meal or function. For further information regarding the specific requirements for allowable business meal expenses, please see the following paragraphs in Policy 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 expense rules required in the FIN Manual, we interviewed appropriate Court staff regarding its business-related meal expense reimbursement practices. We also reviewed selected business-related meal expense transactions from FY 2011-2012. Our review determined that the Court needs to improve its procedures to adequately account for and justify its business-related meal expenditures. Specifically, we noted the following:

1. The Court recorded expense transactions in incorrect general ledger accounts, exceeded monetary limits, and used court funds for non-court operations expenses. Specifically, for three of ten business-related meal transactions we selected to review, the Court asserted that the expenses were related to employee appreciation events. The Court stated that, “Employee Appreciation is not treated as business-related meal” instead, “Orange County Superior Court has a separate internal policy related to Employee Appreciation Expenses.” As a result, the Court recorded these employee appreciation expenses to the incorrect general ledger (GL) account, GL account 921702— which is for the purchase of meals/food for meetings, conferences, exhibits or shows. Instead the more appropriate GL account for these employee appreciation expenses is GL account 921704—which is for special event costs, such as for Adoption Day and Employee Recognition.

In addition, for two of the three employee appreciation events, the amounts the Court spent per person exceeded the amounts allowed by the Court's written policy, indicating that the Court is not exercising appropriate oversight over these expenses. Specifically, the Court's employee appreciation policy provides that reimbursable expenses shall not exceed \$2.50 for each employee in the work unit/division. However, the Court spent \$3.69 per person (\$589.97 divided by approximately 160 employees) for one employee appreciation event, or approximately \$1.19 more per person than allowed by its policy for a total over-expenditure

of \$190.40 (\$1.19 x 160). For a second employee appreciation event, the Court spent \$5.83 per person (\$816 divided by approximately 140 employees), or approximately \$3.33 more per person than allowed by its policy for a total over-expenditure of \$466.20 (\$3.33 x 140). We could not calculate the cost per person for the third employee appreciation event because the supporting documentation the Court provided did not indicate the number of employees in the work unit/division.

For another one of the ten business-related meal transactions we selected to review, although the expense was charged to the meals/food general ledger account, it was also not a business-related meal expense. Instead, it was an expense related to the purchase of flowers for a funeral service. However, expenditures for flowers are not a California Rules of Court, rule 10.810, allowable court operations cost.

2. The Court did not demonstrate appropriate pre-approval of the business-related meal forms and did not include all the information necessary to assess the propriety of the meal expense. Specifically, five of the six business-related meal forms were signed by the director for the division incurring the business-related meal expense, instead of by the PJ, the CEO, or another judge. Further, although the sixth form was signed by the CEO, it was not dated so we could not determine if the approval was prior to the event date.

The Court asserts that its Business-Related Meal Form itself stands as an official document adopted by the Court to authorize executives, as the PJ's delegates, to pre-approve business meal requests and exceptions. However, although the FIN Manual states that the PJ can delegate approval authority for business-related meals to the CEO or another judge, it does not indicate this delegation can be to executives in general. Further, the FIN Manual states that the PJ—or, if delegated in writing by the PJ, the CEO or another judge—must determine in each instance that there is a business purpose to permit the business meal expenditure, but does not indicate that this determination can be further delegated to other executive management.

In addition, for one of the six business-related meal reimbursements, the business-related meal form did not include an agenda to support the business purpose, nor a list of the expected attendees with titles and affiliations. According to the business-related meal form, this was a welcome meeting for interns. However, without an agenda and a list of expected attendees, the Court cannot adequately demonstrate the business purpose of the meeting and that the cost per person was within the maximum allowed meal limits.

3. The Court also did not ensure that the business-related meals met the FIN Manual timeframe requirements and maximum meal rate limits. Specifically, one business-related meal did not meet the FIN Manual time requirements for breakfast. The FIN Manual permits breakfast only if the business function starts by 8:30 a.m. and lasts at least three hours. However, the business-related meal form for the Operation Golden Guardian Disaster exercise indicates the meeting started at 9 a.m., a half hour too late to be eligible for breakfast. Similarly, another business-related meal did not meet the FIN Manual time requirements for lunch. The FIN Manual permits lunch during the noon hour for court wide functions that start no later than 11 a.m. and have a business function that last at least three hours. However, according to the

business-related meal form, although the 11:30 a.m. to 3:30 p.m. special executive management budget meeting's business function lasted at least three hours, the meeting did not start by 11 a.m. to be a permissible business lunch.

In addition, for two of the six business-related meal reimbursements, the cost per person exceeded the maximum amount allowed per person contrary to the FIN Manual. Specifically, the Court's business-related meal forms for both of these meals allowed management to approve meal rates that are expected to exceed the maximum allowed meal rates per person. However, the FIN Manual states that no exceptions will be granted for exceeding the maximum meal rates. For a third business-related meal reimbursement, we could not calculate the costs per person because the Court did not provide a list of attendees.

Finally, for one of the six business-related meal reimbursements, the Court reimbursed meal expenses that the employee incurred after the business event. Specifically, the Court reimbursed the employee \$8.26 for two fruit granola bars, half and half, and one bagel for an event that occurred on April 20, 2012. However, the Court should have denied the employee's reimbursement request since the date on the supporting receipt indicates the employee incurred the expense on April 27, 2012, or a week after the scheduled event.

Recommendations

To ensure its business meal expenses are consistent with the AOC business meals policy and procedures and an appropriate and necessary use of public funds, the Court should consider the following:

1. Provide closer oversight of the business-related meal expenses and employee appreciation expenses to ensure that these expenses are recorded in their appropriate general ledger accounts, adhere to their respective maximum amounts per person, and are an appropriate use of public court funds.
2. Require advance written approval by the PJ, or written designee, of the business-related meal expense form or alternate document, to demonstrate that the PJ or written designee reviewed and approved the proposed expense as an appropriate and necessary use of public funds.

Also, ensure that the business-related meal expense form records the information required by the FIN Manual to justify the necessity of the business meal. This includes but is not limited to the function start and end time, a statement explaining the business purpose of the function, the reason why business could not be conducted at a time other than during the meal period, and allowable expense amounts. In addition, when applicable, the supporting meeting agenda and sign-in logs for attendees, along with their titles and affiliations, should be attached to the business-related meal expense form to document the nature of the business meeting and the participants.

3. Provide instruction to managers, supervisors, and accounts payable staff regarding the information and documentation necessary to review, approve, and record business-related meal reimbursements, including the timeframe requirements and maximum reimbursement limits.

Superior Court Response By: Jennifer Han, General Accounting Manager

Date: March 15, 2013

1. The Court, as recommended, will record employee appreciation expenses in the GL 921704 account.

The Court acknowledges that its written policy on Employee Appreciation program expenses should be updated to reflect the Court's internal policy in practice. As per current policy, the Court allows an employee appreciation reimbursement of \$10 a year per employee, which can be expensed all at once on a single event or on multiple recognition events throughout the year.

The Court agrees that one of the business related meals' selections was funded inappropriately. The Court agrees expenditures for flowers are not a California Rules of Court, rule 10.810, allowable court operations cost. This expense was reimbursed back to the Court in January 2013.

2. The Court acknowledges that the FIN states that the PJ can only delegate pre-approval authority for business-related meals to the CEO or another judge. The Court has practical concerns that having only the PJ, CEO, or another judge review and authorize small dollar amount claims is not practical for the Orange County Superior Court because it diverts important resources away from more critical tasks. The Court will seek approval of an alternate procedure from the AOC to allow us to extend the pre-approval authority to the Court's Chief Financial Officer.

The Court agrees with the recommendation to ensure that advance written approval by the PJ, or written designee, of the business-related meal expense form or alternate document, to demonstrate that the PJ or written designee reviewed and approved the proposed expense as an appropriate and necessary use of public funds, is secured.

The Court, as recommended, will ensure that the business-related meal expense form records will contain all the information required by the FIN Manual to document the nature of the business meeting and the participants.

3. The Court will send out reminders to staff on the timeframe requirements and allowable costs for business meal reimbursements. .

Finally, the Court agrees that in one of the business-related meal claims, the Court reimbursed \$8.26 for expenses that were incurred after the business event. The \$8.26 payment should not have been made and this amount has been paid back to the Court.

Date of Corrective Action: All agreed-upon items are targeted with a remediation date of April 30, 2013, to June 30, 2013.

Responsible Person(s): Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor

12. Fixed Assets Management

Background

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

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Expenditures				
922603 OFFICE FURNITURE - MINOR	48,725.48	-	48,725.48	100.00%
922611 COMPUTER	57,860.79	1,844,880.29	(1,787,019.50)	-96.86%
922612 PRINTERS	41,677.70	13,311.02	28,366.68	213.11%
922699 MINOR EQUIPMENT - UNDER \$	114,587.17	248,515.10	(133,927.93)	-53.89%
* 922600 - MINOR EQUIPMENT - UNDER	262,851.14	2,106,706.41	(1,843,855.27)	-87.52%
945203 MAJOR EQUIPMENT-FURNITURE	27,926.04	-	27,926.04	100.00%
945301 MAJOR EQUIPMENT - NON-IT	247,638.22	1,771,468.97	(1,523,830.75)	-86.02%
946601 MAJOR EQUIPMENT - IT	597,357.84	1,022,661.28	(425,303.44)	-41.59%
* 945200 - MAJOR EQUIPMENT	872,922.10	2,794,130.25	(1,921,208.15)	-68.76%

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

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

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

13. Audits

Background

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

We reviewed prior audits conducted on the Court to obtain an overview of the issues identified and to determine during the course of our audit whether these issues have been corrected or resolved. Specifically, external consultants performed a performance review of the Court and issued their report dated October 2007. The external consultants reviewed the Court's fund account balances, cash receipt and disbursement processes, compliance with the FIN Manual, and applicable accounting principles and standards to assess the Court's readiness for migration onto CARS/Phoenix. In addition, the external consultants reviewed several functional areas, including court administration, cash handling, fiscal management, procurement, information systems, exhibit room administration, and court security. The report addressed issues and recommendations in trust fund reconciliations, court security, revenue collection and distribution, and other fiscal and operational areas. Some of the issues were resolved by the Court migrating away from the county financial systems while others were resolved through changes in systems and processes. Issues not yet corrected are identified as repeat issues within this report, if applicable.

The State Controller's Office (SCO) also performed an audit to determine the propriety of court revenues remitted to the State of California by Orange County for the period July 1, 2003, through June 30, 2009. The SCO found that the Court did not equitably distribute operating costs from its comprehensive collection program, did not properly distribute Traffic Violator School case monies, and did not properly allocate 30% from the State Court Facilities Construction Fund penalty on red-light violation cases. Any revenue distribution issues not yet corrected are identified as repeat issues in the Information Systems section of this report.

There were no significant issues identified during this audit to report to management in this section.

14. Records Retention

Background

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

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

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
Expenditures				
935203 STORAGE	0	0	0	0.0%

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

There were no significant issues identified during this audit to report to management in this section.

15. Domestic Violence

Background

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

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

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

15.1 The Court Could More Consistently Impose Statutorily Required Domestic Violence Fines and Fees

Background

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

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

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

- Penal Code (PC) 1202.4 (b) State Restitution Fine
Effective January 2012, courts must impose a separate and additional State Restitution Fine of not less than \$240 for a felony conviction and not less than \$120 for a misdemeanor conviction in every case where a person is convicted of a crime.

Courts must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason not to impose this restitution fine, but may be considered only in assessing the amount of the fine in excess of the minimum.

- PC 1202.44 (or PC 1202.45) Probation (or Parole) Revocation Restitution Fine
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed. This additional fine is effective upon the revocation of probation or of a conditional sentence (or parole), and shall not be waived or reduced by the court, absent compelling and extraordinary reasons stated on record.
- PC 1203.097 (a)(5) Domestic Violence Fee
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee if a person is granted probation for committing domestic violence crimes. The legislation that amended the Domestic Violence Fee from \$200 to \$400 sunset on January 1, 2010, but a bill enacted on August 13, 2010, amended the fee back to \$400. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1465.8 (a)(1) Court Operations Assessment
Effective July 28, 2009, courts must impose a \$30 (\$40 effective October 19, 2010) Court Security Fee on each criminal offense conviction. Effective June 30, 2011, this code section was amended to reflect the change from a court security fee to a court operations assessment.

Issues

Our review of the case files for 30 criminal cases where the defendant was convicted of a DV charge (DV cases) from July 2011 through April 2012 found that the Court did not always impose the correct fines and fees. Specifically, our review noted the following exceptions:

- In five of the 23 DV cases that ordered probation, the Court did not impose the PC 1203.097(a)(5) \$400 DV fee or state on the record the defendant's inability to pay the fee.

Recommendations

To ensure it consistently imposes the statutorily required fines and fees on criminal DV cases, the Court should consider the following:

1. Create and distribute a bench schedule of the statutory minimum DV fines and fees, along with what is required to waive or reduce these fines and fees, as a tool for judicial officers and staff to reference and use when imposing fines and fees during sentencing. The Court should periodically update this schedule to reflect any changes in statute. In addition, it should consider inserting these statutory minimum DV fine and fee amounts on the official order of probation forms.

2. Document in DV case minute orders, and also its case management system, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why the Court did not impose the required minimum fines and fees.

Superior Court Response by: Kelli Beltran, Court Operations Manager
Date: March 3, 2013

1. Regarding the recommendations to ensure the \$400 DV fee is consistently imposed, the Court disagrees with the recommendation to create a bench schedule for judicial officers. The Court also disagrees with the recommendation to insert the DV fine and fee amounts on the official order of probation forms because they appear to interfere with a statutorily-required exercise of judicial discretion concerning the amount of the fee authorized by Penal Code section 1203.097(a)(5).

In February 2013, an Orange County Legal Research Attorney provided the following information in support of this disagreement. It should be noted that Penal Code section 1203.097 was amended on January 1, 2013. References to Penal Code 1203.097 in the following analysis are taken from the revised code:

Penal Code section 1203.097(a)(5)(A) provides, in pertinent part:

- (a) "If a person is granted probation for a crime in which the victim is a person defined in Section 6211 of the Family Code, the terms of probation shall include all of the following:

...
...

"(5)(A) A minimum payment by the defendant of five hundred dollars (\$500) to be disbursed as specified in this paragraph. If, after a hearing in open court, the court finds that the defendant does not have the ability to pay, the court may reduce or waive this fee. If the court exercises its discretion to reduce or waive the fee, it shall state the reason on the record." (P.C. § 1203.097(a)(5)(A))

Although section 1203.097 makes the \$500 payment "mandatory" upon a grant of probation, it also gives the court the discretion to reduce or waive the fee if the defendant lacks the ability to pay it. Consequently, what the IAS refers to as the "required minimum" fine or fee is not necessarily "required".

In general, the trial court has the discretion to establish the terms and condition of probation based on constitutional and statutory requirements, as well as reasonableness. Discretionary rulings must be based on the facts of the particular case; consequently, adhering to a standard policy or fee schedule is not an adequate substitute for the exercise of judicial discretion - - instead, it may be a failure to exercise that discretion. (*People v. Penoli* (1996) 46 Cal.App.4th 298, 302-303, citing *People v. Jasper* (1983) 33 Cal.3d 931, 935.)

"Trial courts are granted broad discretion under Penal Code section 1203.1 to prescribe conditions of probation. [citations] However, a ruling otherwise within the trial court's power will nonetheless be set aside where it appears from the record that in issuing the

ruling the court failed to exercise the discretion vested in it by law.[citations]” (*People v. Penoli* (1996) 46 Cal.App.4th 298, 302.)

Based on these authorities, providing judicial officers with a schedule of “required minimum amounts” and including those “required minimum” amounts in the court’s official order forms may be viewed as (1) interfering with the judicial officers’ exercise of the discretion given to them under the statute, and/or (2) discouraging judicial officers from exercising their discretion to determine whether the defendant has the ability to pay the fee.

Further, the stated reason for the IAS recommendations – to “ensure [the court] consistently imposes the statutorily required minimum fines and fees on criminal DV cases” – conflicts with the statutory grant of judicial discretion. The purpose of section 1203.079 (a)(5)(A) is not to achieve consistency in imposing this fee; instead, it expressly allows the court the discretion to *avoid* consistency by declining to impose a probation condition with which the probationer cannot comply.

2. The Court agrees that the reason for waiving the DV fee should be documented in DV case minute orders. Penal Code section 1203.097, as amended on January 1, 2013, includes a requirement for the court to state on the record the reason for reducing or waiving this fee. The Court will continue to monitor domestic violence cases to ensure the minutes reflect the reason this fee is waived or reduced.

In addition, the Court will create a tool that will serve as reference to staff when reviewing probation forms and when entering minutes to generate the official order of probation. The statutory requirements of Penal Code section 1203.097 have been shared with the Criminal Supervising Judges for purposes of disseminating the information to appropriate judicial officers. The information will also be shared with the Office of the District Attorney.

Date of Corrective Action: On December 10, 2012, the DV fee requirement was shared with the Criminal Supervising Judges. The *1203.097PC Mandatory Probation Condition Reference Guide* will be distributed to court clerks by January 11, 2013.

Responsible Person(s): Kelli Beltran, Court Operations Manager

16. Exhibits

Background

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

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

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

There were no significant issues identified during this audit to report to management in this section. Appendix A contains minor issues associated with this section.

17. Bail

Background

If someone is arrested on a criminal charge, he may be held in custody until trial or until the required bail is furnished. In general, bail is used to ensure the presence of the defendant before the court and is most commonly submitted in the form of cash or a surety bond. Surety bonds are contracts guaranteeing that specific obligations will be fulfilled and may involve meeting a contractual commitment, paying a debt, or performing certain duties. Bail bonds are one type of surety bond. Submission of a bail bond acquired by or on behalf of the incarcerated person is one means of meeting the required bail. When a bail bond is issued, the bonding company guarantees that the defendant will appear in court at a given time. Licensed "Bail Agents" specialize in the underwriting and issuance of bail bonds and act as the appointed representatives of licensed surety insurance companies.

California Rules of Court (CRC) 3.1130(a) outlines certain conditions for insurance companies to meet prior to being accepted or approved as a surety on a bond. Specifically, a corporation must not be accepted or approved as a surety on a bond or undertaking unless the following conditions are met:

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

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

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

There were no significant issues identified during this audit to report to management in this section.

APPENDIX A

Issue Control Log

**Superior Court of California,
County of Orange**

Note:

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

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

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

December 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1 Court Administration								
		LOG	Because the Court uses a manual process for preparing the monthly submitted matters list, clerical errors resulted in inaccurate submitted matters reports. Specifically, for five of the 17 submitted cases we selected to review, clerks omitted three of these five cases from the monthly submitted matters lists. A fourth case was incorrectly included on the list even though the matter was decided before the last day of the reporting month. For a fifth case, clerks did not enter the correct submitted date on two monthly submitted matters lists.		C	<p>The Court agrees with the audit finding to address the risk of clerical errors resulting in inaccurate submitted matters reported. The Court is taking action to improve its processes to prevent similar oversights, and to better track and document in its electronic filing system when a matter is taken under submission. The Court is providing additional training and is developing new procedures to electronically track matters that have been taken under submission. The Court has a policy to require mandatory entry of codes in the case management system to reflect when a matter has been taken under submission. The Court will provide continued training on entering these codes in the case management systems for submitted matters*. The goal is to improve accuracy and compliance by clerks in using the codes in the case management systems for submitted matters as opposed to manual data entry. The clerks are being trained in: (1) Entering codes in the case management systems to document: (a) When a case is taken under submission; (b) When a submission is vacated and/or resubmitted; and (c) When a submitted matter is ruled upon. (2) Language to be used in minutes to clearly identify: (a) When the matter is submitted or will be deemed submitted in the future; (b) When it is no longer submitted; and (c) Under what circumstances a submitted matter is vacated and resubmitted.</p> <p>Before the audit period, there were no codes in the civil case management systems to enter when a matter was taken out of submission and resubmitted for additional briefs or evidence; nor was there a mechanism in the system to enter a future date on which a matter would be deemed submitted if the Court had requested a further briefing schedule. The Court is working on developing additional codes, to deal with these situations, and plans to get a new case management system for Family Law that can track submitted matters more accurately. In the interim, the Court has directed the clerks to enter codes to reflect when an item has been taken under submission, and to calendar a "continued hearing" date so a matter that will be taken under submission in the future will be able to be entered "submitted" as of the continued date. The court is in the process of obtaining a new case management system for Family Law that has an anticipated deployment in July 2014. Changing the codes in the obsolete Family Law case management system would be inefficient and cost prohibitive.</p> <p>On December 6, 2012 and December 12, 2012, Teresa Risi, Chief Operating Officer, and Robin Brandes-Gibbs, Lead Staff Attorney, met with the Directors and Managers of both the Civil and the Family Law panels to address and provide training on these issues*. Each panel will train the clerks in their unit on how to enter submitted matters codes in the case management system. Operations will work with Court Technology Services (CTS) to develop codes to track matters that come out of submission and are re-submitted, and for matters that are deemed submitted on dates that are not scheduled for an "event." The Judicial Assistance Group (JAG) Unit has requested CTS to develop an InfoPath process to electronically transmit the submitted report and automatically generate the monthly report to eliminate transmission errors.</p>	Robin Brandes-Gibbs, Lead Staff Attorney	January 2013
		LOG	For three of the 17 submitted cases reviewed, the Court did not include the cases on the monthly submitted matters list if the decision was rendered by the list release date (typically the 15th day of the next month) even though the submitted matter remained undecided as of the last day of the reporting month. For example, one case with a matter taken under submission on October 14, 2011, and decided on January 12, 2012, was omitted from the December 2011 submitted list even though the matter remained under submission for 78 days as of December 31, 2011, since the Court had not yet rendered its decision.		C	<p>The Court agrees with the audit finding identifying cases that were omitted from the submitted matters list if the decision was rendered by the list release date even though the matter remained undecided as of the last day of the reporting month. Prior to the audit period, the Court had made a policy decision to omit a matter from the monthly submitted matters list that was circulated to the Judicial Officers if the ruling had issued by the date the list was circulated, because it would create an impression that the matter was still under submission when the list was circulated.</p> <p>On December 5, 2012, the Court changed its policy concerning submitted matters that have been ruled on after the end of the month being report, but before the monthly report is distributed to the Judicial Officers. Rather than leaving the case off the monthly report, the circulated monthly submitted list now includes the case with a notation in the last column which reads, "No longer submitted. Ruling issued on ___[Date]___." Training on this modification was provided to the JAG staff on December 12, 2012, and the monthly submitted reports that have been circulated since that date have reflected the implementation of this policy.</p>	Robin Brandes-Gibbs, Lead Staff Attorney	December 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		LOG	For 2 of the 17 cases reviewed, the minute orders were not clear in regards to whether the Court properly vacated the initial submission dates and reestablished new submission dates. The Court acknowledges that the minute orders were unclear in regards to properly vacating the initial submission date on one case and reporting the correct submission date on another case. Nevertheless, a literal reading of the minute orders for both cases indicate the Court did not clearly vacate the initial submission dates and reestablish new submission dates. As a result, the minute orders in one case indicate the judge took a matter under submission on September 10, 2010, and ruled on the matter on May 10, 2012, or 608 days after taking the matter under submission. In the second case, the assigned judge took the matter under submission on January 26, 2012, and ruled on the matter 120 days later on May 25, 2012.		C	<p>The Court agrees that the minute orders were not clear. The Court disagrees with any conclusion that either of the two judges ruled on a submitted matters more than 90 days after the matter had been taken under submission; the errors with the dates were clerical errors and the records submitted to the auditors show that the matters were not under submission for more than 90 days. The Court agrees that the minute orders were not clear, and that additional training and correction to the minutes is required. The Court addressed clerical errors as noted above.</p> <p>In the minute order dated May 10, 2012, the minutes incorrectly reflect that the matter was taken under submission on September 10, 2010. It had actually been taken under submission 90 days earlier on February 10, 2012. The matter taken under submission on September 10, 2010, had been taken out of submission by the Court on November 8, 2010 for further briefing on new issues, and then resubmitted on December 10, 2010. The Court issued its ruling on that issue 90 days later, on March 10, 2011.</p> <p>In the second case, the assigned judge took the matter under submission on February 27, 2012 and ruled on the mater 88 days later on May 25, 2012. A clerical error reported the matter had been taken under submission on January 26, 2012. The Court issued an order at the beginning of trial that the matter would be taken under submission after all the evidence was in, and following oral arguments on January 26, 2012, the Court set a briefing schedule for additional briefs that were due by February 27, 2012. The clerk incorrectly listed January 26, 2012 as the date the matter was taken under submission, rather than the date the briefs and evidence were due per the Court's order.</p>	Robin Brandes-Gibbs, Lead Staff Attorney	January 2013
		LOG	For one of the 17 cases reviewed, the matter was under submission for 91 days. The judge responsible for this case was a temporary judge, so the judge was not required to sign a monthly affidavit asserting that no cause remained undecided for more than 90 days.	I		The Court agrees with the finding that one of the cases reviewed was under submission by a temporary judge for 91 days. This issue has already been addressed with the individual temporary judge. At the temporary judge training scheduled for the Spring of 2013, the Court will remind the temporary judges of their obligations to timely rule on submitted matters. The Court's policy requires temporary judges to promptly rule on submitted matters.	Robin Brandes-Gibbs, Lead Staff Attorney	May 2013
2	Fiscal Management and Budgets							
		LOG	The Court does not have a policy that requires pre-authorization of overtime. As a result, it did not have pre-authorizations for the overtime paid to the 10 employees we reviewed.	I		<p>The pre-authorization of overtime policy is not available in the MOU or PP&R which was provided to the auditors. It should be noted that the advance approval is required for overtime as documented in the Employee Handbook and an annual reminder is sent from our HR department.</p> <p>The Court will also add this to our Policy and Procedure manual.</p> <p>Employee Handbook excerpt: "All employees are responsible for recording and submitting complete and accurate records of all hours worked. Overtime requires prior approval by a supervisor or manager. "Off-the-clock" work is strictly prohibited for all Fair Labor Standards Act (FLSA) covered employees."</p> <p>Annual Reminder Email excerpt: "FLSA Covered (Non-Exempt) Employees If you are a covered/non-exempt employee and find that you are not able to complete your work within your standard work schedule, consult with your supervisor for direction. Covered employees are not authorized to work more than 40 hours in a workweek unless a supervisor first approves it. Currently, the Court is authorizing some overtime and, in most circumstances, paying for it as compensatory time. All overtime must be approved in advance by your supervisor or manager. "</p>	Jennifer Han, General Accounting Manager	January 2014
3	Fund Accounting		No issues to report.					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
4 Accounting Principles and Practices								
		LOG	The Court's fiscal year 2011-2012 balance sheet reported a negative balance in the General Fund "Cash-Operations" account. Although this negative balance is offset by the cash in its investment account, a negative balance is abnormal for a cash account.	I		Agree. However, the Court has no control over this account. AOC centralizes STIF sweeping and wire processes. We agree that AOC should review its cash handling and sweep process to ensure GL A/C #100000 Pooled Cash has positive balance (or \$0 balance) at the end of each day.	Jennifer Han, General Accounting Manager	N/A
		LOG	The Court's fiscal year 2011-2012 statement of revenues and expenditures includes a negative balance in the General Fund "Other AOC Grants" revenue account. According to the Court, this revenue was originally posted to the incorrect fund. When the Court reclassified the revenue to the correct fund, although the net effect was a wash, the adjustment resulted in a negative revenue account balance in the General Fund. Nevertheless, had the Court used the Prior Year Revenue account to record this adjustment, it would not have an abnormal balance in its "Other AOC Grants" revenue account.	I		Agree. The Court agrees that "other AOC grants" should not have a negative balance. The issue was generated from a Fiscal 2010-2011 year-end reversal entry that should have been reclassified when the AOC adopted a new fund and WBS code. We agree that abnormal balances should be minimized going forward. Staff will be trained to review and identify abnormal balances when they perform account review and fluctuation analysis.	Jennifer Han, General Accounting Manager	June 2013
		LOG	The Court reported \$8,780 in restricted fund balance for a donation to the Collaborative Courts program. However, it could not provide documentation the CEO's approval to accept this gift as required by the FIN Manual, Policy No. FIN 15.01.		C	Agree. The donations are contributed by Judges. Future donations will be accepted by the CEO as required by the FIN Manual.	Jennifer Han, General Accounting Manager	March 2013
5 Cash Collections								
	5.1		Closer Oversight Is Needed Over Partial Payments of Civil Filing Fees					
		I	Although the Court allows certain individuals to enter into a payment plan to pay the required civil filing fees so that the associated filing can proceed uninterrupted, it does not pursue the collection of these civil filing fees when individuals stop making the scheduled payments. In addition, in one of the 10 cases we reviewed, it did not send the 20-day letter notifying the individual of the late payment when it did not receive payment within 20 days after the scheduled payment was due. The accounts receivable report that the Court provided us shows that the civil filing fees that remain uncollected as of the time of our review in June 2012 date back to 2008.		C	Agree. The Court has drafted a procedure to track and pursue collections of the civil filing fees when litigants fail to make scheduled payments. The procedure includes setting a clock in the case management system when a payment plan is established to ensure that payments are received. The case management system will add payments that are not received within the set time period to a work queue for review. A clerk will be assigned to review the expired clocks on civil filing fee cases and take appropriate action such as void the filing, notify the courtroom, or send a delinquent payment notice. The Court has determined to not pursue further Collections efforts as the cost of resources to pursue the debt would exceed the amounts owed to the Court. The probability for collecting in these instances is small; in all likelihood the defendants have moved and current residential addresses are not available in the court records.	Solange Backes, Accounting Manager; and Vicky Brizuela, Civil Unit Manager	December 2012
		LOG	Our review of 10 civil filings with a check that the bank returned due to insufficient funds (NSF) found one instance where the Court did not void the filing even though it did not collect the civil filing and NSF administrative fees. For this case, although the Fiscal Division notified the Civil Division on several occasions about the unpaid fees, the Civil Division did not compel the individual to pay the fees or void the filing when the 20 day timeframe was not met.		C	Agree, however we do not believe this issue is systemic, rather an isolated incident. Civil Operations Management team held meetings with Fiscal counterparts to identify a clear communication stream and escalation process. This process has changed due to the implementation of mandatory eFiling.	Solange Backes, Centralized Accounting Manager	January 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	5.2		The Court Can Improve Its Comprehensive Collections Program					
		6	The Court does not refer certain cases with delinquent fines and fees to other units or agencies for further collection efforts. Specifically, for one of the ten payment plan cases we reviewed, the Court did not refer the case to its enhanced collections unit or a third party agency for collection because the case had only delinquent State Restitution Fines and fees. According to the Court, although it has a policy and procedure for referring cases with delinquent State Restitution Fines and fees to another State agency when the individual is no longer on probation, it does not have a similar policy and procedure for cases with only delinquent State Restitution Fines and fees while the individual remains on probation. As a result, these later types of cases remain in limbo with no referral or collection efforts, even though the Court has the ability to compel payment since the individual remains under probation.	I		Agree. The Court is in the process of changing current policy to address this issue. The inventory produced by this policy change will follow current Collection practice. The case identified in the audit falls under this policy change and the Court is taking active measures to move forward with correcting this process to ensure all State Restitution fines and fees owed to the court are collected in a timely manner. The policy will state that these cases will be forwarded to Collections once the fine/fee is past due for in-house collections efforts. The procedure will include a process built within the case management system to track these fines and fees prior to probation expiration. The Court's in-house Collections Department will prioritize these fines and fees to specifically focus on collecting the debt by tracking the debt prior to the end of probation. The in-house Collections Department will perform various activities to contact the debtor that include using a predictive dialer phone campaign, noticing, and skip tracing. If the Court's in-house Collection Department is unable to collect the debt, the Court will send the debt to a third-party vendor to pursue the debt by way of wage garnishments, liens on property, and the possible offsetting of state tax returns.	Kathleen Himber, Accounting and Collection Manager and Fred Acosta, Collection Manager	July 2013
		6	One of six FTA cases with non-DMV reportable violations did not promptly assess the civil assessment. The civil assessment was assessed 83 days after the Court ordered the case be transferred to collections.	I		Disagree. The Court does not agree with the finding regarding the failure to appear (FTA) process. Effective January 9, 2012 the Court has already implemented a process whereby the case identified in the audit would be processed timely for an FTA civil assessment. The case reviewed for the audit was processed through automation when the case was identified as Collections Eligible once delinquent. On February 24, 2011, the case in question did in fact go through the automated FTA process and was identified as a Collections case with future activities to add a \$300.00 civil assessment and a DMV referral for a suspension of the driver's license. On February 25, 2011, the case was given an extension which removed the activity from the case to effectuate the civil assessment and DMV hold process as designed in the automated process. The case in question was then placed in a pause status due to the future date. In reviewing this scenario, it was determined that the automated case management system does not identify cases when an extension to appear or pay is granted after an initial delinquency warning notice is sent. As a result, the case did not follow the civil assessment path timely and was later identified thru a report. A thorough review of the process was conducted and modifications were made to identify and verify that all FTA cases are worked through an automated or manual process. Effective January 9, 2012, an Activity Report was created to capture cases referred to Collections for non-compliance processing that is reviewed daily to ensure timely FTA and DMV impositions. Specifically, one of the cases that previously had traffic school approved and was not completed, needed the traffic school status on the case to be reversed and bring case back to its original case status and amount due. For the second case, the defendant transferred Court locations (Central Justice Center to North Justice Center) and the case was overlooked by the Collections staff in processing the civil assessment timely. The Court's Collections Department is working with Court Technology to create an automated process for FTP cases to ensure the timely imposition of a civil assessment and DMV reporting once the case is delinquent in all scenarios. The new process will allow the Court's case management system to identify these cases based on specific criteria, impose civil assessment, report to DMV, and effectuate a notice with no manual intervention required.	Kathleen Himber, Accounting and Collection Manager and Fred Acosta, Collection Manager	July 2013
		6	The Court did not timely impose FTP civil assessments on two cases because they were not timely referred as enhanced collections cases. One case had civil assessment imposed 310 days after last case activity (court hearing) while another case went 242 days after the last case activity (vacating payment plan because payment not received.)	I		See response above.	Kathleen Himber, Accounting and Collection Manager and Fred Acosta, Collection Manager	July 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		6	The Court did not timely impose FTP civil assessments on two cases because they were not timely referred as enhanced collections cases. One case had civil assessment imposed 310 days after last case activity (court hearing) while another case went 242 days after the last case activity (vacating payment plan because payment not received.)	I	Agree. The Court agrees to reevaluate the procedures for the referral process to both in-house and third-party collections. The Court will stand to make significant improvements in this area after a review and modification of the current automated FTA process and implementation of an automated FTP case process within our case management system for direct referral to in-house collections. The same two cases identified for a delay in FTP civil assessment processing were also the two cases delayed in referral to an outside collections vendor. The FTP process is the indicator for referral to the vendor. The Collections Department is working with Court Technology to review and modify the automated FTP and Outside Vendor referral process further. In the interim, the Court will create an exception report to review and evaluate cases that have not yet been flagged for Collections but are significant days in arrears of their pay/appear date. The report will be worked daily by Collections Staff and cases needing further assessment or correction will be forwarded directly to the Traffic/Criminal Department for correction. This process will ensure referral to Collections occurs timely and within the policy guidelines. The Collections Department will also assess the need to revise the current process for the referral of cases to an outside vendor after all in-house collection efforts have been exhausted. The Court's Collections Department will consider all internal activities performed (i.e., predictive dialer, noticing, skip tracing, DMV reporting, etc.) to determine the appropriate time to refer the case out to a vendor for further collections efforts.	Kathleen Himber, Accounting and Collection Manager and Fred Acosta, Collection Manager	July 2013
		6	One of ten cases the Court referred to a third party collection agency was not timely referred to the agency in accordance with the Court's 270-day referral timeframe. The case was referred to FTB-COD 797 days after imposing the FTP civil assessment.	I	See response above.	Kathleen Himber, Accounting and Collection Manager and Fred Acosta, Collection Manager	July 2013
		LOG	Five of the 18 cash collection locations allow clerks opening the mail to also perform the incompatible function of processing the payments received in the mail. Repeat.	C	Agree, cash collection locations identified in this finding have segregated the duties of opening mail and processing the mail payments.	Solange Backes, Centralized Accounting	January 2013
		LOG	Although the locations do not log and maintain a record of the payments received in the mail, four of the 18 cash collection locations allow clerks processing mail payments to also perform the incompatible function of processing counter payments on the same day. Repeat.	C	Agree, cash collection locations identified in this finding have segregated the duties of opening mail and processing the mail payments. In addition, mail payment logs are now being maintained in civil and juvenile. Due to volume in Criminal/Traffic, payments are bundled and a tape is run. The individual who opens the mail transfers the bundle to the individual responsible for cashiering. At the transfer, the cashier verifies the contents match the bundle tape.	Solange Backes, Centralized Accounting Manager	January 2013
		LOG	Although eight of the 18 cash collection locations have change funds that exceed \$500, these locations did not appoint a custodian of the change fund. Instead, supervisors may jointly administer the change fund.	C	For Operational Areas -Agree: All Operations Change Funds were reduced to \$500 during the month of Nov 2012, thereby eliminating the need for a Change Fund Custodian. For Fiscal Areas - Partially Agree: Fiscal will implement an alternative procedure requiring a limited group of fiscal individuals to act as custodians to the change funds. Limiting access to Change Funds to one Custodian and one back-up is not feasible in Fiscal given the reduced staffing and volume of exchanges made. The procedure also includes a daily reconciliation and sign-off the change fund balances, as well as an escalation procedure when variances are found. The court will continue to monitor the alternative procedure and instance of control failure to determine whether stronger internal control is needed in this area.	Dawn Morton, Branch Accounting Manager	November 2012
		LOG	Twelve of the 18 cash collection locations do not count the change fund in the presence of another person.	C	Agree: Effective Dec 2012, all areas in possession of a change fund are aware of and have implemented the requirement to have the funds counted in the presence of another person.	Solange Backes, Centralized Accounting	December 2012
		LOG	At five of the 18 cash collection locations, the cash difference funds are excessive given the infrequent and low dollar amount of the replenishments.	C	Agree: Cash Difference funds were decreased from \$500 to \$250 at four locations (WJC, NJC, HJC-LH, HJC-NB) in Sept, 2012 and at 1 location (LJC) from \$150 to \$100 in Jan 2013.	Dawn Morton, Branch Accounting Manager	January 2013
		LOG	Two of the 18 cash collection locations do not reconcile and balance each cashier's daily collections to a CMS report at the end of the day.	C	We agree with the audit finding; however, the cashiering system (CCS) is limited in this area. The system does not have a balancing option and lets cashiers close out sessions without balancing. In response, deposits are summarized by cashier when submitted to Fiscal. Fiscal runs system reports by cashier and balances in total and retains reports by cashier so issues can be researched.	Solange Backes, Centralized Accounting Manager	N/A
		LOG	Although the one cash collection location entered daily collections in the CMS, it could not verify its daily collections to the CMS at the end of the day because the CMS close-out report was blank. (The Court is aware of the problem.)	I	The Court agrees with the audit finding. The CCMS-V3 technical issue has been reported to AOC, but closed as this is a local Orange County report. OC is researching a solution to resolve this issue within CCMS by July 2013.	Solange Backes, Centralized Accounting Manager	July 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		LOG	At five of the 18 cash collection locations, the original receipt was not retained for some of the void transactions we reviewed and did not provide the written explanation required by the Court's policies and procedures of why the original receipt was not attached.		C	Agree: Procedures have been updated and distributed (Dec 2012) to all affected areas, with emphasis on the requirements for attaching the original receipt when processing a void transaction or otherwise providing a written explanation as to why the original receipt was not attached. Walkthrough's of the control were conducted by Finance the week of January 14th and all areas were found in compliance.	Dawn Morton, Branch Accounting Manager	December 2012
		LOG	At six of the 18 cash collection locations, the supervisor responsible for the manual receipt books does not maintain a log to account for the receipt books, including: the receipt books issued, to whom the receipt books were issued, the date issued, the person returning the books, the date the books were returned, and the receipts used within each book.		C	Agree: Procedures have been updated and distributed (Nov 2012) to all affected areas. Manual receipt book logs have been created for use by any area maintaining the books and have been updated to include all required information. Walkthrough's of the control were conducted by Finance the week of January 14th and all areas were found in compliance.	Dawn Morton, Branch Accounting Manager	December 2012
		LOG	Although five of the cash collection locations maintain a manual receipt book log, the log does not always account for the receipt books issued, to whom the books were issued, the date issued, the person returning the books, the date the books were returned, and the receipts used within each book.		C	Agree: Procedures have been updated and distributed (Nov 2012) to all affected areas. All receipt book logs have been updated to include the required information. Walkthrough's of the control were conducted by Finance the week of January 14th and all areas were found in compliance.	Dawn Morton, Branch Accounting Manager	December 2012
		LOG	At three of the 18 cash collection locations, cashiers did not always complete key information, such as case number, date, payee's address, or the clerk's signature on the manual receipts we reviewed.		C	Agree: Procedures have been updated and distributed (Nov 2012) to all affected areas with emphasis on the requirements for filling out the manual receipts completely as well as the requirement for attaching a copy of the CMS receipt or JE Doc to show that it was entered in the CMS. Walkthrough's of the control were conducted by Finance the week of January 14, 2013, and all areas were found in compliance.	Dawn Morton, Branch Accounting Manager	December 2012
		LOG	For three of the 18 cash collection locations, cashiers did not always attach to the manual receipt book a copy the CMS receipt or journal entry document to show that it entered the payment into the CMS.		C	Agree: Same as Previous Item; Please see above.	Dawn Morton, Branch Accounting Manager	December 2012
		LOG	Although all 18 cash collection locations perform a monthly end-of-month count of all cash on hand and a separate surprise review of cash security controls, they do not conduct the random surprise cash counts required in the FIN Manual.		C	Agree: Surprise Cash Counts were implemented across all JC's effective October 1st, 2012. The counts are conducted randomly in each dept., monthly, by Accounting staff. Results are documented to include all required information as defined in the FIN manual.	Dawn Morton, Branch Accounting Manager	October 2012
		LOG	Six cash collection locations do not rotate the team that opens mail. Repeat.		C	Agree, cash collection locations identified in this finding have implemented (at least) a quarterly rotation of the team that opens the mail. The Court considered monthly rotation not feasible or practical for implementation.	Solange Backes, Centralized Accounting	January 2013
		LOG	Seven cash collection locations do not maintain a mail payments log. Repeat.	I		Agree, alternative procedures have been developed and will be discussed with operations for implementation. The alternative procedures includes preparing mail payment logs in "bundles" and summarizing by payment type. The detailed log proposed by the auditors is not feasible considering the resources needed to manually log large volumes of mail payments each day. The bundling procedure provides transfer of accountability to those opening the mail and those processing payments.	Solange Backes, Centralized Accounting Manager	April 2013
		LOG	Although six of the 18 cash collection locations maintain a mail payments log for their batch processing system that includes date, payment/bundle type, batch amount, opened/bundled by, and processed/verified by information, their log does not include the following specific information: case or docket number; name of the person making the payment; check amount; check number; date received; and name of the person handling the check.	I		Agree. Please see response above.	Solange Backes, Centralized Accounting Manager	April 2013
		LOG	One of ten FTP cases reviewed assessed the FTP civil assessment twice in one case.	I		Court agrees with finding. The item appears to be an isolated incident attributed to clerical error. Criteria for existing change request for the Case Management System will be modified to include edits to prevent multiple FTP civil assessment on a case. Current workaround requires staff to review cases and process FTP civil assessment manually.	Fred Acosta, Collections Manager	June 2013
		LOG	The Court does not adequately review commissions paid to third-party collection agencies. Specifically, one of the ten cases we reviewed and that a third-party collection agency reported collecting payment had an overcharged commission fee. The agency charged a 25% commission even though the age of the case was 31 months justifying a 22.5% commission.		C	Partially agree; control procedures have been implemented. Effective August 2012, Collections Officers began reviewing and auditing invoices, including recalculation of commission charges. Any found discrepancies are returned to the vendor for correction.	Fred Acosta, Collections Manager	August 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
6	Information Systems							
		6.1	Court Calculations and Distributions of Collections Need Improvement					
		5	The Court did not apply the GC 68090.8 - 2% State Automation fee to the PC 1463.14(b) and PC 1463.25 penalties. GC 68090.8(b) states that 2% applies to all fines, penalties and forfeitures. Since both are penalties, the 2% State Automation fee is applicable. These missed calculations overstate the PC 1463.14(b) and PC 1463.25 distributions and understate the 2% State Automation distribution.	I		Agree that the Court should calculate the 2 percent State Automation amount from PC §1463.14(b) DUI Lab additional penalty and the PC §1463.25 Alcohol Abuse Education penalty.	Solange Backes, Centralized Accounting Manager	December 2013
		5	The Court does not calculate the 2% State Automation amount from the \$50 HS 11372.5 - Criminal Lab fee. Because statute states that the fee is a fine increment, the fee is treated as a fine when calculating the PA, including the 2% State Automation amounts.	I		Agree that the \$50 HS §11372.5 Criminal Lab Fee is a total fine increment and is thus considered subject to State and local penalties, including the 2 percent State Automation amount.	Solange Backes, Centralized Accounting Manager	December 2013
		5	GC 68090.8 - 2% State Automation is incorrectly applied to Railroad traffic school distribution. Collections on Railroad cases disposed as traffic school are a part of the TVS fee, which is not subject to 2% because it is a fee, not a fine or penalty.	I		Agree that the Court should not apply the 2 percent State Automation amount to the Railroad traffic school reviewed. Distribution for the case reviewed was performed as directed by Table #7-6 in the SCO Appendix C for VC §42007.4 Traffic Violator School for Railroad Crossing Violations. Per guidance under that table, the Court distributed 30% of VC §42007 fee to the County and the remainder pursuant to PC §1463 per Table 1, in which case the Court assumed that this amount would be subject to the 2 percent deposit for the State Automation. Since the total bail was converted to a fee, the Court agrees that the 2 percent State Automation amount does not apply.	Solange Backes, Centralized Accounting Manager	December 2013
		5	For the traffic school cases reviewed, the Court incorrectly applied the 2% State automation to the GC 76000.10 EMAT penalty. The 2% does not apply to traffic school cases, except for Child Seat cases, because the fines and penalties collected are converted to a part of the TVS fee.	I		Agree with the finding stating that the Court incorrectly calculated the 2 percent State Automation amount to two traffic school cases reviewed. GC §76000.10 states that a penalty of \$4 shall be imposed upon every conviction for a violation of the vehicle code. This section also states that this penalty is in addition to the state penalty assessment (PC §1464); however, is not included in the base fine to calculate the state penalty assessment, state surcharge (PC §1465.7) or to calculate additional penalties levied pursuant to this chapter. This code section does not indicate any special distribution requirements when assessed in conjunction with Railroad, Red Light or Traffic Violator School fines. The Court interpreted the \$4 EMAT penalty to be an upon conviction amount and did not associate it with the base fine or bail. Upon further research, the Court determined that the \$4 EMAT penalty is included in total bail per the Uniform Bail and Penalty Schedule and should be converted to TVS fees and distributed pursuant to VC §42007.	Solange Backes, Centralized Accounting Manager	December 2013
		5	For the traffic school cases reviewed, the EMAT penalty is incorrectly distributed separately rather than to the County as a part of the TVS Fee pursuant to VC 42007. Thus, the Courts TC-31 reporting overstates the State EMAT distributions and understates the County VC 42007 TVS fee distributions and the subsequent 50/50 MOE reporting.	I		Agree with the recommendation that the Court should include the GC §76000.10 EMAT penalty as part of the VC §42007 Traffic Violator School Fee distributed to the County. See response above.	Solange Backes, Centralized Accounting Manager	December 2013
		5	For traffic school cases with city arrests, the city portion of the base fine is incorrect because it is not net of 2%. Pursuant to VC 42007 (c), city distributions follows the PC 1463.001(b)(3) distributions for bail forfeiture/non-traffic school cases where the 2% state automation amount is applicable. However, in traffic school cases, the 2% amount is not distributed to the state automation fund but rather is redirected to the VC 42007 County TVS fee.	I		Agrees that the Court should apply the 2 percent State Automation amount to traffic school cases with city arrests and distribute to the city its portion of the base fine net of the 2 percent State Automation amount.	Solange Backes, Centralized Accounting Manager	December 2013
		5	For child seat violations (VC 27360 or VC 27360.5) with traffic school dispositions, the distributions are incorrect because the Court used the traffic school distribution pursuant to VC 42007 rather than using the bail forfeiture/non-traffic school distribution pursuant to statute and the SCO Appendix C guidance. Statutes for Child seat violations exempt the fines collected from conversion to a TVS fee. In addition, the SCO Appendix C states that child seat fines should be allocated pursuant to VC 27360, which is a bail forfeiture/non-traffic school distribution. This includes calculating the 2% State Automation amount from these collections.	I		Agree that the Court should distribute fines and penalties resulting from traffic school cases with child seat violations per VC §27360 or VC §27360.5 the same as child seat bail forfeiture. The Court acknowledges that its conversion of such cases to a Traffic Violator School fee does not conform to statute.	Solange Backes, Centralized Accounting Manager	December 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		5	For Red Light traffic school cases, several penalty assessments are overstated due to the distribution percentage formulas used by the Court. For example, the EMS PAs (for both GC 76104 and GC 76000.5) are overstated by \$0.04 combined, and the GC 70372(a) is overstated by \$0.06. As a result, the County VC 42007 TVS fee is understated by the combined overstatements. Based on analysis, PA overstatements increase for every incremental increase from the standard \$100 base fine.	C	Agree. The Court has reviewed its EMS and State Court Construction penalty assessment calculation and distribution formulas on Red Light traffic school cases and found that a very immaterial impact is caused by the small variances that result when the base fine exceeds the standard \$100 base fine. The Court estimates that the aggregate impact of these offsetting variances is about \$6 per year. System limitations would require the Court to implement a manual adjustment to its monthly automated distribution to correct these immaterial variances. Due to the small impact and high level of effort to correct the system calculations, the Court has decided to not take any corrective action in its case management system or make manual adjustments to its monthly distribution.	Solange Backes, Centralized Accounting Manager	N/A
		5	The VC 42007.3(a) - Red Light Traffic School 30% allocation was understated because the Court did not apply the 30% to the GC 76000.10 - \$4 EMAT penalty.	I	Agree. The Court agrees that the \$4 GC §76000.10 EMAT penalty is part of Traffic Violator School fee.	Solange Backes, Centralized Accounting	December 2013
		5	VC 42007.4(a) - Railroad Traffic School 30% allocation is incorrect because it followed the 30% allocation for bail forfeiture pursuant to PC 1463.12. This resulted in an understated Railroad allocation because 30% was not applied to the following penalty assessments (PA) - GC 76104.6-DNA PA, GC 76104.7-Additional DNA PA, GC 76000.5 Additional EMS PA and GC 76000.10 EMAT \$4 penalty.	I	The Court agrees that it did not correctly calculate the 30 percent allocation to the Railroad fund from the DNA penalty, the EMS penalty and the EMAT penalty. Distribution for the case reviewed was performed as directed by Table #7-6 in the SCO Appendix C for VC §42007.4 Traffic Violator School for Railroad Crossing Violations. The Court distributed 30% of Railroad Traffic School fee to the County and the remainder was incorrectly distributed pursuant to PC §1463.12 per Table 2-1, which excludes the DNA and EMS penalties from the calculation of the 30 percent. Additionally, the Court agrees that the \$4 GC §76000.10 EMAT penalty is part of the Railroad Traffic School fee.	Solange Backes, Centralized Accounting Manager	December 2013
		5	For Red Light and Railroad bail forfeiture cases, the Court's 30% allocation and PA distribution formulas are incorrect because the 30% allocation is not taken from PA's net of the 2% State Automation amounts. As a result, the PA's which are applicable to the 30% allocation (PC 1464, GC 76000 and GC 70372a) were understated by 2% of the 30% allocated amount while the 30% allocation was overstated by the same amount.	I	Agree with the findings on its formulas for calculating the 30 percent allocation to the Red Light fund pursuant to PC §1463.11 and to the Railroad fund pursuant to PC §1463.12: The Court agrees that it should ensure that the 2 percent State Automation amounts are proportionally deducted from both the 30 percent allocation amounts and the penalty assessments and will revise its formula.	Solange Backes, Centralized Accounting Manager	December 2013
		5	The PC 1463.11(a) - Red Light 30% allocation was understated because the Court did not calculate 30% from the GC 76000.10 - \$4 EMAT penalty.	I	Agree that the \$4 GC §76000.10 EMAT penalty should be included in the fines and penalties used to calculate the 30 percent allocations to Red Light or Railroad funds. See response for the fourth bullet point in finding 1above.	Solange Backes, Centralized Accounting	December 2013
		5	The Court does not calculate the PC 1465.7 - 20% State surcharge from the HS 11372.5 - Crim lab fee of \$50. The fee is treated as a base fine enhancement and is thus subject to the 20% State surcharge.	C	Agree. The Court agrees that it should calculate the PC §1465.7 20 Percent State surcharge from the \$50 HS §11372.5 Criminal Lab fee. The Court also agrees that it should calculate the 2 percent State Automation amount from the \$50 HS §11372.5 Criminal Lab Fee. The Court agrees that it should assess the HS §11372.7(a) Drug Program fee of up to \$150 for violations under chapter 6 of the HS code, unless the Court determines that the person does not have the ability to pay. The Court has updated its Misdemeanor Sentence Recommendation form and has notified its Supervising Judges informing them of this fee.	Solange Backes, Centralized Accounting Manager	December 2013
		5	The Court does not assess the HS 11372.7 - Drug Program fee of up to \$150 as required in subdivision (a) of the statute. The fee enhances the base fine and is treated as a fine when calculating the PAs.	C	Disagree. The Court disagrees that it should indicate in the case history that it made a determination that the person does not have the ability to pay and has waived the fee per the following decisions: Trial court is not required to state a finding of a defendant's inability to pay a drug program fee on the record. People v. Turner (App. 3 Dist. 2002) 118 Cal.Rptr.2d 99, 96 Cal.App.4th 1409, review denied. Costs 314 On silent record, there is no jurisdictional error in failing to impose a drug program fee, which is mandatory if narcotics defendant has ability to pay; because sentencing court is not required to state its findings on record, judgment that fails to impose fee is not legally unauthorized judgment. People v. Martinez (App. 2 Dist. 1998)77 Cal.Rptr.2d 492, 65 Cal.App.4th 1511. Costs 316	Solange Backes, Centralized Accounting Manager	N/A
		5	The Court incorrectly applied the PC 1463.18 \$20 base fine reduction to Reckless Driving violations. This base fine reduction only applies to VC 23152 and VC 23153 DUI violations. Because the Court misapplies this base fine reduction to Reckless Driving cases, the Court understates the base fine distributions to the city and county for these types of cases.	I	Agree that it should not assess the \$20 PC §1463.18 DUI Indemnity on Reckless Driving violations and will take the necessary steps to separate distribution of Reckless Driving violations from DUI violations.	Solange Backes, Centralized Accounting Manager	December 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		5	The Court's VC 15630 distribution is incorrect because the 70% to the Education Program and 15% to Admin are distributed to the city instead of the County. Although the case we reviewed was a city arrest, the City of Laguna Beach does not have its own health department. Thus, the 70% Education program and 15% administration distributions to the city should have been distributed to the County health department.	I		Agree. The Court acknowledges that it needs to identify all city health departments and unincorporated areas to ensure it properly distributes the base fine to the appropriate city or county health department. The Court is exploring its contacts with the County to determine whether the County maintains a list of cities with a health department so it can update its distribution tables in the case management system.	Solange Backes, Centralized Accounting Manager	December 2013
		LOG	The Court does not store its systems and network backup tapes off-site. However, it does indicate it is working toward storing these tapes at an offsite storage facility in the near future.	I		Agreed. The Court will modify its systems and network backup procedures in connection with the data center move. Backup tapes are one of those options. Minimally, the Court will cycle backup tapes from the data center to CJC. The Court will develop and document a plan for daily access to offsite backup material by the completion of the data center move.	Sharah Reid, Senior Attorney - CTS	July 2013
		LOG	Although the Court has some procedures for managing its civil CMS user accounts, it does not have comprehensive Information Technology Policies and Procedures for its network, traffic CMS, and civil CMS systems. As a result, it does not consistently address user account and password management, privileged user accounts, special user accounts, and virus protection. For example, the Court does not perform regular reviews of privileged user accounts for its systems. In addition, the Court does not restrict password syntax nor prevent the reuse of passwords for its traffic CMS system. Further, the Court does not limit invalid sign on attempts for its civil CMS system. Repeat.	I		The Court agrees and recognizes that it does not have a comprehensive Information Technology Policies and Procedures for its network, traffic CMS, and civil CMS systems which are separate applications that have launched at different times. In response, the Court is developing comprehensive Information Technology Policies and Procedures for its network, traffic CMS, and civil CMS systems. The new policies and procedures will address user account management, password management, privileged user accounts and special user accounts. The new policies and procedures will include regular reviews of privileged user accounts for our systems, restriction of password syntax, prevention of reuse of passwords for the traffic CMS system and a limitation on the number of invalid sign on attempts for the civil CMS. The new policies and procedures will also document the already consistent application of Virus Protection across Network and all CMS'.	Sharah Reid, Senior Attorney - CTS	September 2013
		LOG	Although the Court obtains and works various DMV error reports to ensure proper reporting to DMV, the Court does not have a process in place to monitor inappropriate DMV query and transaction activity. The Court obtains a DMV Log-In/Log-Out report from the County every 2 weeks and may find an exception if there are multiple log-in attempts that may signify unauthorized entry. However, the Court does not actively monitor for inappropriate DMV transaction and query activity by staff. Repeat	I		Agreed. The court will work with the DMV to identify reports and/or procedures that will enable the court to monitor appropriate use of query and transaction activity.	Denise Vicario, Case Processing Manager	January 2014
		LOG	For 2 of 15 FTP cases reviewed, the Court assessed the FTP Civil Assessment twice.	I		Agree. Criminal Operations will take the following actions to prevent future occurrences: 1) Update the Infraction Minimum Mandatory Sentencing Chart: this chart is referenced by our Traffic Commissioners via the ELF system and 2) Inform the Judicial Officers of the sentencing requirements pursuant to VC 15620.	Solange Backes, Centralized Accounting Manager	May 2013
		LOG	The Court allows 10 Human Resource (HR) staff to access sensitive DMV data for the purpose of performing employee background checks. However, HR staff perform very few DMV inquiries, only 10 in September 2012, and the Court only monitors log-in and log-out activity, not inquiry activity to ensure inquiries are necessary and appropriate to perform their job duties. (Repeat) ?	I	C	Agree. HR will review the names of the 10 staff that have access to confirm that all still require access. HR staff sign a confidentiality agreement on a yearly basis and are expected to access confidential information from a variety of sources with the explicit direction that accessing such information is only for the purpose of performing their required job duties. Court HR staff require access to sensitive DMV data to perform background checks. Background checks are conducted on external candidates, interns, volunteers and temporary workers to ensure compatibility with Court employment and/or job placement. There was very little external hiring in September 2012 and September was not a peak month for volunteers or externs. A number of HR Specialists in Staffing and Records have DMV access to ensure that we have flexibility in meeting fluctuations in workload. There are times when we need to run a background immediately (next day start for example) or a large group of placements (e.g., summer interns, Court Clerk Academy) and need to have trained people able to quickly access DMV information for this purpose.	Kathryn Singh, Staffing & Classification Officer	April 2013
		LOG	Full access rights are inappropriately assigned to all Fiscal staff. Although the Court's process allows for CTS to perform Vision distribution updates, full access users still have the capability to access and modify distribution system tables in production at will. Thus, having numerous full access users poses increased risk to the Court's system security even with the system's ability to maintain audit logs. The Court is in the process of correcting access levels; however, as of 9/5/12, completion is undetermined.	I		Agree, an application request was submitted on 10/24/12 to update Vision User Profiles and Window access rights to limit access to the Distribution Tables to Accounting Supervisors and specific designated Fiscal Super User staff. This request had 2 parts: Part 1 – Requested that user profiles be updated based on position. This part of the request has been completed. Part 2 – Requested that access to certain windows (specifically distribution tables) be limited to Fiscal2 (Supervisors) & FiscalSU (Super Users) only. This part of the request is still pending completion with CTS.	Solange Backes, Centralized Accounting Manager	December 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		LOG	The base fine in 1 of 16 applicable cases was not consistent with the base fine published in the Judicial Council Uniform Bail and Penalty Schedule.	I		Agree, Criminal Operations will take the following actions to prevent future occurrences: 1. Update the Infraction Minimum Mandatory Sentencing Chart: this chart is referenced by our Traffic Commissioners via the ELF system. 2. Inform the judicial officers of the sentencing requirements pursuant to VC 15620.	Solange Backes, Centralized Accounting Manager	May 2013
7	Banking and Treasury		No issues to report.					
8	Court Security	LOG	Four locations do not have a fire suppression system to minimize damage to records.		C	Partially Agree. Of the 9 facilities, 5 have fire sprinklers throughout the facility, 3 have partial fire sprinkler coverage, and 1 does not have fire sprinkler coverage. 1. Central Justice Center: There are fire sprinklers throughout the basement. On floors 1-3 there are sprinklers in the public hallways. There are fire sprinklers throughout floors 4-11. In addition there are three separate Halon systems protecting vital records and/or equipment. 2. Central Justice Center Annex: There are fire sprinklers throughout the Central Justice Center Annex. 3. West Justice Center: There are fire sprinklers throughout the basement, including detention and records storage areas. The remainder of the facility does not have sprinklers. It is cost prohibitive to add fire sprinklers throughout the facility at this time. 4. North Justice Center: There are fire sprinklers in the detention holding area at the North Justice Center. It is cost prohibitive to add fire sprinklers throughout the facility at this time. 5. Lamoreaux Justice Center: There are fire sprinklers throughout the Lamoreaux Justice Center. 6. Harbor Justice Center – Newport Beach: Does not have fire sprinklers. It is cost prohibitive to add fire sprinklers throughout the facility at this time. 7. Harbor Justice Center – Laguna Hills: There are fire sprinklers throughout Harbor Justice Center-Laguna Hills. 8. Community Court – There are fire sprinklers throughout Community Court 9. Irvine Records Facility - There are fire sprinklers throughout the Irvine Records Facility	Katrina Faulkner, Court Security Officer	N/A

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
9 Procurement		LOG	The Court's authorization matrix for purchase requisition approval is not approved in writing by the Presiding Judge or his delegate, the Court Executive Officer. As a result, court staff cannot know who is authorized to approve purchase requisitions and at what levels. Repeat.	I		Agree: OCSC sees the purchase requisition process as a budget management tool and therefore not a "buying" activity. Purchase requisitioners do not have the authority to procure anything or obligate the court to anything. Only the PJ and by delegation - the Court Executive Officer and the Contracts Officer are authorized to execute contracts and purchase orders. It should be noted that the requisition workflow approval process is automated and is updated by one authorized individual in the Court. The Court created a delegation from the PJ to the Phoenix System Analyst, effective July 1, 2012 providing delegation authority for him to update and modify the Cost Center Requisition Approver (Workflow) as well as authority to instruct the AOC to update the Phoenix/SAP system requisition approver workflow. Effective January 2013, an additional note was added to the Cost Center Requisition Approver (Workflow) that ***SAP Workflow Substitute Approvers (for vacations, out-of-office, etc.) must be at the same approver level or higher.	Sherry Clifford, Contracts Officer	January 2013
		LOG	Eight employees can both "create purchase requisition" and "release purchase requisition" in SAP increasing the Court's risk for individuals to commit and conceal errors or other potentially inappropriate acts. Specifically, seven of the eight employees have the capability to release purchase requisitions of up to \$50,000, and one of the eight can release purchase requisitions up to \$10,000. Repeat.	I		The Court agrees with this finding but asserts that there are sufficient controls in place to prevent undetected errors and fraud. Individuals authorized to generate purchase requisitions do not have any purchasing authority or signature authorization to obligate the court to contracts or purchase orders. In addition, each requisition requires a minimum of two approvals, one of which is the Level 04 Budget approval. The requisition is reviewed by a Financial Planning/Budget analyst--even if over \$50K. The requisition must then be processed by a Buyer assigned by the Contracts Officer. When the Buyer processes this requisitions into a PO, those over \$50K in value will not only be reviewed and approved by the Contracts Officer but will also be reviewed by the Court Executive Officer. The Court asserts that it has employed sufficient safeguards to ensure that errors and potential acts of fraud or misconduct on an initial purchase requisition would be prevented.	Sherry Clifford, Contracts Officer	N/A
		LOG	The Court's SAP user roles are not consistent with its purchase requisition approval authorization matrix. Thirteen employees who are not included on the Court's authorization matrix have level 1 purchase requisition approval (up to \$10,000) roles within Phoenix Financial System. Repeat.		C	The court agrees with this finding. On August 29, 2012 three users who are no longer with the court were deleted from SAP; eight additional users (whose roles at the court had changed) were deactivated in SAP; however, two roles remained intact.	Sherry Clifford, Contracts Officer	January 2013
		LOG	Five employees who are not included on the Court's authorization matrix have level 1 & 2 purchase requisition approval (up to \$50,000) roles within Phoenix Financial System. Repeat.		C	The Court agrees with this audit finding. Since this finding, three of these (now) former employees were deleted from SAP; two users had this role removed from their profile; but one of those users has since returned to this role, and has since been reactivated.	Sherry Clifford, Contracts Officer	January 2013
		LOG	Six employees who were given only level 1 purchase requisition approval authority by the Court's authorization matrix, had level 2 requisition approval within the Phoenix Financial System. Repeat.		C	The Court agrees with the audit finding and will correct the authorization matrix. The Court believes these roles to be necessary, as the level of these six Operation Managers is Band 4 (which by our SAP rules configuration allows for them to have second-level approval). The fact that these six managers currently do not need this level of approval in their present cost center setup does not mean that they are not required to back-up someone, appropriately, at this second-level.	Sherry Clifford, Contracts Officer	April 2013
		LOG	Two employees were given level 4 purchase requisition approval within the Phoenix Financial System, but they are not listed as level 4 approvers on the Court's authorization matrix. Level 4 approval authority is a budget analyst approval that is supplemental to dollar amount approval (levels 1-3). Repeat.		C	The Court partially agrees with this finding. Since this finding, one employee was removed from this role, but the second, our Financial Planning Officer still has it for back-up approval authority. Additionally, the Financial Planning Officer was originally not in the list but in accordance with the court policy, requisition approvers can delegate to a peer or higher. The financial planning staff on occasion have need to delegate their level 4 approval (budget approval) to their manager as their backup. This substitution is appropriate and in line with the court policy. As an additional control, substitutions in the SAP/Phoenix system can only be completed by the individual delegating the authority.	Sherry Clifford, Contracts Officer	February 2013
		LOG	In fiscal year 2011-2012 the Court did not create purchase orders to encumber the estimated obligations created by two contracts we reviewed.		C	Agree: However effective July 1, 2012 all Juvenile Alternate Defense Dependency Attorney contracts have been encumbered and are paid via a PO process.	Sherry Clifford, Contracts Officer	July 2012
		LOG	The Court's contracts with two contractors, dating from 2007, were not competitively bid at the time of creation as required by the FIN Manual.		C	Agree: However, the FIN Section 6.11 Sole Source Procurement, subsection 1(e.) indicates that sole source procurements are: "e. The contract is for legal defense, legal advice, or other legal services (e.g., legal counsel and expert witnesses representing the trial court) awarded by the trial court, which are not subject to competitive procurement requirements and may be awarded on a sole source basis." (See, Public Contract Code, section 10335(c)(3) and (4)). A competitive procurement was not necessary. However, during that time frame, the court did initiate a Request for Qualification process for Juvenile Alternate Defense Dependency Panel Attorneys. Those contracts went into effect July 1, 2012.	Sherry Clifford, Contracts Officer	July 2012

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		LOG	Five procurements tested lacked a Darfur Certification as required by the Judicial Branch Contracting Manual.		C	Agree. The Contracts & Procurement Unit was waiting for the final revision of the JBCM to be released by the JBCM to begin issuing amendments since the JBCM was changing so much even after the initial October 1, 2011 date. The C&PU Unit was targeting specific activities for the JBCM requirements. The C&PU unit has since initiated issuing Darfur & Iran Certifications in all procurements as applicable. Ongoing training of staff is also being conducted regarding the JBCM requirements. This has been implemented in FY12_13. It was immediately implemented into RFPs, IFBs, RFQs as required.	Sherry Clifford, Contracts Officer	February 2013
		LOG	One procurement that exceeded \$1 million and that was amended in December 2011 was not reported to the BSA as required by the Judicial Branch Contracting Manual (JBCM).		C	The court agrees. This oversight resulted from a staff training issue. To resolve this issue, the Court has implemented an automated notification system directly to the Bureau of State Audits and based upon their SharePoint Contract Management Database System. The Court implemented automated contract management system notification using SharePoint to the BSA FY12/13. Additionally the Court implemented and continues to provide staff training on the process/requirements for notification to the BSA. Ongoing training of staff has been implemented and spot audits to ensure compliance.	Sherry Clifford, Contracts Officer	January 2013
		LOG	One of 10 credit card transactions reviewed was in excess of the \$5,000 per day limit and did not meet the non-competitive procurement criteria or accompanied by sole-source documentation as established by the JBCM.	I		The finding is correct in that certain transactions are above the \$5,000 day limit. However, the court uses the credit card to pay for travel conducted through a centralized/designated travel coordinator and/or those items to which a vendor will not accept a purchase order. For these purchases, the transaction limit (e.g. airfare and convention travel or for software licenses) may exceed that \$5,000 transaction limit. However, all travel must be authorized in advance by the CEO for administrative staff and the PJ for judges. The travel coordinator receives these authorizations in advance of making the travel arrangements. Additionally, there are additional safeguards in place for credit card transactions in that only the Contracts & Procurement Unit staff (7 procurement specialists & 1 Sr. Contract Administrator), the PJ, APJ, CEO and the Facility Services Manager (for emergencies and business continuity purposes) have cards. The Court will revise its travel and procurement policy to indicate allowances for transactions above the \$5,000 limit.	Sherry Clifford, Contracts Officer	October 2013
		LOG	Three of 10 credit card transactions reviewed exceeded the \$1,500 single purchase limit established by the Court and JBCM.	I		See response above.	Sherry Clifford, Contracts Officer	October 2013
10 Contracts								
		LOG	Two contracts, each exceeding \$100,000 and with amendments that were executed after the Judicial Branch Contracting Law took effect on October 1, 2011, lacked the following provisions: Contractor's certification of compliance with orders issued by the National Labor Relations Board; certification of compliance with antitrust claim requirements; certification that the contractor is qualified to do business in California; union neutrality provision; certification of compliance with Public Contracting Code requirements for domestic partners; and certification of compliance with the Child Support Compliance Act.		C	The Court agrees. The Contracts & Procurement Unit was waiting for the final revision of the JBCM to be released by the JBCM to begin issuing amendments since the JBCM was changing so much even after the initial October 1, 2011 date. The C&PU Unit targeted specific critical activities for implementation of JBCM requirements such as RFP template revisions, contract template revisions, etc. The C&PU unit has since initiated issuing amendments to include the JBCM provisions indicated. These provisions are only included as contracts are amended for either dollar value or extension and were issued prior to October 1, 2011. Current contract templates have these provisions incorporated.	Sherry Clifford, Contracts Officer	FY 2012-2013
		LOG	The Court provided documentation of the overhead and labor burden rates the county charges the Court for some county-provided services. However, the Court did not know how the county calculated these rates and was unable to demonstrate how it determined the reasonableness of the county overhead (70.50 percent) and labor burden rates (ranging between 56.34 and 67.97 percent).	I		Agree. The court relies upon the County's cognitive agency approval of their annual cost allocation plan. The court will request documentation of the approval.	Shunna Austin, Financial Planning Manager	June 2013
11 Accounts Payable								
	11.1		The Court Needs to Improve Its Procedures for Reviewing and Approving Travel Expenses					
		3	Two of the five travel reimbursements we reviewed did not have prior approval from the PJ or written designee for the out-of-state travel. Specifically, for one travel reimbursement claim, there was no "Employee Travel/Training Request" form pre-approving the out-of-state travel. The other out-of-state travel reimbursement claim had the form but it was not signed approved.		C	Agree. The Court, as recommended, will require traveling employees to obtain prior written approval from the PJ, or written designee, for out-of-state business travel. The Court will remind the Accounts Payable staff that an Employee Travel/Training Request (TTR), or any alternative approval documentation is required prior to processing Travel Expense Claims.	Jennifer Han, General Accounting Manager; and Joy Solon, Account Payable Supervisor	April 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		3	For one of the five travel reimbursements we reviewed, we could not determine if the Court reimbursed the appropriate cost of the air travel. Specifically, the traveler paid \$720 out-of-pocket for airfare but the Court changed the traveler's travel plans. The traveler used \$398 of the \$720 airfare credit towards another non-court business flight, so the Court reimbursed the traveler \$322 in April 2012 for the difference between the cost of the original flight and the cost associated with the new flight. Of this \$322 reimbursement, \$150 was associated with airfare credit that was used for the flight change, so an airfare credit of at least \$172 remained. On October 31, 2012, the Court provided documentation confirming that the traveler requested from the airline company in May 2012 a replacement travel voucher of \$197 associated with this airfare credit. However, the Court did not indicate whether the traveler subsequently used the airfare credit on court or personal business; and if used on personal business, whether the traveler subsequently reimbursed the Court.	C		Agree. The Court, as recommended, will require all receipts and supporting documentation, including travel vouchers, prior to processing any Travel Expense Claims. The Court will remind the Accounts Payable staff regarding backup requirements. In addition, tracking of any credits or refunds will be performed with the assistance of the Travel Coordinator to ensure they are being utilized for business purposes.	Jennifer Han, General Accounting Manager; and Joy Solon, Account Payable Supervisor	April 2013
		3	For one of the five travel reimbursements we reviewed, the traveler paid the hotel costs for an additional day indicating the traveler went earlier for personal reasons. As a result, the traveler's \$6 breakfast, \$10 lunch, and \$18 dinner claimed on that additional day is not reimbursable since this was a personal travel expense, not a business travel expense. Also, the \$6 incidental would not be reimbursable since business travel did not officially start until May 8th. Meaning the traveler could not claim the incidentals until May 9th when the 24 hours had passed. It would not be calculated from the first day which was a personal travel day. Personal travel would also apply to the \$18 dinner that the traveler claimed on May 14th, since the event she was attending ended on May 11th. As a result, the meal claimed on May 14th was while she was on personal and not business travel status.	C		Agree. The Court, as recommended, will ensure expenses incurred during extended business travel for personal purposes are not reimbursed and eligible expenses are properly documented. The Court will remind the Accounts Payable staff regarding the travel policy limits and applicability and the distinction between business expenses and personal expenses. The Court will collect from the employee any reimbursement it paid to the employee for unallowable expenses the employee claimed while on personal business travel status.	Jennifer Han, General Accounting Manager; and Joy Solon, Account Payable Supervisor	April 2013
		3	The Court paid the lodging expenses for two employees even though the lodging receipts indicate the hotel address is less than 10 miles from the court and less than 25 miles from each employees' respective home. According to the applicable travel guidelines, expenses eligible for travel reimbursement must be incurred in excess of 25 miles from headquarters. On October 31, 2012, although not documented on the travel request forms, the Court stated that the Presiding Judge made an exception to allow these employees to stay overnight since their services were needed until midnight the first day and by 5:30 a.m. the next day. However, according to documents provided by the Court, the event was a Court sponsored education conference that ran until 9:30 p.m. the first day and began at 8 a.m. the next day. Specifically, per the agenda, the first day of the conference began with registration from 5 p.m. to 6 p.m., then a welcome reception/No Host Bar from 6 p.m. to 8 p.m., then a dinner from 8 p.m. to 9:30 p.m. The following day, registration and a full breakfast buffet were scheduled to begin at 8 a.m., with a State of the Court address beginning at 9 a.m. and training sessions ending at 3:30 p.m..	C		Agree. It was the judgment of the court at the time these travel expenses were incurred that the employees' onsite attendance throughout the conference was vital to the success of a court-wide judicial education conference. However, the travel and business meal expenses for future education conferences will be the responsibility of the employees.	Jennifer Han, General Accounting Manager; and Joy Solon, Account Payable Supervisor	April 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		3	For the US Bank Corporate Payments Systems charges, the Court did not provide copies of the credit card statement and the corresponding receipts. Instead, the Court provided a spreadsheet noting that these credit card charges were for a July 2011 dinner and hotel charges. However, the Court did not obtain the receipts required to support the food and hotel charges. Per FIN 6.01, procedure 6.14, if purchase cardholders receive a monthly statement of activity, they are responsible for providing documentation in the form of requisitions and receipts for purchases made using the purchasing card. The receipts and the statement shall be forwarded to accounts payable for verification. Further, a note on the provided spreadsheet states that the dinner charges exceed the amount allotted, therefore, the employees will not seek reimbursement for their lunch cost. However, per the FIN Manual, meal reimbursements are for actual costs incurred for each meal (breakfast \$6, lunch \$10, and dinner \$18 are the maximum amounts allowed,) not a per diem rate. So, if each person exceeded the \$18 maximum reimbursement allowed for dinner, the amount charged to the Court credit card over that maximum limit should be repaid to the Court. In this case, the credit card charge for dinner was \$49.34 which exceeds the \$36 combined maximum allowed for the two employees. So, these employees owe at least \$13.34 to the Court. As of October 31, 2012, the Court was unable to provide the requested TECs or receipts for the food and hotel charges for these two employees for this trip.		C	Agree. The Court, as recommended, will ensure that proper documentation is provided for all business travel that is charged to the Court purchase cards. Employees at all levels will provide receipts for expenses incurred on their Court purchase card. The Court will remind the Accounts Payable staff that all backup and approval documentation is required prior to processing payment.	Jennifer Han, General Accounting Manager; and Joy Solon, Account Payable Supervisor	April 2013
	11.2		Its Business-Related Meal Expenditures Need Closer Court Oversight					
		4	For three of ten business-related meal transactions we selected, the Court stated "Employee Appreciation is not treated as business-related meal" instead, "Orange County Superior Court has a separate internal policy related to Employee Appreciation Expenses." As a result, the Court charged these costs to the incorrect GL account, GL account 921702, which is for purchases of meals/food for meetings, conferences, exhibits or shows. Instead the Court should have charged the costs to GL account 921704 which is for special event costs, (e.g., Adoption Day, Employee Recognition). Also, for two of the three Employee Appreciation charges, the amount spent per person exceeded the amount allowed per the Court's policy. For example, the Court's policy states that reimbursable expenses shall not exceed \$2.50 for each employee in the work unit/division. However, for one charge the Court spent \$3.69 person or \$1.19 more per person (\$589.97 divided by approximately 160 employees) or \$190.40 (\$1.19 x 160) more than allowed per its policy.		C	Agree. The Court, as recommended, will record employee appreciation expenses in the GL 921704 account. The Court acknowledges that its written policy on Employee Appreciation program expenses should be updated to reflect the Court's internal policy in practice. As per current policy, the Court allows an employee appreciation reimbursement of \$10 a year per employee, which can be expensed all at once on a single event or on multiple recognition events throughout the year.	Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor	April 2013
		4	For one of the ten business-related meal transactions selected, although it was charged to the meals/food general ledger account, it was not a business related meal expense. It was payment to a florist for flowers that were purchased for a funeral service. This is not a rule 10.810 allowable court operations cost.		C	Agree. The Court agrees that one of the business related meals' selections was funded inappropriately. The Court agrees expenditures for flowers are not a California Rules of Court, rule 10.810, allowable court operations cost. This expense has been reimbursed back to the Court.	Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor	April 2013
		4	For five of six business-related meal forms, although the business-related meal forms were signed, they were not signed by the PJ, the CEO, or another judge. For the sixth, although it was signed by the CEO, it was not dated so we could not determine if the approval was prior to the event date.		I	Agree. The Court acknowledges that the Financial Policies & Procedures states that the PJ can only delegate pre-approval authority for business-related meals to the CEO or another judge. The Court has a practical concern that having only the PJ, CEO, or another judge review and authorize small dollar amount claims is not practical for the Orange County Superior Court because it diverts important resources away from more critical tasks. The Court will seek an alternative procedure to authorize the Court's Chief Financial Officer to approve business related meal expenditures. The Court agrees with the recommendation to ensure that advance written approval by the PJ, or written designee, of the business-related meal expense form or alternate document, to demonstrate that the PJ or written designee reviewed and approved the proposed expense as an appropriate and necessary use of public funds, is secured.	Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor	June 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		4	For one of six business-related meal reimbursements, the business-related meal form did not have an agenda attached to support the business purpose or a list of the expected attendees (titles and affiliations).	C	Agree. The Court, as recommended, will ensure that the business-related meal expense form records will contain all the information required by the FIN Manual to document the nature of the business meeting and the participants.	Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor	April 2013
		4	One business-related meal for breakfast did not meet the timeframe requirement. Specifically, breakfast is permissible only if the actual business function starts at 8:30am or before and lasts at least three hours. Per the business-related meal form, the meeting did not start until 9 am.	I	Agree. The Court will send out reminders to staff on the timeframe requirements for business meal reimbursement.	Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor	May 2013
		4	For one business-related meal for lunch, the timeframe was not met. Specifically, the lunch was from 11:30 am to 3:30 pm which does not meet the requirement that lunch is permissible during the noon hours for court-wide functions that start no later than 11 am.	I	See response above.	Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor	May 2013
		4	For two of six business-related meal reimbursements, the cost per person exceeded the maximum allowed. In these two instances, the Court's business-related forms include approvals to exceed the maximum allowed. However, the FIN manual states that no exceptions will be granted for exceeding maximum meal rates. For another business-related meal reimbursement, we could not determine the costs per person because the list of attendees was not in the supporting documentation the court provided.	I	Agree. The Court will send out reminders to staff on the allowable cost for business meal reimbursement.	Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor	May 2013
		4	For one of the six business-related meal reimbursements, the Court reimbursed costs that were not associated with the business event. Specifically, the Court reimbursed an employee \$8.26 for two fruit granola bars, half and half, and one bagel supported by a receipt dated April 27, 2012, for an event that occurred a week earlier on April 20, 2012. The Court should have denied this reimbursement since the meal expense was incurred a week after the business event.	C	Finally, the Court agrees that in one of the business-related meal claims, the Court reimbursed \$8.26 for expenses that were incurred after the business event. The \$8.26 payment should not have been made and this amount has been paid back to the Court.	Jennifer Han, General Accounting Manager and Joy Solon, Account Payable Supervisor	April 2013
		LOG	The Court purchased a \$537.33 refrigerator, which does not appear to be a CRC 10.810 allowable court operations cost. According to the Court, its policy is to provide equipment, including refrigerators, for staff in official break rooms only. However, the Court's policy is not in writing so we could not assess how the court determined that refrigerators for staff break rooms are an allowable court operations costs.	I	Disagree. GC 68073.1 states that any equipment made available by the county for use by a court on June 30, 1997 shall continue to be made available to the court. Purchase of refrigerator is to replace the old one that was in service prior to 1997. Additionally, the court attained a legal opinion that supports the use of minor amounts of funds for purposes of promoting employee efficiency and morale. An extract of the opinion: "In general, if a contemplated "gift" has a direct and substantial public purpose within the court's authority, expenditures for it are not a misuse of public funds. Two opinions of the California Attorney General (AG) indicate (in a different context) that promotion of the efficiency, initiative, and morale of the court's employees could be one such public purpose."	Jennifer Han, General Accounting Manager	N/A
		LOG	The Court's written Employee Appreciation policy provides an example indicating that door prizes, among other items, can be purchased for its employee recognition programs. However, door prizes are considered gifts of public funds. Specifically, Article XVI of the California Constitution prohibits the authorization or making of any gift of public money or thing of value to any individual, municipal, or corporation. Additionally, Government Code Section 8314 makes it unlawful for any state or local officer or employee to permit the use of public resources for personal or other purposes which are not authorized by law.	I	The Court disagrees with the audit finding in correlation to the Government Code referenced. In particular, the Court's internal policy limits employee appreciation expenses, including door prizes to \$10 or less per person per year. Government Code 8314 (b) (1) states: "...Personal purpose' does not include the incidental and minimal use of public resources." The Court considers the \$10 per employee per year incidental and not a gift a public funds. The Court's employee appreciation policy was modified to clarify Cost Centers/Managers may spend no more than \$10 per employee per fiscal year for employee appreciation expenses, e.g., Employee of the Month, annual Employee Appreciation, recognition for significant and/or exceptional work performance. Additionally, the court attained a legal opinion that supports the use of minor amounts of funds for purposes of promoting employee efficiency and morale. An extract of the opinion: "In general, if a contemplated "gift" has a direct and substantial public purpose within the court's authority, expenditures for it are not a misuse of public funds. Two opinions of the California Attorney General (AG) indicate (in a different context) that promotion of the efficiency, initiative, and morale of the court's employees could be one such public purpose."	Jennifer Han, General Accounting Manager	N/A

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
12 Fixed Assets Management								
		LOG	One purchase order consisted of 85 printers but only 2 of the 85 printers were asset tagged. Per the Court (as of 11/9/12), other printers were deployed without being tagged and CTS staff are in the process of accounting for them. Repeat.	C		Agreed. The Court will locate and tag the rest of the printers. The Court will remind CTS staff that assets should be tagged and registered in the Court's asset tracking software prior to deployment.	Rosa Holdeman, CTS Manager	April 2013
		LOG	The Court does not have a property identification tag number register to account for issued asset tags as recommended in FIN 9.01, 6.3 paragraph 3. Consequently, IAS could not verify whether the Court assigned asset tags in sequential order.	I		Partially agreed. The Court maintains a property identification tag number register in its AssetMax Fixed Asset System to account for issued asset tags. Asset tags are registered in the AssetMax software, and each of the Court's Asset Custodians are assigned a block of sequential asset tags. Existing practice did not require the asset custodian to document when an asset tag was damaged or unused resulting in breaks in the sequential assignment assigned to each custodian. The court will implement improved procedures to ensure that any damaged or unused asset tags are recorded in AssetMax in order to preserve the sequential assignment of the asset tags.	Anthony Palumbo, Facilities Manager	June 2013
		LOG	The Court has not fully accounted for all individual use software licenses. As of 8/2/12, CTS is still in the process of identifying all available licenses and users where licenses are installed.	I		Agreed. The Court will ensure all individual use software licenses are tracked. The Court will remind CTS staff that the "License Tracking" spreadsheets should be updated when a license is installed.	Rosa Holdeman, Karl Kramp, CTS Manager	November 2013
		LOG	The Court incorrectly reported GL 943502 Software of \$1,200,555 in the CAFR Fixed Asset report. Software is an intangible asset and is not reported as a fixed asset.	I		Disagree. Software reported by the Court in CAFR has monetary cost of at least \$5,000 and a useful life of five years or more. GASB 51 requires that such type of intangible asset be capitalized as Capital Assets in CAFR. Since there was no Capital Asset report available from AOC, the Court used the Fixed Asset schedule for reporting Capital Assets.	Jennifer Han, General Accounting Manager	N/A
13 Audits			No issues to report.					
14 Records Retention			No issues to report.					
15 Domestic Violence								
	15.1		The Court Could More Consistently Impose Statutorily Required Domestic Violence Fines and Fees					
		2	For five of the 23 DV cases we reviewed where probation was ordered, the Court did not assess the \$400 PC 1203.097(a)(5) Domestic Violence Probation Fee nor record in the minutes a hearing where the Court found the defendant did not have the ability to pay.	C		Regarding the recommendations to ensure the \$400 DV fee is consistently imposed, the Court disagrees with the recommendation to create a bench schedule for judicial officers. The Court also disagrees with the recommendation to insert the DV fine and fee amounts on the official order of probation forms because they appear to interfere with a statutorily-required exercise of judicial discretion concerning the amount of the fee authorized by Penal Code section 1203.097(a)(5). The Court agrees that the reason for waiving the DV fee should be documented in DV case minute orders. Penal Code section 1203.097, as amended on January 1, 2013, includes a requirement for the court to state on the record the reason for reducing or waiving this fee. The Court will continue to monitor domestic violence cases to ensure the minutes reflect the reason this fee is waived or reduced. In addition, the Court will create a tool that will serve as a reference to staff when reviewing probation forms and when entering minutes to generate the official order of probation. The statutory requirements of Penal Code section 1203.097 have been shared with the Criminal Supervising Judges for purposes of disseminating the information to appropriate judicial officers. The information will also be shared with the Office of the District Attorney.	Kelli Beltran, Court Operations Manager	January 2013
16 Exhibits								
		LOG	One of five exhibits selected for review was not located where the Exhibit Tracking System indicates it was located. Repeat.	I		Agree: The court is currently conducting an Exhibits Inventory to audit and correct the accuracy of the Exhibits Tracking System.	Estella Chavarin, Records and Exhibits Manager	June 2013
17 Bail			No issues to report.					