



Judicial Council of California
ADMINISTRATIVE OFFICE OF THE COURTS

FINANCE DIVISION

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May 27, 2011

Hon. Richard Scheuler, Presiding Judge
Superior Court of Tehama County
720 Hoag Street
Corning, CA 96021

Re: Audit Report of the Superior Court of California, County of Tehama

Dear Judge Scheuler:

The pending audit report dated June 2010 and entitled *Audit of the Superior Court of California, County of Tehama* was submitted to the Advisory Committee on Financial Accountability and Efficiency for the Judicial Branch (A&E) on May 13 according to my previous notification to you. Internal Audit Services (IAS) received the concurrence from the Court in September 2010 to close its draft status and move it into pending status at that time. The Court was informed that the report would be maintained in pending status and not final and made available to the public until accepted by the Judicial Council. This should occur at the meeting of the council on June 24, 2011.

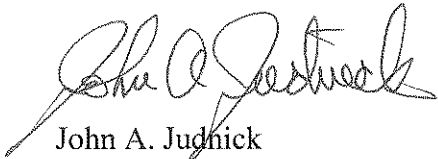
Subsequent to September 2010 the Court notified, and provided documentation to, IAS concerning funds that were in the County treasury that were the Courts but had not been reported by the Court in its Quarterly Financial Statements, recorded in its general ledger (Phoenix Financial System), or disclosed to IAS during this or previous audits of the Court. These funds originated through two Memorandums of Understanding between the Court and the County regarding funding of Tehama County trial courts effective July 1, 1992 and July 1, 1996. The funds total approximately \$1,830,000 (with approximately \$60,000 restricted by agreement) as of November 2010.

The Court has been informed to record these funds in the Phoenix Financial System and has done so. Additionally, the Court with the assistance of the AOC's Office of General Counsel is in the process of addressing the transfer of funds out of the County and to the Court's bank account.

As these funds were not identified or reported by the Court previously, they are not reflected in the Court's financial statements in this audit report. Using the balances as of November 2010, the effect of recording them will be to increase the fund balance of the Court for the years reported by approximately \$1,770,000 with approximately \$870,000 being unrestricted and no final determination yet made as to whether there are any restrictions on the remaining approximately \$900,000. Additionally, the \$60,000 is restricted and will be recorded as cash and "due to" pending determination of the nature of the restrictions.

The audit report when discussed with the A&E Committee was informed of the above and this letter will be included with the audit report when it is final and available for public access.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Judnick". The signature is fluid and cursive, with a large initial "J" and "A".

John A. Judnick
Senior Audit Manager
Internal Audit Services



Audit of the
Superior Court Of California,
County of Tehama

REPORT OF
INTERNAL AUDIT SERVICES

JUNE 2010



ADMINISTRATIVE OFFICE
OF THE COURTS

FINANCE DIVISION
INTERNAL AUDIT SERVICES

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Superior Court of California, County of Tehama

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MANAGEMENT SUMMARY

Introduction

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

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

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

IAS audit plans cover all four of the above areas. The audit process involves the review of the Court's compliance with statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS conducted its first audit of the Court in FY 2004–2005. IAS followed up on issues identified in this prior audit to determine whether the Court adequately resolved previous issues.

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

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

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

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

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

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

Audit Issues Overview

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

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

Revenue Distribution

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

The Court uses CMS2000 as its case management system (CMS) for all case types. This CMS has a process for automatically calculating the distribution of the fines, penalties, fees, and other assessments the Court collects. Additionally, when the total fine a judge orders is different from the total fine based on the Uniform Statewide Bail Schedule, the CMS uses a Top-Down distribution process to calculate the distributions. Monthly, the Court submits to the County a CMS generated report that lists the month's collections distributed by applicable code section.

Our review of the Court's calculations and distributions of court collections noted the following calculation and distribution errors:

1. The Court did not calculate and deduct the GC 68090.8–2 percent State Automation allocation from the PC 1202.4–State Restitution fine for four traffic and two non-traffic cases we reviewed. According to GC 68090.8(b), before any other distributions, 2 percent of all criminal fines, penalties, and forfeitures must be transmitted to the Trial Court Improvement Fund to be used to pay the costs of court automated systems.
2. The Court incorrectly included the PC 1465.7–20 percent State Surcharge when calculating the 30 percent VC 42007.3 red light and VC 42007.4 railroad allocations for the two red light traffic school and one railroad traffic school cases we reviewed. Per PC 1465.7, the 20 percent State Surcharge is not included in the total bail used in VC 42007.
3. The Court incorrectly used the VC 42007(b) distribution instead of the distribution required by VC 42007.4, the PC 1463 distribution, when distributing the remaining 70 percent of the total railroad traffic school bail for the one railroad case we reviewed. According to VC 42007.4, 30 percent is allocated to a transportation district or county for railroad grade crossing public safety and public education. The remaining 70 percent is distributed under PC 1463.
4. The Court does not always allocate its Top-Down distributions in direct proportion to the uniform bail applicable to the case. We noted this exception for 10 of the 19 cases we reviewed. Although many of the distribution variances were less than \$1, some were more than \$50.
5. The Court incorrectly applied the State/County PC 1203.097(a)(5) Domestic Violence fee split effective January 1, 2010, for the one domestic violence case we reviewed with a June 24, 2009, conviction date.

The Court agreed with the audit recommendations and indicates taking corrective action to address the noted issues, except that it disagrees that it should analyze and modify its CMS Top-Down distribution algorithm.

Travel and Business Meal Expenses

Statute 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.

The FIN Manual provides specific travel procedures for trial courts to follow. These procedures state that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation and other miscellaneous items. 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, 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.

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 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. When lodging above the maximum rate is the only lodging available, or when it is cost-effective, an Exception Request for Lodging form and supporting documentation must be submitted in advance of travel and must be approved by the appointing power designee (PJ or designee).

The FIN Manual also 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 written advance approval of the PJ or authorized designee. 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. 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. In addition, business meal expenses are not authorized for informal meetings or meetings with existing or potential vendors.

Our review revealed that Court procedures over travel and business meal expenditures need improvement. Specifically, The Court does not always require its employees to obtain prior written approval for lodging rates that exceed the AOC maximum lodging rate limits. Additionally, the Court paid for travel costs without obtaining the required receipts to support the travel costs. During our review, we noted that six of the ten TECs we reviewed were not completed properly, making it difficult for someone to review and assess the allowable costs. The Court also did not always require appropriate level review and approval signatures, from

the judge's or employee's direct supervisor or above, on the TEC forms before paying the claims.

The Court also did not prepare the required pre-approved business-related meal expense form for the three business-related meals we reviewed. As a result, we could not determine whether the business-related meal expenses were pre-approved, nor assess the business reason for the business-related meal. Additionally, one group business-related meal expense totaled more than \$700 but did not follow the procurement and contracting guidelines established by the FIN Manual.

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

STATISTICS

The Superior Court of California, County of Tehama (Court) operates the Historic Courthouse, the Tehama County Courts Building, the Corning Courthouse, and the Juvenile Justice Center facilities. The Court also operates the Family Law Commissioner Courtroom located at a fifth facility. The Court has five judges and subordinate judicial officers and employs 44 court staff to fulfill its administrative and operational activities. It incurred total trial court expenditures of more than \$5 million for the fiscal year that ended June 30, 2009.

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 2008–2009, the Court received various services from the County of Tehama (County). For instance, the Court received County-provided services including, but not limited to, janitorial services and payroll processing services. However, during the time of our audit, these services were not covered under a Memorandum of Understanding (MOU) with the County. The Court also received court security services from the County Sheriff-Coroner that were covered under an MOU with the Sheriff.

The charts that follow contain general Court statistical information.

County Population (Estimated as of January 1, 2010)	62,836
<small>Source: California Department of Finance</small>	
Number of Court Locations	5
Number of Courtrooms	5
<small>Source: Superior Court of California, County of Tehama</small>	
Number of Case Filings in FY 2007–2008:	
Criminal Filings:	
▪ Felonies	674
▪ Non-Traffic Misdemeanor	1,451
▪ Non-Traffic Infractions	200
▪ Traffic Misdemeanors	2,098
▪ Traffic Infractions	14,898
Civil Filings:	
▪ Civil Unlimited	309
▪ Motor Vehicle PI/PD/WD	25

<ul style="list-style-type: none"> ▪ Other PI/PD/WD ▪ Other Civil Complaints & Petitions ▪ Small Claims Appeals ▪ Family Law (Marital) ▪ Family Law Petitions ▪ Probate ▪ Limited Civil ▪ Small Claims 	19 256 9 347 767 162 923 443
<p>Juvenile Filings:</p> <ul style="list-style-type: none"> ▪ Juvenile Delinquency – Original ▪ Juvenile Delinquency – Subsequent ▪ Juvenile Dependency – Original ▪ Juvenile Dependency – Subsequent 	158 104 98 20
<p>Mental Health Filings</p>	1
Source: Judicial Council of California's 2009 Court Statistics Report	
Select FY 2008-2009 Financial Information:	
Trial Court Trust Fund Total Financing Sources	\$ 6,735,486
Trial Court Trust Fund Expenditures	\$ 5,076,523
Non-Trial Court Trust Fund Total Financing Sources	\$ 715,783
Non-Trial Court Trust Fund Expenditures	\$ 95,350
Total Personal Services Costs (TCTF)	\$ 3,412,670
Total Temporary Help Costs (TCTF)	\$ 22,619
Total Personal Services Costs (NTCTF)	\$ 0
Total Temporary Help Costs (NTCTF)	\$ 0
Source: Fourth Quarter FY 2008–2009 Quarterly Financial Statements	
Judicial Officers as of June 30, 2008:	
Authorized Judgeships	4.0
Authorized Subordinate Judicial Officers	.3
Source: Judicial Council of California's 2009 Court Statistics Report	
Court Staff as of June 30, 2009:	
Total Authorized FTE Positions	44.34
Total Filled FTE Positions	42.34
Total Fiscal Staff	1.0
Source: FY 2008–2009 Schedule 7A	
FY 2008–2009 Average Daily Cash Collections	\$ 21,983
Source: Superior Court of California, County of Tehama	

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 Tehama (Court), implemented this fiscal system on January 1, 2005, and processes fiscal data through the AOC Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data on the following three pages are from this system and present the

comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three schedules are:

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

The fiscal year 2007–2008 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**
No special revenue funds are used by the Court.
 - **Grants**
 1. Assembly Bill (1058) Family Law Facilitator Program – 1910581
 2. AB1058 Child Support Commissioner Program – 1910591
- **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 perfectly appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide financial statements.² **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
 - Civil Filing Fees Fund – 450000

² GASB Statement No. 34, paragraph 12.

**TEHAMA SUPERIOR COURT
 TRIAL COURT OPERATIONS FUND
 BALANCE SHEET
 AS OF JUNE 30
 (UNAUDITED)**

	2009				2008	
	Governmental Funds			FIDUCIARY FUNDS	TOTAL FUNDS (Info. Purposes Only)	TOTAL FUNDS (Info. Purposes Only)
	General	Special Revenue				
		Special Revenue	Grant			
ASSETS						
Operations	\$ 120,079	\$ -	\$ -	\$ -	\$ 120,079	\$ 1,946,833
Civil Filing Fees	-	-	-	85,465	85,465	96,075
Distribution Account	-	-	-	-	-	-
Revolving	2,000	-	-	-	2,000	2,000
Cash on Hand	440	-	-	-	440	440
Trust Account	-	-	-	162,335	162,335	714,047
Cash With County	242,950	-	-	-	242,950	242,950
Total Cash and Cash Equivalents	\$ 365,469	\$ -	\$ -	\$ 247,800	\$ 613,269	\$ 3,002,344
Short Term Investment (LAIF)	\$ 2,193,071	\$ -	\$ -	\$ -	\$ 2,193,071	\$ 660,000
Total Investments	\$ 2,193,071	\$ -	\$ -	\$ -	\$ 2,193,071	\$ 660,000
A/R - Accrued Revenue	\$ 8,214	\$ -	\$ -	\$ -	\$ 8,214	\$ 170
A/R - General	-	-	-	-	-	-
A/R - Due From Employee	-	-	-	-	-	-
A/R - Due From Other Courts	14,854	-	-	-	14,854	19,198
A/R - Due From Other Funds	422,445	-	-	-	422,445	1,231
A/R - Due From Other Govts	-	-	-	-	-	52,493
A/R - Due From State	68,053	-	70,578	-	138,631	80,766
Deposits w/Others / Prepaid Expense	-	-	-	-	-	17,559
Prepaid County	-	-	-	-	-	-
Total Receivables and Prepaids	\$ 513,566	\$ -	\$ 70,578	\$ -	\$ 584,144	\$ 171,417
Total Assets	\$ 3,072,106	\$ -	\$ 70,578	\$ 247,800	\$ 3,390,484	\$ 3,833,761
LIABILITIES AND FUND BALANCES						
A/P - Due to Other Governments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A/P - General	2,554	-	-	-	2,554	445
A/P - Due to Other Funds	363,277	-	59,155	13	422,445	1,231
A/P - TC145 Liability	-	-	-	85,465	85,465	96,075
A/P - Sales/Use/Withholding Taxes	44	-	-	-	44	7
A/P - Accrued Liabilities	134,298	-	6,330	-	140,628	231,269
Total Accounts Payable and Accrued Liab.	\$ 500,173	\$ -	\$ 65,485	\$ 85,478	\$ 651,136	\$ 329,027
Civil Trusts	\$ -	\$ -	\$ -	\$ 107,047	\$ 107,047	\$ 49,677
Civil Trust - Court Reporter	-	-	-	2,742	2,742	985
Unreconciled Trust - Civil	-	-	-	13,355	13,355	13,205
Criminal- General and Traffic	-	-	-	34,875	34,875	652,180
Trust Held Outside	-	-	-	-	-	-
Trust Interest Payable	-	-	-	1,744	1,744	(2,471)
Total Trust Deposits	\$ -	\$ -	\$ -	\$ 159,763	\$ 159,763	\$ 713,576
Retirement Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes Payable	-	-	-	-	-	-
Accrued Payroll	-	-	-	-	-	-
Payroll Clearing	291,451	-	5,093	-	296,544	137,920
Total Payroll Liabilities	\$ 291,451	\$ -	\$ 5,093	\$ -	\$ 296,544	\$ 137,920
Jury Fees - Non Interest	\$ -	\$ -	\$ -	\$ 1,650	\$ 1,650	\$ 300
Liabilities For Deposits	1,085	-	-	909	1,994	877
Reimbursements Collected	-	-	-	-	-	-
Due To Other Government Agencies	-	-	-	-	-	-
Total Other Liabilities	\$ 1,085	\$ -	\$ -	\$ 2,559	\$ 3,644	\$ 1,177
Total Liabilities	\$ 792,709	\$ -	\$ 70,578	\$ 247,800	\$ 1,111,087	\$ 1,181,700
Fund Balance - Restricted						
Contractual	\$ 651,066	\$ -	\$ -	\$ -	\$ 651,066	\$ 1,748,555
Statutory	66,845	-	-	-	66,845	66,645
Fund Balance - Unrestricted						
Designated	1,561,486	-	-	-	1,561,486	836,862
Undesignated	-	-	-	-	-	-
Total Fund Balance	\$ 2,279,397	\$ -	\$ -	\$ -	\$ 2,279,397	\$ 2,652,062
Total Liabilities and Fund Balance	\$ 3,072,106	\$ -	\$ 70,578	\$ 247,800	\$ 3,390,484	\$ 3,833,762

SOURCE: Phoenix Financial System. Fund balance data from the 2009 and 2008 Reports To The Legislature.

**TEHAMA SUPERIOR COURT
 TRIAL COURT OPERATIONS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE FISCAL YEAR ENDED JUNE 30
 (UNAUDITED)**

	2009					2008		
	GOVERNMENT FUNDS			FIDUCIARY FUNDS	TOTAL FUNDS (Info. Purposes Only)	Baseline Budget	TOTAL FUNDS (Info. Purposes Only)	Baseline Budget
	General	Special Revenue	Grants					
REVENUES								
State Financing Sources:								
Trial Court Trust Fund-Program 45.10	\$ 4,114,000	\$ -	\$ -	\$ -	\$ 4,114,000	\$ 4,149,986.00	\$ 4,081,545	\$ 4,883,733
Trial Court Improvement Fund - Reimbursement	-	-	-	-	-	125,150	18,723	8,276
Trial Court Improvement Fund - Block	-	-	-	-	-	-	-	-
Judicial Administration Efficiency & Mod Fund	-	-	-	-	-	-	-	-
Judges' Compensation (45.25)	30,000	-	-	-	30,000	30,000	30,000	30,000
Court Interpreter (45.45)	164,214	-	-	-	164,214	162,845	120,845	33,000
MOU 45.10 Reimbursement	204,322	-	-	-	204,322	429,430	178,283	-
Other miscellaneous	25,319	-	-	-	25,319	23,054	8,630	-
	\$ 4,537,855	\$ -	\$ -	\$ -	\$ 4,537,855	\$ 4,920,465	\$ 4,438,027	\$ 4,955,009
Grants:								
AB 1058 Commissioner/Facilitator	\$ -	\$ -	\$ 149,488	\$ -	\$ 149,488	\$ 210,236	\$ 134,001	\$ 136,348
Other AOC Grants	-	-	-	-	-	-	-	-
State Grants	-	-	-	-	-	-	-	-
Non-State Grants	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ 149,488	\$ -	\$ 149,488	\$ 210,236	\$ 134,001	\$ 136,348
Other Financing Sources:								
Investment Income	\$ 89,069	\$ -	\$ -	\$ -	\$ 89,069	\$ 95,000	\$ 85,014	\$ 138,000
Donations	-	-	-	-	-	-	-	-
Local Fee and Non-Fee Revenue	10,970	-	-	-	10,970	24,100	12,346	16,000
Prior year adjustments	9,298	-	-	-	9,298	-	(2,922)	-
County Program - restricted	-	-	-	-	-	-	-	-
Reimbursement Other	1,443	-	-	-	1,443	11,000	9,009	-
Other miscellaneous	1,084	-	-	-	1,084	-	-	-
	\$ 111,864	\$ -	\$ -	\$ -	\$ 111,864	\$ 130,100	\$ 103,447	\$ 154,000
Total Revenues	\$ 4,649,720	\$ -	\$ 149,488	\$ -	\$ 4,799,208	\$ 5,260,801	\$ 4,675,475	\$ 5,245,357
EXPENDITURES								
Personal Services:								
Salaries and Wages	\$ 2,323,454	\$ -	\$ 95,954	\$ -	\$ 2,419,408	\$ 2,395,446	\$ 2,242,055	\$ 2,172,294
Employee Benefits	959,615	-	33,647	-	993,262	1,125,334	923,289	976,370
	\$ 3,283,068	\$ -	\$ 129,602	\$ -	\$ 3,412,670	\$ 3,520,780	\$ 3,165,344	\$ 3,148,664
Operating Expenses and Equipment:								
General Expense	\$ 250,990	\$ -	\$ 3,132	\$ -	\$ 254,122	\$ 205,643.00	\$ 240,873	\$ 258,943
Printing	11,121	-	-	-	11,121	5,000	9,995	8,000
Communications	79,548	-	321	-	79,869	50,750	64,506	57,500
Postage	40,204	-	-	-	40,204	30,000	36,031	37,200
Insurance	4,403	-	-	-	4,403	4,000	4,427	4,000
In-State Travel	19,170	-	1,404	-	20,574	17,300	15,988	26,000
Out-of-State Travel	-	-	-	-	-	-	-	-
Training	1,030	-	275	-	1,305	-	385	5,100
Facilities Operations	37,258	-	4,170	-	41,428	13,300	46,960	28,500
Security Contractual Services	591,799	-	62	-	591,861	746,250	566,429	912,170
Utilities	1,599	-	1,484	-	3,083	2,000	2,638	1,500
Contracted Services	336,159	-	34,027	-	370,186	292,548	294,172	365,852
Consulting and Professional Services	161,785	-	-	-	161,785	149,650	147,784	139,000
Information Technology	139,382	-	-	-	139,382	128,000	119,224	28,100
Major Equipment	34,924	-	-	-	34,924	77,000	-	127,250
Other Items of Expense	-	-	-	-	-	-	-	-
	\$ 1,709,372	\$ -	\$ 44,875	\$ -	\$ 1,754,247	\$ 1,721,441	\$ 1,549,411	\$ 1,999,115
Special Items of Expense - Juror Costs	\$ 4,956	\$ -	\$ -	\$ -	\$ 4,956	\$ 27,000	\$ 22,427	\$ 15,350
Debt Service	-	-	-	-	-	-	-	-
Special Items of Expense - Other	-	-	-	-	-	-	65	-
Distributed Administration	(8,828)	-	8,828	-	-	-	(1)	-
Prior Year Adjustment to Expense	-	-	-	-	-	-	(23,134)	-
	\$ (3,872)	\$ -	\$ 8,828	\$ -	\$ 4,956	\$ 27,000	\$ (644)	\$ 15,350
Total Expenditures	\$ 4,988,568	\$ -	\$ 183,305	\$ -	\$ 5,171,873	\$ 5,269,221	\$ 4,714,111	\$ 5,163,129
Operating Transfers In (Out)	(33,817)	-	33,817	-	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (372,665)	\$ -	\$ -	\$ -	\$ (372,665)	\$ (8,420)	\$ (38,636)	\$ 82,228
FUND BALANCES (DEFICIT)								
Beginning Balance (Deficit)	2,652,062	-	-	-	2,652,062	2,652,062	2,690,699	2,690,699
Ending Balance (Deficit)	\$ 2,279,397	\$ -	\$ -	\$ -	\$ 2,279,397	\$ 2,643,642	\$ 2,652,062	\$ 2,772,927

SOURCE: Phoenix Financial System

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

FOR THE FISCAL YEAR ENDED JUNE 30									
	2009					2008			
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Operating Transfers	TOTAL ACTUAL EXPENSE	BASELINE BUDGET	TOTAL ACTUAL EXPENSE	BASELINE BUDGET
PROGRAM EXPENDITURES:									
Judges and Courtroom Support	\$ 808,952	\$ 256,131	\$ -	\$ -	\$ -	\$ 1,065,083	\$ 1,007,828	\$ 923,604	\$ 1,021,940
Traffic & Other Infractions	153,324	23,585	-	-	-	176,909	52,738	94,674	53,782
Other Criminal Cases	-	-	-	-	-	-	-	(47)	-
Civil	-	-	-	-	-	-	23,200	(806)	30,000
Family and Children Services	205,577	43,778	-	-	-	249,355	256,240	264,828	291,668
Probate, Guardianship & Mental Health Services	68,266	11,085	-	-	-	79,351	75,485	61,301	72,376
Juvenile Dependency Services	-	113,972	-	-	-	113,972	112,500	111,456	-
Juvenile Delinquency Services	-	-	-	-	-	-	-	453	-
Other Support Operations	1,743,944	255,720	-	-	-	1,999,664	1,998,904	1,716,541	2,065,924
Court Interpreters	117,223	51,151	-	-	-	168,374	178,071	151,625	190,451
Jury Services	-	10,100	4,956	-	-	15,056	135,503	29,384	101,850
Security	-	603,861	-	-	-	603,861	771,250	566,614	912,170
Trial Court Operations Program	\$ 3,097,286	\$ 1,369,383	\$ 4,956	\$ -	\$ -	\$ 4,471,625	\$ 4,611,719	\$ 3,919,627	\$ 4,740,161
Enhanced Collections	-	-	-	-	-	\$ -	-	-	-
Other Non-Court Operations	-	-	-	-	-	-	-	616	-
Non-Court Operations Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 616	\$ -
Executive Office	176,423	172,520	-	-	-	\$ 348,943	267,677	309,513	211,165
Fiscal Services	138,962	51,818	-	-	-	190,780	151,496	213,120	145,768
Human Resources	-	-	-	-	-	-	18,000	21,808	5,000
Business & Facilities Services	-	-	-	-	-	-	127,000	-	-
Information Technology	134,538	25,988	-	-	-	160,525	144,293	272,562	61,033
Court Administration Program	\$ 449,923	\$ 250,326	\$ -	\$ -	\$ -	\$ 700,248	\$ 708,466	\$ 817,003	\$ 422,966
Prior year adjustment to expense	-	-	-	-	-	-	-	(23,134)	-
								(1)	2
TOTAL	\$ 3,547,209	\$ 1,619,709	\$ 4,956	\$ -	\$ -	\$ 5,171,873	\$ 5,320,185	\$ 4,714,111	\$ 5,163,129

SOURCE: 4th Quarter Financial Statements

PURPOSE AND SCOPE

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

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

The scope of audit work included reviews of the Court's major functional areas, including: cash collections, fixed assets, contracts and procurement, accounts payable, payroll, financial accounting and reporting, case management, information technology, domestic violence, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2008–2009.

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

TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on January 30, 2009.

The entrance meeting was held with the Court on September 3, 2009.

Audit fieldwork commenced on September 14, 2009.

Fieldwork was completed in June 2010.

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 June 3, 2010, with Irene Rodriguez, Court Executive Officer, and her staff.

IAS received the Court's final management responses to the IAS recommendations on August 6, 2010. 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 August 13, 2010. On September 10, 2010, 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) 77009(i) and proceduralized under CRC 10.707, specify guidelines and requirements concerning court governance.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures				
906303 SALARIES - COMMISSIONERS	51,454.85	48,414.14	3,041	6
906311 SALARIES - SUPERIOR COURT	25,312.50	29,062.50	(3,750)	(13)
* 906300 - SALARIES - JUDICIAL OFFI	76,767.35	77,476.64	(709)	(1)
920503 DUES & MEMBERSHIPS-OTHER	285.00		285	n/a
920599 DUES AND MEMBERSHIP	595.00	1,043.00	(448)	(43)
* 920500 - DUES AND MEMBERSHIPS	880.00	1,043.00	(163)	(16)
933101 TRAINING	275.00	95.00	180	189
933104 TUITION AND REGISTRATION	1,030.00	290.00	740	255
* 933100 - TRAINING	1,305.00	385.00	920	239
** TRAINING TOTAL	1,305.00	385.00	920	239

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

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

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

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

The following issue was considered significant enough to bring to management's attention in this report. Additionally, Appendix A contains five minor issues associated with this area.

1.1 Specific Legal Authority Allowing the Court to Receive Revenues from Vendors Providing Teleconferencing for Court Appearances Is Missing

Background

California Rules of Court (ROC) 3.670 sets forth uniform practices and procedures relating to telephone appearances in civil cases and in unlawful detainer and probate proceedings. The rule authorizes certain conferences, hearings, and proceedings to be held over the telephone and allows each trial court the discretion to allow or disallow telephone appearances. Thus, the court may require a party to appear in person on a hearing-by-hearing basis.

Additionally, ROC 3.670(i) specifies that a court may provide teleconferencing for court appearances by entering into a contract with a private vendor. The contract may allow the vendor to charge the party appearing by telephone a reasonable fee, specified in the contract, for its services. To date, there is no authority in either statute or Rules of Court allowing trial courts to enter into revenue sharing agreements with vendors providing teleconferencing for court appearances.

Issue

Our review of the Court's fiscal year 2007-2008 and 2008-2009 Trial Balances revealed the following:

Although no specific authority exists allowing the Court to enter into such a revenue sharing agreement, the Court received \$1,900 from a private vendor that facilitates court appearances by telephone. Specifically, the Court received revenues totaling \$870 and \$1,030 in fiscal years 2007-2008 and 2008-2009, respectively, from a vendor that provides teleconferencing services for court appearances. According to the Court contract with the private vendor, the vendor is to pay the Court these revenues based on the number of litigants who paid the vendor a Telephonic Court Appearance fee. Because the Court is to bear no additional cost in providing teleconferencing for court appearances and the revenue the Court received from the private vendor is based on the number of litigants who paid the vendor a fee to use the teleconferencing service, the

revenue the Court received is considered shared revenue. However, ROC 3.670(i) only allows the vendor to charge a reasonable fee for its services, not to charge a fee that also augments Court funding through such a revenue sharing arrangement.

Recommendation

To ensure that it complies with ROC 3.670, the Court should consider the following:

Request and obtain from the AOC Office of the General Counsel (OGC) a determination of its authority, in statute or Rules of Court, to enter into a revenue sharing agreement with a vendor providing teleconferencing for court appearances. While it awaits the OGC determination, the Court should discontinue the revenue sharing arrangement as the vendor would presumably charge Court clients a higher Telephonic Court Appearance fee to pay the Court its revenue share without specific legal authority to do so.

Superior Court Response

The Court agrees. The Court will consider requesting and obtaining from AOC Office of the General Counsel a determination of its authority to enter into a revenue sharing agreement with a vendor providing teleconferencing for court appearances.

2. Fiscal Management and Budgets

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures				
900301 SALARIES - PERMANENT	2,201,237.62	2,052,689.06	148,549	7
900302 SALARIES - COURT REPORTER	22,971.15	34,318.44	(11,347)	(33)
900306 SALARIES - COURT INTERPRE	95,812.99	77,570.76	18,242	24
* 900300 - SALARIES - PERMANENT	2,320,021.76	2,164,578.26	155,444	7
903301 TEMPORARY EMPLOYEES - ON	22,619.20		22,619	n/a
* 903300 - TEMP HELP	22,619.20		22,619	n/a
906303 SALARIES - COMMISSIONERS	51,454.85	48,414.14	3,041	6
906311 SALARIES - SUPERIOR COURT	25,312.50	29,062.50	(3,750)	(13)
* 906300 - SALARIES - JUDICIAL OFFI	76,767.35	77,476.64	(709)	(1)
** SALARIES TOTAL	2,419,408.31	2,242,054.90	177,353	8
374001 PAYROLL CLEARING ACCOUNT	(296,544.28)	(137,920.61)	158,624	115

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures				
910301 SOCIAL SECURITY INS & MED	140,604.25	131,496.67	9,108	7
910302 MEDICARE TAX	33,590.46	32,721.57	869	3
* 910300 - TAX	174,194.71	164,218.24	9,976	6
910501 HEALTH INSURANCE	364,177.21	351,107.51	13,070	4
* 910400 - HEALTH INSURANCE	364,177.21	351,107.51	13,070	4
910601 RETIREMENT (NON-JUDICIAL	384,774.30	337,712.61	47,062	14
912301 RETIREMENT (SUBORDINATE A	5,238.84	11,593.39	(6,355)	(55)
* 910600 - RETIREMENT	390,013.14	349,306.00	40,707	12
912501 STATUTORY WORKERS COMPENS	59,183.00	46,789.00	12,394	26
* 912500 - WORKERS' COMPENSATION	59,183.00	46,789.00	12,394	26
913301 UNEMPLOYMENT INSURANCE	5,693.76	11,868.66	(6,175)	(52)
* 912700 - OTHER INSURANCE	5,693.76	11,868.66	(6,175)	(52)
** STAFF BENEFITS TOTAL	993,261.82	923,289.41	69,972	8
*** PERSONAL SERVICES TOTAL	3,412,670.13	3,165,344.31	247,326	8
*** 701100 OPERATING TRANSFERS IN	(33,817.10)		(33,817)	n/a
*** 701200 OPERATING TRANSFERS OUT	33,817.10		33,817	n/a

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

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

The following issue was considered significant enough to bring to management's attention in this report.

2.1 The Court Needs to Improve Its Payroll Processing Practices

Background

Because courts must maintain the highest standard of ethics and level of integrity to inspire public confidence and trust in the court system, the FIN Manual, Procedure No. 2.02, requires courts to maintain effective internal control systems as an integral part of their management practices. An effective system of internal controls minimizes the court's exposure to risks and

negative perceptions. The components of an effective system of internal controls include, but are not limited to the following:

- Comprehensive policies and procedures for court employees to follow in performing their duties;
- Appropriate supervision to assure that approved procedures are followed;
- Sufficient internal review to ensure that all financial transactions are properly and accurately recorded and reported; and
- Approval and proper authorization and documentation to provide evidence of effective control over its assets by court employees acting within the scope of their authority.

Issues

Our review of the Court's payroll processing practices included a review of its personnel policies and procedures documented in its September 2003 Personnel Rules (Personnel Rules). Although our review found that its Personnel Rules provide policy and procedures that are generally consistent with an effective system of internal controls, our review of the Court's payroll processing practices identified the following weaknesses in its documentation of time worked, pre-authorization of overtime, and its review and approval of timesheets:

1. Although required by its Personnel Rules, the Court Executive Officer (CEO), an exempt employee, did not always prepare and submit biweekly timesheets to certify the time worked and leave taken for the respective pay period. Specifically, the CEO did not submit timesheets for the two-week pay periods ending October 15, 2009; November 30, 2009; and December 15, 2009. According to the Court, the CEO did not submit timesheets because there were no time exceptions to report.

Moreover, for the timesheets the CEO did submit for the months of October through December 2009, none were signed approved to demonstrate review and approval by the CEO's appropriate approval level. Although the Court's Personnel Rules require managers to sign the timesheets of non-exempt employees, these Personnel Rules do not require appropriate approval levels to sign the timesheets of exempt employees. As a result, none of the CEO's timesheets were signed approved to demonstrate review and approval by the CEO's appropriate approval level, the PJ.

2. Court timesheets for the months of October through December 2009 indicate that, contrary to its Personnel Rules, the Court did not always require employees to sign their biweekly timesheets. Also contrary to its Personnel Rules, the Court did not always require supervisors to sign approve the employee timesheets to demonstrate their review and approval of the time worked and leave taken for the respective employees they are responsible for overseeing.
3. Also, the Court's process for pre-authorizing overtime does not adequately demonstrate that the overtime was approved before the overtime was worked. Specifically, although the Court's Personnel Rules require managers to pre-authorize employee overtime, these rules do not require managers to document this pre-authorization before the employees

work the overtime. Instead, the Personnel Rules allow managers to demonstrate their pre-approval of employee overtime by signing the timesheets that employees prepare and submit subsequent to the employee working the overtime.

4. The Court is not properly recording the payment of compensating time-off in the accounting general ledger (GL) accounts. Specifically, the Court typically pays employees for excess compensating time-off at the end of the year when their compensating time-off balances exceed 80 hours. However, the Court records these payments to the salaries GL account rather than to the overtime GL account.

Recommendations

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

1. Require all employees, including exempt employees, to follow the Personnel Rules that require them to complete and submit timesheets certifying their time worked and leave taken each pay period. Additionally, the Court should revise its Personnel Rules to require approval of exempt employee timesheets by an appropriate approval level, including indicating that the PJ or APJ are the appropriate approval levels for the CEO.
2. Instruct payroll processing staff to not move forward with payroll processing until all required timesheets are complete and signed by the employee and the appropriate approval level managers or supervisors.
3. Develop and implement a Request for Pre-authorized Overtime form and require managers to sign the form to document pre-authorization of the overtime before the employee works the overtime. The employee should subsequently submit this pre-authorized overtime form with their timesheet to support pre-approval of the overtime worked.
4. Record payments for overtime and excess compensating time-off balances to the overtime GL account rather than the salaries GL accounts.

Superior Court Response

Recommendation 1: The Court agrees and will require all exempt employees, including the CEO, to submit bi-weekly timecards certifying time worked and leave taken each pay period.

Recommendation 2: The Court agrees and will follow the recommendation.

Recommendation 3: The Court agrees and will revise the timesheets to reflect that managers have pre-authorized overtime before the employee works the overtime when it is feasible.

Recommendation 4: The Court agrees and will follow the recommendation.

All of the recommendations will be implemented immediately.

3. Fund Accounting

Background

Trial courts must account for their receipt and use of public funds using the fund accounting and reporting standards published by the Government Accounting Standards Board. To assist courts in meeting this objective, the FIN Manual provides guidelines for courts to follow. The FIN Manual Procedure No. FIN 3.01, section 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. Section 6.1.1 defines a "fund" as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. A set of governmental, fiduciary, and proprietary funds have been set up in the Phoenix Financial System to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Fund Balances				
552001 FUND BALANCE-RESTRICTED	(1,414,478.71)	(2,599,773.71)	(1,185,295)	(46)
553001 FUND BALANCE - UNRESTRICT	(1,237,583.00)	(90,924.90)	1,146,658	1,261
*** Fund Balances	(2,652,061.71)	(2,690,698.61)	(38,637)	1
Revenues				
899910 PRIOR YEAR ADJUSTMENTS -	(9,298.44)	2,922.15	12,221	418
** 890000-PRIOR YEAR REVENUE	(9,298.44)	2,922.15	12,221	418
Expenditures				
999910 PRIOR YEAR ADJUSTMENTS -		(23,134.91)	23,135	(100)
* 999900 -PRIOR YEAR EXPENSE ADJUST		(23,134.91)	23,135	(100)
** PRIOR YEAR ADJUSTMENT TOTAL		(23,134.91)	23,135	(100)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Revenues				
812110 TCTF-PROGRAM 45.10-OPERAT	(4,041,905.00)	(3,999,743.13)	42,162	1
812140 TCTF-PROGRAM 45.10-SMALL	(1,070.00)	(1,610.00)	(540)	(34)
812141 TCTF-PROGRAM 45.10-ADMIN	(175.00)	(275.00)	(100)	(36)
812144 TCTF-PROGRAM 45.10-CLERKS	(387.00)	(1,138.00)	(751)	(66)
812146 TCTF-PROGRAM 45.10-COPY P	(6,538.00)	(8,433.00)	(1,895)	(22)
812148 TCTF-PROGRAM 45.10-MANUAL	(150.00)	(331.00)	(181)	(55)
812149 TCTF-PROGRAM 45.10-REIMBU	(3,432.00)	(3,838.00)	(406)	(11)
812150 TCTF-PROGRAM 45.10-ESTATE	(30.00)		30	n/a
812151 TCTF-10-CUSTODY/VISITATIO	(1,785.00)	(1,815.00)	(30)	(2)
812153 TCTF-PROGRAM 45.10-GUARDI	(2,940.00)	(3,675.00)	(735)	(20)
812154 TCTF-PROGRAM 45.10-INFO P	(80.00)	(140.00)	(60)	(43)
812155 TCTF-PROGRAM 45.10-ASSESS	(5,040.00)	(4,830.00)	210	4
812158 TCTF-10-CUSTODY/VISITATIO	(1,190.00)	(1,210.00)	(20)	(2)
812159 TCTF-10-CIVIL ASSESSMENT	(47,627.00)	(52,787.00)	(5,160)	(10)
812160 TCTF-10-MICROGRAPHICS	(1,651.00)	(1,720.00)	(69)	(4)
** 812100-TCTF - PGM 10 OPERATIONS	(4,114,000.00)	(4,081,545.13)	32,455	1
821120 OTHER COURT RETAINED LOCA	(2,735.43)	(7,829.64)	(5,094)	(65)
821183 PC1463.22a INSURANCE CONV	(6,810.00)	(3,513.95)	3,296	94
** 821000-LOCAL FEES REVENUE	(9,545.43)	(11,475.59)	(1,930)	(17)
831010 GF-AB2030/AB2695 SERVICE	(448.00)	(90.00)	358	398
** 831000-GENERAL FUND - MOU/REIMBUR	(448.00)	(90.00)	358	398
832010 TCTF GENERAL MOU REIMBURS	(65,569.00)	(54,220.87)	11,348	21
832011 TCTF-PGM 45.10-JURY	(4,956.00)	(19,340.00)	(14,384)	(74)
832012 TCTF-PGM 45.10-CAC	(110,888.35)	(104,447.52)	6,441	6
832013 TCTF-PGM 45.10-ELDER ABUS	(185.00)	(185.00)	0	0
832014 TCTF-PGM 45.10-OTHER	(22,276.00)		22,276	n/a
** 832000-PROGRAM 45.10 - MOU/REIMBU	(203,874.35)	(178,193.39)	25,681	14
833010 PROGRAM 45.25-JUDGES SALA	(30,000.00)	(30,000.00)	0	0
** 833000-PROGRAM 45.25 - REIMBURSEM	(30,000.00)	(30,000.00)	0	0
834010 PROGRAM 45.45-COURT INTER	(164,214.07)	(120,845.00)	43,369	36
** 834000-PROGRAM 45.45 - REIMBURSEM	(164,214.07)	(120,845.00)	43,369	36
837010 IMPROVEMENT FUND REIMBURS		(18,723.29)	(18,723)	(100)
** 837000-IMPROVEMENT FUND - REIMBUR		(18,723.29)	(18,723)	(100)
861010 CIVIL JURY REIMBURSEMENT		(3,052.56)	(3,053)	(100)
861011 MISCELLANEOUS REIMBURSEME	(1,442.62)	(5,956.72)	(4,514)	(76)
** 860000-REIMBURSEMENTS - OTHER	(1,442.62)	(9,009.28)	(7,567)	(84)
*** TRIAL COURTS REIMBURSEMENTS	(549,467.04)	(490,862.33)	58,605	12
899910 PRIOR YEAR ADJUSTMENTS -	(9,298.44)	2,922.15	12,221	418
** 890000-PRIOR YEAR REVENUE	(9,298.44)	2,922.15	12,221	418

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

We also reviewed the Court's fiscal year-end fund balance reserves to determine whether they conform to the Judicial Council approved policy and 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 in 2005, 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 grants they received.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Revenues – Grants				
838010 AB1058 GRANTS	(149,488.00)	(134,001.37)	15,487	12
** 838000-STATE GRANTS - REIMBURSEME	(149,488.00)	(134,001.37)	15,487	12
Revenues – Trust				
118000 CASH-TRUST ACCOUNT	164,389.33	719,073.74	(554,684)	(77)
118100 CASH-TRUST CLEARING	(2,054.00)	(5,026.89)	2,973	(59)

Liabilities - Trust

353002 CIVIL TRUST-CONDEMNATION	(40,178.36)	(49,677.05)	(9,499)	(19)
353003 CIVIL TRUST-OTHER(RPRTR	(2,742.35)	(984.90)	1,757	178
353004 JURY FEES- NON-INTEREST B	(1,650.00)	(300.00)	1,350	450
353005 TRAFFIC	(31,579.90)	(22,509.45)	9,070	40
353006 CRIMINAL - GENERAL	(3,295.00)	(612,427.00)	(609,132)	(99)
353020 CIVIL TRUST - CONDEMNATIO		(150.00)	(150)	(100)
353021 CIVIL TRUST - INTERPLEADE	(66,213.74)	(15,713.74)	50,500	321
353023 CIVIL TRUST - APPEAL TRAN	(325.00)		325	n/a
353024 CIVIL TRUST - SMALL CLAIM	(30.00)	(30.00)	0	0
353026 CIVIL TRUST - WITNESS FEE	(300.00)	(1,350.00)	(1,050)	(78)
353039 UNRECONCILED TRUST - CIVI	(13,354.63)	(13,204.63)	150	1
353999 TRUST INTEREST PAYABLE	(1,744.49)	2,470.91	4,215	(171)

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		

Assets

111000 CASH-OPERATIONS ACCOUNT	205,791.95	1,979,143.22	(1,773,351)	(90)
111100 CASH-OPERATIONS CLEARING	(85,712.49)	(32,311.01)	(53,401)	165
114000 CASH-REVOLVING	2,000.00	2,000.00	0	0
117500 CASH CIVIL FILING FEES	85,464.85	96,075.38	(10,611)	(11)
119001 CASH ON HAND	440.00	440.00	0	0
120001 CASH WITH COUNTRY	242,950.08	242,950.08	0	0
120050 SHORT TERM INVESTMENTS	2,193,071.41	660,000.00	1,533,071	232
*** Cash and Cash Equivalents	2,806,341.13	3,662,344.52	(856,003)	(23)
130001 A/R-ACCURED REVENUE	8,213.57	169.80	8,044	4,737
140001 A/R - DUE FROM OTHER FUND	422,445.25	1,230.62	421,215	34,228
150001 A/R - DUE FROM OTHER GOVE		52,493.93	(52,494)	(100)
151000 A/R-DUE FROM COURTS	14,853.84	19,197.64	(4,344)	(23)
152000 A/R-DUE FROM STATE	138,630.87	80,765.89	57,865	72
** Receivables	584,143.53	153,857.88	430,286	280
172001 PREPAID EXPENSES		17,559.33	(17,559)	(100)
** Prepaid Expenses		17,559.33	(17,559)	(100)
*** Accounts Receivable	584,143.53	171,417.21	412,726	241

Liabilities

301001 A/P - GENERAL		(445.11)	(445)	(100)
301002 A/P - CLEARING GR/IR ACCT	(2,554.00)		2,554	n/a
311401 A/P - DUE TO OTHER FUNDS	(422,445.25)	(1,230.62)	421,215	34,228
321600 A/P - TC145 LIABILITY	(85,464.85)	(96,075.38)	(10,611)	(11)
323001 A/P - SALES & USE TAX	(6.37)	(6.37)	0	0
323002 A/P - 1099 WITHHOLDING TA	(38.00)		38	n/a
330001 A/P - ACCRUED LIABILITIES	(140,628.05)	(231,268.95)	(90,641)	(39)
*** Accounts Payable	(651,136.52)	(329,026.43)	322,110	(98)

816110 OTHER STATE RECEIPTS	(25,319.00)	(8,630.00)	16,689	193
** 816000-OTHER STATE RECEIPTS	(25,319.00)	(8,630.00)	16,689	193
822101 NON-FEE REV 1	(395.00)	(132.00)	263	199
822120 CRC3.670f COURT CALL	(1,030.00)	(870.00)	160	18
** 822000-LOCAL NON-FEES REVENUE	(1,425.00)	(870.00)	555	64
823001 MISCELLANEOUS REVENUE	(1,083.50)		1,084	n/a
** 823000-OTHER - REVENUE	(1,083.50)	0.00	1,084	n/a

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 one minor issue associated with this area.

5. Cash Collections

Background

The FIN Manual, Procedure No. 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 Manual, Procedure No. FIN 10.01, provides uniform guidelines regarding the collection, processing, and reporting of these amounts. Trial courts should institute procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Assets				
111000 CASH-OPERATIONS ACCOUNT	205,791.95	1,979,143.22	(1,773,351)	(90)
111100 CASH-OPERATIONS CLEARING	(85,712.49)	(32,311.01)	(53,401)	165
114000 CASH-REVOLVING	2,000.00	2,000.00	0	0
117500 CASH CIVIL FILING FEES	85,464.85	96,075.38	(10,611)	(11)
118000 CASH-TRUST ACCOUNT	164,389.33	719,073.74	(554,684)	(77)
118100 CASH-TRUST CLEARING	(2,054.00)	(5,026.89)	2,973	(59)
119001 CASH ON HAND	440.00	440.00	0	0
120001 CASH WITH COUNTY	242,950.08	242,950.08	0	0

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

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

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

The following issues were considered significant enough to bring to management's attention in this report. Additionally, Appendix A contains nine minor issues associated with this area.

5.1 The Court Needs to Better Segregate Its Cash Handling Duties

Background

As a public institution, the trial court must maintain the highest standard of ethics and level of integrity to inspire public confidence and trust in the court system. The court must not only protect its assets from potential acts of impropriety, but must also protect its reputation and those of its employees from negative public perceptions.

An effective system of internal controls minimizes the court's exposure to risks and negative perceptions. A properly designed, implemented, and continuously monitored system of internal controls protects court assets and resources by reducing or eliminating opportunities for individuals to commit and conceal errors or fraudulent acts. A key component of an effective internal control system is an appropriate segregation of duties.

FIN Manual, Procedure No. FIN 2.02, 6.4.2 states that work should be assigned to court employees in such fashion that no one individual can control all phases of an activity or transaction. The following duties shall not be assigned to only one individual:

- Receiving cash and establishing or modifying case files other than updating cash balance for payments received.
- Receiving and disbursing money.
- Receiving money and preparing cash settlement reports.
- Receiving money and preparing bank reconciliations.
- Receiving payments by mail and establishing or modifying case files.
- Maintaining detailed accounts payable records and reconciling bank statements.

Further, if segregation of duties cannot be achieved due to staffing limitations, court management must apply alternate control methods to mitigate the risks. Any alternative procedures that are different from the FIN Manual must be approved by the AOC.

Issues

During our review of the cash handling activities at its three cash processing locations, we found that the Court did not adequately segregate its cash handling duties. Specifically, the Court acknowledged that it does not prohibit employees assigned to set up new cases in CMS from performing the incompatible cash collection and/or accounts receivable functions as outlined in the FIN Manual. As a result, Court personnel at its Civil Division, except the manager and supervisor, as well as four people at the Court's Criminal/Traffic Division, are capable of setting up new cases and performing the incompatible function of entering payments for the same cases in CMS.

Further, our review at the Court's Criminal/Traffic Division revealed the following incompatible duties:

- a. Three people are capable of authorizing voids and performing the incompatible function of entering payments into CMS.
- b. Three people are capable of performing the daily closeout and balancing procedures as well as performing the incompatible function of verifying the closeout and balancing procedures.
- c. Three people are capable of preparing as well as performing the incompatible function of actually making the deposit.
- d. Two people are capable of processing and performing the incompatible function of approving bail refunds.
- e. An account clerk is capable of processing and performing the incompatible function of approving trust account refunds.

Recommendation

To ensure an effective system of internal controls that safeguards resources and assets, the Court should properly segregate the cash handling duties noted above among its employees as outlined in the FIN Manual. If the Court cannot properly segregate the cash handling duties, it should prepare an alternative procedure request and submit it to the AOC for approval. The request should identify the FIN Manual procedure it cannot implement, the reasons why it cannot implement the procedure, a description of its alternate procedure, and the controls the Court proposes to implement to mitigate the risks associated with not implementing the FIN Manual procedure.

Superior Court Response

The Court agrees to the items listed in a through e. The following changes have been discussed with the Mgr. of the Criminal Division and have been implemented:

- a. Authorization of voids is now limited to the Division Mgr.
- b. Verifying the closeout and balancing procedures is now performed by the Division Mgr. or in the absence of the Division Mgr. by a CSA IV.
- c. The Account Clerk prepares the deposit. One of the CSA's will make the actual deposit.
- d. All bail refunds must be authorized by the Division Mgr. or the CSA IV in the absence of the Division Mgr.
- e. All trust account refunds must be approved by the Division Manager or the CSA IV in the absence of the Division Manager.

The Court disagrees with the issue prohibiting employees assigned to set up new cases in CMS from performing the incompatible cash collection and/or accounts receivable function. Due to limited and reduced staffing in the Civil and Criminal Division and in the Corning location there may be as few as two clerks remaining in the business office to wait on the counter and answer the phones while Court is in session or during the lunch hour. We cannot turn away customers or delay service until the appropriate clerk becomes available. Attached is the Court's

organization chart which reflects the number of clerks assigned to each division. When we are in one facility we can comply. Completion of the New Red Bluff Courthouse is scheduled for January of 2015.

5.2 The Court Could Improve Some of Its Cash Handling Procedures

Background

To protect the integrity of the court and its employees and promote public confidence, the FIN Manual, Procedure No. 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This procedure requires courts to observe certain guidelines to assure the safe and secure collection and accurate accounting of all payments. For example, paragraph 6.4 of this procedure provides courts with the following guidance for processing payments received through the mail:

- Two-person teams are used to open and process mail to maintain accountability for payments received in the mail.
- Checks and money orders received in the mail should be processed on the day they are received and listed on a cash receipts log. The log should record certain key information, such as case number, check amount, check number, and date received, and be signed by the person logging the payments.
- Checks and money orders received through the mail but not processed on the day received should be placed in a locked area and processed on the next business day after notifying the supervisor.

Furthermore, paragraph 6.3.2 states, in part, that cash receipts should be secured in a cash drawer, vault, safe, or locked cabinet to which only specifically authorized personnel have access prior to deposit.

Additionally, this FIN Manual procedure requires supervisory court staff to review and approve void transactions. Specifically, paragraph 6.3.8 of this procedure states the following:

Transactions that must be voided require the approval of a supervisor. When notified by a cashier, the supervisor is responsible for reviewing and approving the void transaction. All void receipts should be retained, not destroyed.

Also, paragraph 6.3.9 of this procedure indicates that in the case of a failure of the automated accounting system, a handwritten receipt shall be given to the customer, with one copy of the handwritten receipt attached to the payment and another copy of the handwritten receipt retained by the court. Handwritten receipt transactions must be processed as soon as possible after the automated system is restored.

Further, paragraph 6.3.10 of this procedure states that at the end of the workday, all cashiers must balance and closeout their own cash drawer or register. Balancing and closeout include completing and signing the daily report, attaching a calculator tape for checks, turning in the

daily report with money collected to the supervisor, and verifying the daily report with the supervisor.

The FIN Manual, Procedure No. FIN 13.01, paragraph 6.3, section 8, requires an employee other than the person who prepares the deposit (preferably a supervisor or higher level of management) to verify, sign, and date indicating that receipts have been deposited intact.

Finally, FIN Manual, Procedure No. 1.01, paragraph 6.4.2, requires courts to document and obtain AOC approval of their alternative procedures if court procedures differ from the procedures in the FIN Manual. The paragraph further states that alternative procedures not approved by the AOC will not be considered valid for audit purposes.

Issues

Our review of the Court's cash handling practices and associated documents found that although in general it follows good cash handling and accounting practices, the Court could strengthen its procedures in the following areas:

1. Cash Collections – All Court cashiers at each Court location share one cash drawer, which makes it difficult, if not impossible, to hold any one person accountable for any cash discrepancies. Also, the cash drawer at the Court's Criminal/Traffic Division front counter is kept unlocked during business hours.

In addition, the Court's Civil Division performs the daily closeout process the next business day rather than at the end of the day delaying the possible discovery and investigation of out-of-balance transactions and cash receipts. Further, the Civil and Corning Divisions could not demonstrate evidence of supervisory review of the daily closeout process.

2. Bank Deposits – Bank deposit slips are not signed by the preparer at the Court's Civil and Corning Divisions. Additionally, prepared bank deposits at the Civil Division do not indicate supervisory review, such as with the supervisor's signature or initials. As a result, one deposit we noted was 50 cents over the daily closeout report total.
3. Handwritten Receipts – The manager at the Criminal/Traffic Division does not secure and maintain physical custody of the handwritten receipt sheets when not in use. Instead, the sheets are kept on a shelf at the front counter above the CMS monitor.

In addition, handwritten receipts are used for reasons other than for when the CMS is down. Specifically, the Civil Division issues a handwritten receipt when it receives a payment for filings that need a judge's ruling prior to filing. In addition, the Court forwards the check with the filing to the judge instead of removing and depositing the check in a bank trust account with the rest of the daily collections.

The Court also does not always complete its handwritten receipts with pertinent information. Specifically, of the 13 handwritten receipts we reviewed at the Court's Civil Division, one receipt did not contain the recipient's name and another did not contain the case number, check number, and amount received. Further, of the 15 handwritten receipts reviewed at the

Court's Criminal/Traffic Division, four receipts were not dated and another did not contain the recipient's name.

Finally, the Court did not always enter handwritten receipt transactions timely into the CMS. Specifically, of the 13 handwritten receipts we reviewed at the Court's Civil Division, one handwritten receipt was entered into the CMS three business days after collection.

4. Mail Payments – The Court does not require two-person teams to open the mail. It also does not reconcile its mail payment log to the CMS. Not requiring a two-person team to open mail and not reconciling the mail payment log to the CMS may provide individuals handling mail with an opportunity to take money without being detected.

Also, the Court's Civil Division does not always secure unprocessed mail payments. Specifically, mail payments received with documents needing a judge's ruling prior to processing is sent with the documents in the case file. By not securing the unprocessed mail payment, the Court is at risk of having the mail payment lost or stolen.

5. Void Transactions – The Court could not always demonstrate supervisory review of void transactions. Specifically, we reviewed the original receipts for 40 void transactions for evidence of supervisory review. We found that the original receipts for 26 void transactions had no evidence of supervisory review such as a supervisor signature or initials.

Recommendations

To ensure the safe and secure collection and accurate accounting of all payments, the Court should consider enhancing its procedures over cash handling operations as follows:

1. Require each cashier to have his/her own cash drawer, and keep all cash drawers secured at all times. It should also require each location to perform the daily closeout process at the end of each day rather than the next business day, and require supervisors to sign and date the closeout/balancing reports to demonstrate their review of the daily closeout process.
2. The Court should also require deposit preparers and supervisors to sign and date all deposit slips.
3. Require managers to secure and maintain physical custody of the handwritten receipt sheets when not in use. The Court should also ensure that handwritten receipts are used only when the CMS is down. In addition, the Court should process and deposit in trust, until amounts can be applied, checks submitted with filings that need a judge's ruling. Further, it should ensure that cashiers complete handwritten receipts with all the pertinent information, including the date of collection, the recipient's name, the case number, and the check number. Finally, it should require supervisors to periodically review the manual receipt books to ensure that all handwritten receipt transactions are entered into the CMS as soon as possible after the CMS is restored and available for posting payments.
4. Use two-person teams to open and process mail, and reconcile its mail payment log to the CMS. It should also secure unprocessed mail payments until it can enter them into the CMS.

5. Require supervisors and lead clerks to date and initial or sign all voided original receipts to demonstrate their review and approval of void transactions. Also, require the supervisors and lead clerks to retain these voided original receipts on file for future reference.
6. If the Court cannot implement the FIN Manual procedures and process payments as recommended, the Court should prepare alternative procedure requests and submit them to the AOC for approval. The requests should identify the FIN Manual procedures the Court cannot implement, the reasons why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

Superior Court Response

The Court agrees with the recommendation in item 1 as it relates to the requirement that each location perform the daily closeout process at the end of each day and requiring each supervisor to sign and date the closeout/balancing reports and with the recommendations on items 2, 3 and 5. I have met with the Managers of the Civil, Criminal and Corning Divisions and discussed each item with them. The Court is currently updating our written cash handling procedures and these recommendations will be incorporated into the procedures to be followed.

The Court is not able to follow the recommendations as outlined in item 1 requiring each cashier to have his/her own cash drawer and in item 4, use two-person teams to open and process the mail. We are a small court with limited staff. In the past year three long-term employees have retired, a fourth employee will retire in July 2010. Due to budget reductions, the Court has and will leave each of these positions vacant. Each of our three divisions will have one vacant position, there may be as few as two clerks remaining in the business office to wait on the counter and answer the phones while Court is in session or during the lunch hour. The Court will prepare alternative procedure requests and submit them to the AOC for approval.

5.3 Procedures for Addressing Dishonored Payments in Civil Actions Need Improvement

Background

According to the California Code of Civil Procedure, Section 411.20, when a payment for a civil action filing is made by check and the check is later returned without payment, the court must notify the paying party in writing of the following:

- The check has been returned to the Court unpaid;
- An administrative fee for processing the returned check and providing notice has been assessed in the amount of \$25 or a reasonable amount that does not exceed the actual cost incurred by the court; and
- The filing fee and the administrative fee must be paid within 20 days of the date of mailing of the notice.

If the court does not receive payment of the civil filing and administrative fee within 20 days of the date it mails the notice discussed above (20-day notice), it must void the filing.

Issue

According to the Court's Civil Division, the payment associated with the returned check due to non-sufficient funds (NSF) is reversed in the CMS, which initiates an automatic "BAD CHECK" screen flasher. The Court gives a courtesy call to the party before initiating the 20-day notice. If payment is not received within a few days of placing the courtesy call, the 20-day notice is sent. When payment is received, three actions are entered in the CMS: one for receipt of the original amount, one for receipt of the administrative fee, and one to remove the "BAD CHECK" screen flasher.

Our review of cases where payments were returned due to NSF checks revealed the following:

The Court did not mail or mail promptly the required 20-day notice. Specifically, although the Court received payment within 20 days of being notified of a NSF check, the Court did not mail the required 20-day notice in three of the eight cases we reviewed. Further, the Court waited 38 business days to mail the required 20-day notice in a fourth case.

Recommendation

To ensure that the Court processes only civil action filings that are paid in full, it should consider the following:

Require the Civil Division to promptly send the required 20-day notices upon notification of the returned payments or the next business day.

Superior Court Response

The court agrees and the Civil Manager has been counseled regarding NSF procedures.

5.4 The Court Does Not Adequately Track, Monitor, and Account for Overages

Background

The FIN Manual, Procedure No. FIN 10.02, Section 6.3.11, requires court supervisors to monitor all reports of overages and shortages to determine if there is a pattern meriting further investigation, modification of collection procedures, retraining of personnel, or disciplinary action. Further, all unidentified overages over \$5 (which will increase to \$10 upon release of the seventh edition of the FIN Manual later this year) should be deposited into a separate account to maintain visibility of these amounts. Unclaimed overages may be cleared after a waiting period of three years.

Issues

Our review of the Court's processes for identifying and tracking overages revealed the following:

1. The Court does not have procedures to track and monitor overages. As a result, the Court did not know whether it had overages exceeding \$10.
2. The Court does not account for overages in a separate general ledger account. Instead, it uses the same general ledger account used to account for miscellaneous fees.
3. The Court posted two unidentified overages, each exceeding \$10 and totaling \$120, to its operations account instead of to a trust account as stated in its own cash handling procedures.

Recommendations

To ensure the proper handling of overages, the Court should consider the following:

1. Develop procedures to track and monitor overages.
2. Account for overages in a separate general ledger account.
3. Ensure overages exceeding \$10 are posted to a trust account and held in trust for three years or until claimed, whichever occurs first.

Superior Court Response

1. The court disagrees in part. The court does have procedures to track and monitor overages in the court's Cash Handling Procedures.
2. One miscellaneous revenue GL account is now designated for cash overages. Even though we were able back track and identify all overages having one specific GL will make it easier. This was corrected immediately.
3. The Division Managers will re-distribute the Cash Handling Procedures and monitor the procedures to insure all employees are following them.

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

Background

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

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

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

Issues

Our review of the Court's collection program determined that the Court entered into a contract with an outside collection agency, GC Services (GCS) in May 2003 to collect unpaid monies. The cases sent to GCS include failure to appear (FTA) and failure to pay (FTP) traffic cases. Upon receipt of a referred case, GCS provides the Court with a report that lists the case referrals to GCS by case number, name, address, amount due, and placement date. GCS also provides the Court with a collections report that is sent along with any collections received less the GCS commission. This report shows all collections by case number, including cases that may have closed during the month. The Court's Criminal Division account clerk enters the collections received from GCS into its case management system (CMS). A GCS employee enters into the CMS when final payment is received and when a DMV hold release is requested from the judge assigned to the case.

Although the Court implemented the collection activities noted above, our review of the Court's collections program noted the following exceptions:

1. The Court does not refer delinquent cases to GCS within the timeframe stated in its contract with GCS. According to the contract, the Court is to forward all delinquent accounts to GCS within 45 days of a defendant's FTA or FTP date. However, the Court's practice is to forward these accounts to GCS within 120 days of a defendant's FTA or FTP date. As a result, out of eight cases identified as delinquent, seven were between 78 and 421 days past due and had not been referred to GCS at the time of our review.
2. The Court does not track CMS cases referred to GCS to determine the amounts collected and the remaining amounts due on a per-case basis. As stated above, the Court receives a collections report along with collected monies, less GCS commission, from GCS. The Court's Criminal Division account clerk enters the collections into the CMS and reviews the collections report to ensure the proper amount of GCS commission was deducted from the collected monies. However, the Court does not track the collection activity to determine the amounts collected and the amounts due per case. According to the Court, the CMS cannot generate a report listing cases referred to GCS that include the amounts collected and the amounts due. The Court stated that they are working with other courts using the same CMS to develop such a report.

Further, the Court does not perform reconciliations of the cases it referred to GCS. Whenever the Court refers cases to GCS, it receives a GCS report that lists the case

number, name, address, amount due, and placement date of the case referrals from the Court. However, the Court does not reconcile this GCS report to the cases identified in the CMS as being referred to GCS to ensure the GCS report is complete and properly identifies all case referrals from the Court.

Recommendations

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

1. Update its practice and refer all delinquent cases to GCS within 45 days of the defendant's FTA or FTP date, as stated in the Court's contract with GCS, to ensure timely collection activity of delinquent monies owed the Court.
2. Track the cases it refers to GCS to determine the amounts collected and the remaining amounts due on a per-case basis. Also, perform periodic reconciliations of its case referrals to GCS to ensure all case referrals are properly reflected and accounted for in GCS's records.

Superior Court Response

1. The Court agrees and will follow the recommendation.
2. The Court agrees, however, our CMS system does not have the capability to track the cases referred to GCS at this time. Extensive programming is required in order to track the collection activity on accounts referred to GCS. The Court is working with other Courts using the same CMS to develop such a report. Budget reductions have resulted in delays.

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 and must have plans for system recovery should it experience an unexpected system mishap. Additionally, because courts maintain sensitive and confidential information in these systems, courts must also take steps to control and prevent unauthorized access to these systems and the information contained in them.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures				
943201 IT MAINTENANCE	22,676.10	38,401.19	(15,725)	(41)
* 943200 - IT MAINTENANCE	22,676.10	38,401.19	(15,725)	(41)
943301 IT COMMERCIAL CONTRACTS	73,590.00	51,599.53	21,990	43
* 943300 - IT COMMERCIAL CONTRACT	73,590.00	51,599.53	21,990	43
943501 IT REPAIRS & SUPPLIES	23,839.31	6,642.22	17,197	259
* 943500 - IT REPAIRS/SUPPLIES/LICE	23,839.31	6,642.22	17,197	259
943701 IT OTHER	19,276.52	22,580.88	(3,304)	(15)
* 943700 - IT OTHER	19,276.52	22,580.88	(3,304)	(15)
** INFORMATION TECHNOLOGY (IT) TOTAL	139,381.93	119,223.82	20,158	17

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

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

The following issues were considered significant enough to bring to management's attention in this report. Additionally, Appendix A contains seven minor issues associated with this area.

6.1 The Court Could Strengthen Its Procedures for Controlling Access to Sensitive Electronic Data Records

Background

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

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

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

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

Issue

Although the Court understands and takes seriously its responsibility to keep DMV data secure and protected, our review of Court procedures to control and monitor access to DMV data identified the following exceptions:

1. The Court does not maintain a list of all current authorized users and their passwords nor does it maintain a hardcopy list of inactive users as required by its MOU with DMV.
2. The Court did not have the required signed security statements on file for all Court employees with access to sensitive data in the DMV databases. Specifically, three of

20 employees who have access to DMV databases did not have a signed Employee Security Statement on file, and a fourth did not have the signed portion of the statement on file.

Further, the Court did not require employees to recertify their security statements annually as required by its MOU with DMV. Specifically, 14 of 16 signed Employee Security Statements on file were signed between July and November 2004 while an additional Employee Security Statement was signed in October 2005.

Recommendation

To ensure it takes responsible steps to meet the conditions stated in the MOU with DMV, the Court should consider the following:

1. Establish and maintain a list of current court employees, along with their user IDs and passwords, authorized to access DMV databases as required by the MOU with DMV. The Court should also establish and maintain a list of inactive users as required by its MOU with DMV.
2. Establish a process requiring all employees with access to DMV databases to renew and sign their Information Security Statement, Form INF 1128, annually.

Superior Court Response

The Court agrees with the recommendations and has taken the following actions:

1. The Court has established a list of current and inactive users, along with their user IDs and passwords who are/or were authorized to access DMV databases as required by the MOU with DMV. This list is maintained by Denese Hurst, Asst. CEO.
2. All employees with access to DMV data bases have renewed and signed an Information Security Statement, Form INF 1128. Renee Kennedy, Superior Court Secretary is responsible for circulating the forms annually for renewal and signatures.

6.2 Some Improvements Are Needed in Its Calculation and Distribution of Court Collections

Background

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

Issues

To determine whether the Court correctly calculated and distributed collections, we selected and reviewed the calculated distributions of a sample of cases with violations that were disposed in calendar year 2009. In total, we reviewed 19 cases of the following case types:

- **Traffic Infraction (12 total)** – Red Light (4), Speeding (3), Child Seat (3), Railroad (1), and Proof of Correction (1)
- **Non-Traffic Infraction (1 total)** – Fish & Game (1)
- **Misdemeanor/Felony (6 total)** – DUI (3), Reckless Driving (1), Domestic Violence (1), and Health & Safety (1)

The Court uses CMS2000 as its case management system (CMS) for all case types. This CMS has a process for automatically calculating the distribution of the fines, penalties, fees, and other assessments the Court collects. Additionally, when the total fine a judge orders is different from the total fine based on the Uniform Statewide Bail Schedule, the CMS uses a Top-Down distribution process to calculate the distributions. Monthly, the Court submits to the County a CMS generated report that lists the month's collections distributed by applicable code section.

Our review of the Court's calculations and distributions of court collections noted the following calculation and distribution errors:

1. The Court did not calculate and deduct the GC 68090.8–2 percent State Automation allocation from the PC 1202.4–State Restitution fine. We noted this exception for the three DUI, one reckless driving, one domestic violence, and one health and safety cases we reviewed. According to GC 68090.8(b), before any other distributions, 2 percent of all criminal fines, penalties, and forfeitures must be transmitted to the Trial Court Improvement Fund to be used to pay the costs of court automated systems.
2. The Court incorrectly included the PC 1465.7–20 percent State Surcharge when calculating the 30 percent VC 42007.3 red light and VC 42007.4 railroad allocations for the two red light traffic school and one railroad traffic school cases we reviewed. Per PC 1465.7, the 20 percent State Surcharge is not included in the total bail used in VC 42007.
3. The Court incorrectly used the VC 42007(b) distribution instead of the distribution required by VC 42007.4, the PC 1463 distribution, when distributing the remaining 70 percent of the total railroad traffic school bail for the one railroad case we reviewed. According to VC 42007.4, 30 percent is allocated to a transportation district or county for railroad grade crossing public safety and public education. The remaining 70 percent is distributed under PC 1463.
4. The Court does not always allocate its Top-Down distributions in direct proportion to the uniform bail applicable to the case. We noted this exception for the three DUI, one reckless driving, two of the three speeding traffic school, two child seat, one domestic violence, and one Fish and Game cases we reviewed. Although many of the distribution variances were less than \$1, some were more than \$50, such as for child seat cases.

5. The Court incorrectly applied the 1/3 to State and 2/3 to County PC 1203.097(a)(5) Domestic Violence fee split for the one domestic violence case we reviewed. The conviction date for this case was on June 24, 2009, whereas the 1/3 to State and 2/3 to County split did not change to the 2/3 to State and 1/3 to County split used by the Court until January 1, 2010.

Recommendations

To improve the accuracy of its calculations and distributions of Court collections, the Court should consider the following:

1. Modify its CMS distribution to calculate the 2 percent State Automation allocation from the PC 1202.4–State Restitution fine.
2. Modify its CMS distribution to exclude the 20 percent State Surcharge from the calculation of the 30 percent VC 42007.3 red light and VC 42007.4 railroad allocations.
3. Modify its CMS distribution to use the VC 42007.4, the PC 1463 distribution, when distributing the remaining 70 percent of the total railroad traffic school bail.
4. Analyze and modify its CMS Top-Down distribution algorithm so that its distributions are in direct proportion to the applicable uniform bail distributions when judges order bail that is different from the statewide uniform bail schedule.
5. Analyze its domestic violence distributions to ensure that it appropriately split the PC 1203.097(a)(5) Domestic Violence fee by distributing 1/3 to the State and 2/3 to the County for convictions prior to January 1, 2010. For convictions on January 1, 2010, and later, the split is distributed 2/3 to the State and 1/3 to the County.

Superior Court Response By: Connie Holler Date: 8/6/10

1. The Court agrees. The PC 1202.4 distribution was corrected in May 2010.
2. The Court agrees. Our CMS programmers are working on this problem.
3. The Court agrees. This problem is the same as #2, our CMS programmers are working on the problem.
4. The Court disagrees. We were using our current CMS program during several SCO audits and they indicated the Top-Down distribution was acceptable.
5. The Court agrees. The matter has been referred to our CMS programmer. The programming will be completed by September 30, 2010.

7. Banking and Treasury

Background

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

Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury. The Court did not have any outside bank accounts at the time of our audit.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Assets				
120050 SHORT TERM INVESTMENTS	2,193,071.41	660,000.00	1,533,071	232
Revenues				
825010 INTEREST INCOME	(89,069.14)	(85,013.84)	4,055	5
** 825000-INTEREST INCOME	(89,069.14)	(85,013.84)	4,055	5
Expenditures				
920301 MERCHANT FEES	5,915.36	3,832.73	2,083	54
920302 BANK FEES	11,701.90		11,702	n/a
* 920300 - FEES/PERMITS	17,617.26	3,832.73	13,785	360

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. Appendix A contains five minor issues associated with this area.

8. Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff services and perimeter security services. The sheriff specifies the level of security services it agrees to provide and the associated costs, and these services and costs are included in the MOU that also specifies the terms of payment. 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 table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they have been reviewed as a part of this audit is contained below.

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures				
934503 PERIMETER SECURITY-SHERIF	68,289.58	70,895.42	(2,606)	(4)
934505 PERIMETER SECURITY - ENTR	136,697.72	61,833.31	74,864	121
934510 COURTROOM SECURITY-SHERIF	386,768.53	433,278.70	(46,510)	(11)
934512 ALARM SERVICE	105.00	421.58	(317)	(75)
* 934500 - SECURITY	591,860.83	566,429.01	25,432	4
** SECURITY TOTAL	591,860.83	566,429.01	25,432	4
941101 SHERIFF - REIMBURSEMENTS	478.00	270.00	208	
* 941100 - SHERIFF	478.00	270.00	208	77

We reviewed the Court's security controls through interviews with Court management and county sheriff service providers, observation of security conditions, and review of documents. We also reviewed the Court's security agreements with the county sheriff, compared budgeted and actual security expenditures, and reviewed a sample of county sheriff invoices.

The following issue was considered significant enough to bring to management's attention in this report. Additionally, Appendix A contains 16 minor issues associated with this area.

8.1 The Court Needs to Strengthen Its Processes Regarding Court Security

Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, trial courts must enter into a memorandum of understanding (MOU) with the sheriff that specifies the agreed-upon level of court security services to be provided, their associated costs, and terms of payment. The trial court shall also prepare and implement a security plan that complies with the Superior Court Law Enforcement Act of 2002.

Specifically, the FIN Manual, Procedure No. FIN 14.01, Section 6, states that the Presiding Judge and sheriff are required to develop a comprehensive court security plan to be utilized by

the Court. The court security plan shall include a law enforcement security plan, developed by the sheriff, which must include the policies and procedures that ensure adequate security for public safety and law enforcement services to the court.

Section 6.9 of this procedure also states that sheriff's invoices for trial court law enforcement security services shall only include allowable costs. Further:

- salary and benefit costs will be billed at the actual cost for each sheriff-provided staff member on court assignment at the time of service;
- equipment and services and supplies costs will be billed at actual costs incurred on court assignment;
- costs billed will be based on the requirements defined in the trial court security MOU; and
- the sheriff's invoices will include a sufficient level of detail and provide documentation supporting costs billed.

Issues

The Court has two MOUs with the Sheriff. One MOU is to provide five bailiff positions responsible for the security of the judge, personnel, and jury in the courtrooms. The second MOU is to provide three correctional officer positions to serve as weapons screening personnel at the Court's Criminal/Traffic location.

To determine whether the Court is in compliance with the Superior Court Law Enforcement Act of 2002, we interviewed appropriate Court personnel and reviewed the two MOUs along with the July 2009 invoices for services provided in June 2009. Our review revealed the following:

1. At the time of our review, the Court had not developed its comprehensive court security plan in conjunction with the sheriff. It indicated that it is in the process of developing the plan.
2. Both MOUs with the Sheriff are outdated. Although both MOUs contain a provision to continue in effect until a new agreement is executed, both MOUs expired June 30, 2008. The Court indicated it is currently working on developing new MOUs.
3. Both MOU budget amounts are not in sufficient detail to allow the Court to adequately monitor against the costs billed. Specifically, our review of the MOUs and their associated billings revealed that although both MOUs indicated a total budget amount for the agreed-upon services the Sheriff is to provide, the MOUs did not breakdown in detail this total budgeted amount for bailiff and weapons screener service costs so that the Court can monitor the costs billed by the Sheriff. For example, the MOUs do not specify the hourly rates the Sheriff is to charge for the security services it provides, nor does it specify the amount of associated staff benefits. Additionally, the Sheriff billed the Court for uniform allowance costs that are also not specified as part of the stated compensation in either MOU.

Recommendations

To ensure its compliance with the Superior Court Law Enforcement Act of 2002, the Court it should consider the following:

1. Finish developing its comprehensive court security plan, in conjunction with the Sheriff, and submit the plan to the AOC for approval.
2. Complete the development and execution of its current MOUs with the Sheriff.
3. Include in the new MOUs with the Sheriff a detailed breakdown of the budgeted bailiff and weapons screener costs, the associated staff benefits, and other agreed costs so the Court can better monitor the costs billed for security services, as well as ensure it is not billed for costs not specified in the MOUs.

Superior Court Response

The Court agrees with Recommendation 1 and is in the process of completing the Court's comprehensive court security plan following recent meetings with the Sheriff.

The Court agrees with Recommendation 2 and is completing the development and execution of its current MOU's with the Sheriff.

Although, the detailed breakdown of the budgeted bailiff and weapons screener costs, the associated staff benefits, and other agreed costs is not included in the current MOU with the Sheriff, a computer worksheet reflecting the breakdown is provided by the Auditor's Office when the amounts are determined and included in the MOU. The printout is included with the billings and is monitored by Connie Holler, Deputy CEO/Budget Mgr. to ensure that the Court is not billed for costs not included in the MOU's.

9. Procurement

Background

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

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

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

10. Contracts

Background

FIN Manual, Procedure No. FIN 7.01, establishes uniform guidelines for the trial court to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. The trial court shall issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply contract principles and procedures that protect the interests of the court.

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures				
938401 GENERAL CONSULTANTS & PRO	56,669.90	66,415.30	(9,745)	(15)
938404 ADMINISTRATIVE SERVICE	30,696.00	30,694.00	2	0
* 938300 - GENERAL CONSULTANT AND P	87,365.90	97,109.30	(9,743)	(10)
938701 COURT TRANSCRIPTS	2,223.98	2,829.71	(606)	(21)
* 938700 - COURT TRANSCRIPTS	2,223.98	2,829.71	(606)	(21)
938801 DEPENDENCY COUNSEL CHRGS	54,063.19	49,280.08	4,783	10
938802 DEPENDENCY COUNSEL CHRGS	46,338.68	55,347.06	(9,008)	(16)
938803 COURT-APPOINTED COUNSEL C		570.00	(570)	(100)
* 938800 - COURT APPOINTED COUNSEL	100,401.87	105,197.14	(4,795)	(5)
938905 FINGERPRINT PROCESSING	113.00		113	n/a
* 938900 - INVESTIGATIVE SERVICES	113.00		113	n/a
939001 COURT-ORDERED INVESTIGATI	500.00	1,201.16	(701)	(58)
939002 PSYCHIATRIC EVALUATIONS	17,737.50	16,280.62	1,457	9
939004 DOCTOR	500.00		500	n/a
939020 PROBATE EVALUATIONS & REP	500.00		500	n/a
* 939000 - COURT ORDERED PROFESSION	19,237.50	17,481.78	1,756	10
939101 MEDIATORS/ARBITRATORS		955.00	(955)	(100)
* 939100 - MEDIATORS/ARBITRATORS		955.00	(955)	(100)
939401 LEGAL SERVICES	67,399.73	4,647.18	62,753	1,350
939402 LABOR NEGOTIATIONS		3,923.92	(3,924)	(100)
939412 ATTORNEY JUVENILE CONFLIC	12,500.14	7,275.50	5,225	72
939413 ATTORNEY FAMILY LAW	32,150.46		32,150	n/a
* 939400 - LEGAL	112,050.33	15,846.60	96,204	607
** CONTRACTED SERVICES TOTAL	370,185.55	294,172.24	76,013	26
941101 SHERIFF - REIMBURSEMENTS	478.00	270.00	208	
* 941100 - SHERIFF	478.00	270.00	208	77
942301 COUNTY - FISCAL SERVICES	7,273.00	6,269.00	1,004	16
942501 COUNTY - HUMAN RESOURCES	18,793.00	18,042.00	751	4
942701 COUNTY - BUSINESS SERVICE	135,241.00	123,203.00	12,038	10
* 942100 - COUNTY-PROVIDED SERVICES	161,307.00	147,514.00	13,793	9
** CONSULTING AND PROFESSIONAL SERVI	161,785.00	147,784.00	14,001	9

We interviewed Court management regarding contracting and contract administration practices to determine compliance with applicable FIN Manual requirements. We also reviewed selected contracts entered into in FY 2008-2009 to determine compliance with applicable FIN Manual requirements.

Further, we interviewed Court management regarding the Court's Memorandums of Understanding (MOUs) with the County and AOC, including how it monitors compliance with MOU requirements. We also reviewed selected MOUs entered into in FY 2008-2009 to determine compliance with applicable FIN Manual requirements as well as MOU requirements.

The following issue was considered significant enough to bring to management's attention in this report. Additionally, Appendix A contains 17 minor issues associated with this area.

10.1 The Court Needs to Negotiate Agreements for County-Provided Services

Background

Government Code (GC) section 77212 requires a court to enter into a contract with the county to define the services the court desires to receive from the county and the services the county agrees to provide the court. A Memorandum of Understanding (MOU) may serve as the contract between the county and the court. An MOU is a written statement that outlines the terms of an agreement or transaction between government entities. Because of the historical relationship between courts and counties, MOUs are commonly used to establish agreements between the two.

To assist courts with preparing, reviewing, negotiating, and entering into MOUs between themselves and other government entities, the FIN Manual, Procedure No. 7.02, provides uniform guidelines for courts to follow. For example, FIN 7.02, 6.5.2, outlines key elements that MOUs for county-provided services must contain such as the basic contract elements (cost, schedule, scope of work, and terms and conditions). Further, it refers courts to review Rule of Court 10.810, which lists allowable and unallowable court costs, when negotiating the MOU or reviewing county invoices.

Issues

To obtain an understanding of the types of services provided by the county and the manner in which the Court is billed for these services, we interviewed appropriate Court personnel and reviewed any MOUs between the Court and county, as well as county invoices submitted to the Court. Our review revealed the following:

1. The County of Tehama (County) provides the Court with payroll, employee benefit administration, janitorial, and security services. However, we found that the Court did not have an MOU with the County for the payroll, employee benefit administration, or janitorial services the County provided to the Court for fiscal year 2008-2009. During our review, the Court entered into an MOU with the County for janitorial services. In addition, the Court stated that it expects to have an MOU with the County by June 30, 2010, for the payroll and employee benefit administration services. Without an MOU or

other agreement with the County, the Court is not in compliance with statute and cannot be sure it is appropriately paying only for the level of county-provided services it is receiving.

2. The invoices the County submits to the Court do not contain sufficient details of the services the County provided to the Court. The County submitted quarterly invoices to the Court for fiscal year 2008-2009 listing current and year-to-date total costs for payroll, employee benefit administration, and janitorial services provided to the Court. By not requiring a more detailed invoice that lists the County personnel providing the service, the hours worked, and corresponding hourly rates, the Court cannot ensure that it is paying only the allowable court costs per Rule of Court 10.810.

Recommendations

To ensure the Court adequately protects its rights, receives the services it expects from the County, and pays only costs that are allowable, it should consider the following:

1. Continue to negotiate and enter into an MOU with the County for the payroll and employee benefits administration services the County currently provides to the Court.
2. Require the County to submit to the Court sufficiently detailed invoices that lists the County personnel performing the services, the hours worked, and the corresponding hourly rate.

Superior Court Response

1. The Court agrees with the recommendation. The Court has been in discussions with the County regarding an MOU for Payroll and Benefits Administration Services. That MOU should be in place by January 1, 2011.
2. The County does provide detailed invoices for County Personnel performing services. The Sheriff's Office submits timecards reflecting hours worked for Bailiffs and Security Screeners. The County provides timecards reflecting hours worked for personnel providing Janitorial Services.

11. Accounts Payable

Background

All invoices received from trial court vendors, suppliers, consultants and other contractors shall be routed to the trial court accounts payable department for processing. The accounts payable staff shall 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.

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures – Travel				
929205 PER-DIEM - JUDICIAL - IN	5,544.50	4,514.00	1,031	23
929299 TRAVEL-PER DIEM IN STATE	15,029.78	11,473.76	3,556	31
* 929200 - TRAVEL- PER DIEM IN STAT	20,574.28	15,987.76	4,587	29
** TRAVEL IN STATE TOTAL	20,574.28	15,987.76	4,587	29

920601 MISCELLANEOUS OFFICE SUPP		4,216.23	(4,216)	(100)
920631 PROMOTIONAL MATERIALS	803.00	399.25	404	101
920632 AWARDS (SERVICE RECOGNITI	171.88	343.07	(171)	(50)
920699 OFFICE EXPENSE	38,680.82	49,288.76	(10,608)	(22)
* 920600 - OFFICE EXPENSE	39,655.70	54,247.31	(14,592)	(27)
921501 PERSONNEL ADS	559.14		559	n/a
921504 JOB BULLETINS	976.53		977	n/a
921599 ADVERTISING	2,705.15	2,727.90	(23)	(1)
* 921500 - ADVERTISING	4,240.82	2,727.90	1,513	55
921702 MEETING AND CONFERENCE -	742.11		742	n/a
921704 SPECIAL EVENTS		801.69	(802)	(100)
* 921700 - MEETINGS, CONFERENCES, E	742.11	801.69	(60)	(7)
922301 SUBSCRIPTIONS/MAGAZINESIA		295.00	(295)	(100)
922303 LEGAL PUBLICATIONS-HARDCO	66,419.22	46,761.19	19,658	42
922304 LEGAL PUBLICATIONS-ON-LIN	9,194.60	17,472.19	(8,278)	(47)
922305 NEWSPAPER	1,618.76	2,582.76	(964)	(37)
922399 LIBRARY PURCHASES AND SUB		3,923.07	(3,923)	(100)
* 922300 - LIBRARY PURCHASES AND SU	77,232.58	71,034.21	6,198	9
922603 OFFICE FURNITURE - MINOR		768.94	(769)	(100)
922611 COMPUTER	15,519.39	17,500.45	(1,981)	(11)
922612 PRINTERS	2,036.84	4,463.75	(2,427)	(54)
922614 SECURITY SURVEILLANCE - M	105.00		105	n/a
922699 MINOR EQUIPMENT - UNDER \$	417.40	2,897.50	(2,480)	(86)
* 922600 - MINOR EQUIPMENT - UNDER	18,078.63	25,630.64	(7,552)	(29)
922702 COPIERS-RENTAL-LEASE	74,982.75	58,841.05	16,142	27
* 922700 - EQUIPMENT RENTAL/LEASE	74,982.75	58,841.05	16,142	27
922899 OFFICE EQUIPMENT MAINTENA	1,117.52	4,745.65	(3,628)	(76)
* 922800 - EQUIPMENT MAINTENANCE	1,117.52	4,745.65	(3,628)	(76)

ACCOUNT	TOTAL FUNDS AS OF			
	JUNE 30, 2009	JUNE 30, 2008	\$ Inc. (Dec.)	% Change
Expenditures				
922999 EQUIPMENT REPAIRS	1,026.94	864.41	163	19
* 922900 - EQUIPMENT REPAIRS	1,026.94	864.41	163	19
923909 DOC RETRIEVAL SERVICE	18,547.88	17,104.55	1,443	8
* 923900 - GENERAL EXPENSE - SERVIC	18,547.88	17,104.55	1,443	8
** GENERAL EXPENSE TOTAL	254,122.19	240,873.14	13,249	6
924599 PRINTING	11,121.36	9,995.20	1,126	11
* 924500 - PRINTING	11,121.36	9,995.20	1,126	11
** PRINTING TOTAL	11,121.36	9,995.20	1,126	11
925101 TELECOMMUNICATIONS	7,985.41	20,277.86	(12,292)	(61)
925102 INTERNET ACCESS PROVIDER	1,920.12	4,277.54	(2,357)	(55)
925106 LEASED LINES	22,445.39	20,849.54	1,596	8
925107 LAN/WAN	26,020.26	15,467.89	10,552	68
925111 COMMUNICATIONS-MAINTENANC	3,770.51	1,756.28	2,014	115
925118 TELECOM SERVICE	17,727.27	1,876.61	15,851	845
* 925100 - TELECOMMUNICATIONS	79,868.96	64,505.72	15,363	24
** TELECOMMUNICATIONS TOTAL	79,868.96	64,505.72	15,363	24
926399 POSTAGE METER	40,203.88	36,030.92	4,173	12
* 926300 - POSTAGE METER	40,203.88	36,030.92	4,173	12
** POSTAGE TOTAL	40,203.88	36,030.92	4,173	12
928801 INSURANCE	4,402.84	4,426.55	(24)	(1)
* 928800 - INSURANCE	4,402.84	4,426.55	(24)	(1)
** INSURANCE TOTAL	4,402.84	4,426.55	(24)	(1)

965101 JURORS - FEES	3,375.00	16,380.00	(13,005)	(79)
965102 JURORS - MILEAGE	903.04	4,430.54	(3,528)	(80)
965103 JURORS - SEQUESTERED MEAL	678.07	1,616.22	(938)	(58)
* 965100 - JUROR COSTS	4,956.11	22,426.76	(17,471)	(78)
** JURY COSTS TOTAL	4,956.11	44,853.52	(39,897)	(89)
972299 GRAND JURY COSTS		64.80	(65)	(100)
* 972200 - GRAND JURY COSTS		64.80	(65)	(100)
834010 PROGRAM 45.45-COURT INTER	(164,214.07)	(120,845.00)	43,369	36
** 834000-PROGRAM 45.45 - REIMBURSEM	(164,214.07)	(120,845.00)	43,369	36
938502 COURT INTERPRETER TRAVEL	3,606.04	1,954.95	1,651	84
938504 COURT INTERPRETERS - CERT	5,747.36	6,776.41	(1,029)	(15)
938505 COURT INTERPRETERS - NONR	1,530.00	2,530.00	(1,000)	(40)
938506 COURT INTERPRETERS - NONC	16,789.35	10,759.20	6,030	56
938507 COURT INTERPRETERS - AMER	1,205.08		1,205	n/a
938509 COURT INTERPRETER - MILEA	949.11		949	n/a
* 938500 - COURT INTERPRETER SERVIC	29,826.94	22,020.56	7,806	35
938605 COURT REPORTER - MILEAGE		670.55	(671)	(100)
938601 COURT REPORTERS SERVICES	18,966.03	32,061.60	(13,096)	(41)
* 938600 - COURT REPORTER SERVICES	18,966.03	32,732.15	(13,766)	(42)
Liabilities				
351001 LIABILITIES FOR DEPOSITS-	(1,085.16)	(585.12)	500	85
353080 LIABILITIES FOR DEPOSITS	(909.00)	(292.00)	617	211

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

We also assessed compliance with additional requirements provided in statute or policy for some of these invoices and claims, such as court transcripts and contract interpreter claims. In addition, 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. Further, we reviewed a judgmental sample of jury fees and mileage reimbursement expenditures to determine whether amounts were properly paid and reported.

The following issues were considered significant enough to bring to management's attention in this report. Additionally, Appendix A contains 11 minor issues associated with this area.

11.1 The Court Could Strengthen Its Petty Cash Procedures

Background

Trial courts may use a petty cash fund to streamline the purchase of certain supplies and services, but must follow certain control procedures to ensure it is used appropriately and not misused. Specifically, FIN Manual Procedure No. 8.04, paragraph 3.0, states that a petty cash fund may be established when the trial court needs to keep a small amount of cash on hand to purchase low-value supplies and services—such as stamps, postage, parking, and cab fare needed for official

court business—that cannot be practically purchased by other means. The maximum petty cash purchase is \$100.00 unless advance approval from the Court Executive Officer is obtained.

Paragraph 6.2 requires the Court Executive Officer to appoint a custodian who is personally responsible for the safekeeping, disbursement, and accounting for petty cash. The petty cash custodian must have no other cash handling responsibilities and must keep the petty cash funds separate from all other monies. Guidelines for establishing the petty cash fund is addressed in paragraph 6.3, which states that checks be made payable to the custodian of the fund to establish and replenish the fund. Further, paragraph 6.6 prohibits trial court executives, managers, and other employees from authorizing petty cash reimbursements payable to cash or themselves.

Paragraph 6.4 addresses petty cash disbursements and states that each disbursement must be documented by a petty cash receipt, which should contain the following information:

- Date of purchase or payment
- Name of vendor or other payee
- Amount paid
- Description of the goods purchased (entered by the vendor if a handwritten receipt is obtained, or by the purchaser if a cash register tape is issued) or of the services provided.
- The trial court account the disbursement should be charged to
- Signature indicating receipt of purchases or services

In addition, the original vendor invoice, cash register receipt, or other evidence of the transaction for which petty cash is disbursed must be attached to the petty cash receipt.

Issue

To determine whether the Court uses and maintains its petty cash fund consistent with the guidelines in the FIN Manual, we interviewed the petty cash custodian and reviewed selected purchases reimbursed by the petty cash fund in fiscal year 2008-2009. Our review revealed the following:

The Court used the petty cash fund to reimburse purchases for items that are not allowed per Rules of Court 10.810. Specifically, nine of the 13 purchases we reviewed were for donuts, snacks, and bottled water for non-sequestered jurors, a coffee pot and filters for its Juvenile Justice Center, and party supplies for its staff Christmas party. In addition, the Court used its petty cash fund to purchase lunch and soft drinks for three judges and one commissioner; however, a pre-approved business-related meal expense form was not provided to demonstrate prior approval of the reason for the business-related meal.

Recommendation

To ensure it uses its petty cash fund consistent with the petty cash procedures outlined in the FIN Manual, the Court should consider the following:

Restrict the use of the petty cash fund to the purchase of low-value supplies and services that cannot be practically purchased by other means. In addition, it should require

employees to follow the FIN Manual policy and procedures for reimbursement of business-related meal expenses to ensure completion of the required business-related meal expense form and appropriate level review and pre-approval of the form.

Superior Court Response

The Court agrees. The Court will follow the recommendation.

11.2 The Court Needs to Improve Its Travel and Business Meal Expense Reimbursement Procedures

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, Procedure No. FIN 8.03, paragraph 3 states:

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

Further, paragraph 6.1.8 of this procedure requires trial courts to apply the policy and limits listed in the AOC Travel Rate Guidelines to trial court agreements for services involving business related travel by a contractor, whenever possible.

Business Travel

Procedure No. FIN 8.03, paragraph 6.3, provides specific travel procedures for trial courts to follow. These procedures state that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation and other miscellaneous items. 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, paragraph 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.

Paragraph 6.4 of this procedure 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 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 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 travel rate 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.

When lodging above the maximum rate is the only lodging available, or when it is cost-effective, FIN Manual, Procedure 8.03, paragraph 6.1.6 provides procedures for requesting a lodging exception. This paragraph states that an Exception Request for Lodging form and supporting documentation must be submitted in advance of travel and must be approved by the appointing power designee (PJ or designee).

Business Meals

Procedure No. FIN 8.05, 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 written advance approval of the PJ or authorized designee.

Paragraph 6.2 states:

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

- a. Date of the business meal(s).
- b. Scheduled start and end time of the meeting.
- c. Statement explaining the business purpose of the meeting.

- d. Category and duration of business meal. Example: Breakfast 8:00- 8:30 (30 min).
- e. Location/place of the business meal.
- f. Copy of the formal agenda, if applicable.
- g. List of expected attendees, their titles, and affiliations.

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

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

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

Issues

To determine whether the Court followed the travel and business meal expense guidelines set forth in the FIN Manual, we interviewed appropriate Court staff regarding current travel and business meal expense reimbursement practices. We also reviewed selected travel and business meal expenses paid in FY 2008-2009. Our review revealed that Court procedures over travel and business meal expenditures need improvement. Specifically, we found the following:

1. The Court does not always require its employees to obtain prior written approval for lodging rates that exceed the AOC maximum lodging rate limits. Specifically, the Court reimbursed lodging for one judge at rates that exceeded the AOC maximum lodging rate limit. In this case the Court did not require the prior written approval from the PJ or designee on an Exception Request for Lodging form when the judge stayed at a non-conference site hotel.
2. The Court paid for travel costs without obtaining the required receipts to support the travel costs. Specifically, the Court reimbursed one judge for lodging even though the lodging receipt did not reflect a zero balance indicating payment of the lodging, and reimbursed the same judge for bridge toll expense without a receipt or annotation on the TEC form explaining that the receipt was not obtained or was lost.

Also, during our review, we noted that six of the ten TECs we reviewed were not completed properly, making it difficult for someone to review and assess the allowable costs. Specifically, two TECs did not break out lodging expenses over the duration of the trip, instead claiming a total of the lodging expenses. Two TECs were missing ending

travel times and another TEC did not contain starting or ending travel times which are important to assess, for example, the allowable meal charges. Further, a sixth TEC did not contain the headquarter address as well as starting and ending travel times both which are important to properly assess the claimed mileage. The missing information is necessary to determine the accuracy, necessity, and reasonableness of the employees' request for travel expense reimbursement. For example, with this information, reviewers and approvers can determine whether the claimed lodging and meal expenses are allowable and whether the claimed personal mileage expense reflects the lesser of mileage from home or headquarters to the business destination.

3. The Court also did not always require appropriate level review and approval signatures, from the judge's or employee's direct supervisor or above, on the TEC forms before paying the claims. Specifically, we identified two TECs from judges that the CEO signed approving the TECs. However, the PJ or the APJ would be the appropriate approval level for judges, and for each other's TECs. Further, we identified a third TEC where the Court paid the claim without any approval signature.
4. The Court did not prepare the required pre-approved business-related meal expense form for the three business-related meals we reviewed. As a result, we could not determine whether the business-related meal expenses were pre-approved, nor assess the business reason for the business-related meal. Further, one of the business-related meals exceeded the \$10 per person reimbursement limit for lunch.

Additionally, one group business-related meal expense totaled more than \$700 but did not follow the procurement and contracting guidelines established by the FIN Manual. Moreover, this group meal was for an early December 2008 Court Christmas Party dinner and is, therefore, not a Rule 10.810 allowable expense.

Recommendations

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

1. Require employees to submit a written request and obtain prior approval from the PJ or designee for lodging rates that exceed the AOC maximum lodging rate limits.
2. Require travelers to complete and submit a TEC when requesting travel reimbursement and include the required supporting receipts and all the information needed—such as addresses, dates, and times—to determine the accuracy, necessity, and reasonableness of their request for travel reimbursement.
3. Require appropriate level review and approval signatures on TEC forms from the judge's or employee's immediate supervisor or above before processing these claims for payment. The PJ or APJ would be the appropriate approval levels for judges and for each other. Further, instruct accounts payable staff to not process for payment TECs without the required appropriate level review and approval signatures.

4. Adopt business-related meal expense procedures that include prior approval by the PJ or written designee to ensure business-related meal expenses are an appropriate and necessary use of public funds. This includes use of a business-related meal form to document the business need for the meal and retention of meeting sign-in logs to document the participants. (See Procedure No. FIN 8.05, Section 7.0 for a sample form.)

Additionally, follow the procurement and contracting guidelines established in the FIN Manual when procuring pre-approved group business meals that exceed \$500 and prohibit the use of public court funds for meals that are non-allowable per Rules of Court, Rule 10.810.

Superior Court Response

Recommendation 1 – The Court does require prior approval when rates exceed AOC maximum lodging rates. The Court will ensure that all travel claims are monitored closely for the required approval for reimbursement.

Recommendation 2 – The Court does require all employees to complete and submit a TEC when requesting reimbursement, including required supporting receipts and all information needed. The Court will ensure that all travel claims are monitored closely for the required documentation and information needed.

Recommendation 3 – The Court agrees and will require appropriate level review and signatures on all TEC forms before processing for payment.

Recommendation 4 – The Court agrees and will adopt business-related meal expense procedures that include prior approval by the PJ or written designee to ensure business-related meal expenses are an appropriate and necessary use of public funds. The Court will follow procurement and contracting guidelines established in the FIN Manual when procuring pre-approved group business meals that exceed \$500 and prohibit the use of public court funds for meals that are non-allowable per Rules of Court, Rule 10.810.

12. Fixed Assets Management

Background

FIN Manual, Procedure No. FIN 9.01, states that the trial court shall establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report court assets. The primary objectives of the system are to:

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures				
945301 MAJOR EQUIPMENT - NON-IT	34,924.44		34,924	n/a
* 945200 - MAJOR EQUIPMENT	34,924.44		34,924	n/a
** MAJOR EQUIPMENT(OVER \$5,000) TOTA	34,924.44		34,924	n/a
922603 OFFICE FURNITURE - MINOR		768.94	(769)	(100)
922611 COMPUTER	15,519.39	17,500.45	(1,981)	(11)
922612 PRINTERS	2,036.84	4,463.75	(2,427)	(54)
922614 SECURITY SURVEILLANCE - M	105.00		105	n/a
922699 MINOR EQUIPMENT - UNDER \$	417.40	2,897.50	(2,480)	(86)
* 922600 - MINOR EQUIPMENT - UNDER	18,078.63	25,630.64	(7,552)	(29)
922702 COPIERS-RENTAL-LEASE	74,982.75	58,841.05	16,142	27
* 922700 - EQUIPMENT RENTAL/LEASE	74,982.75	58,841.05	16,142	27
922899 OFFICE EQUIPMENT MAINTENA	1,117.52	4,745.65	(3,628)	(76)
* 922800 - EQUIPMENT MAINTENANCE	1,117.52	4,745.65	(3,628)	(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:

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

The following issue was considered significant enough to bring to management's attention in this report. Additionally, Appendix A contains three minor issues associated with this area.

12.1 The Court Could Improve Its Tracking and Reporting of Court Assets

Background

The Trial Court Financial Policies and Procedures Manual (FIN Manual), Procedure No. 9.01, paragraph 3.0 requires each trial court to establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report all court assets. The trial court's primary objectives are to ensure that all court assets are properly identified and recorded, used effectively, and safeguarded against loss or misuse.

Specifically, paragraph 6.2.2 requires courts to maintain a detailed and up-to-date listing of inventory items. Inventory items are defined as items with an individual value of more than \$1,000 and less than \$5,000 and an anticipated useful life of more than one year. In addition, items that are particularly subject to loss or theft, such as small office equipment, cellular phones, and small phones valued at less than \$1,000, are also included as inventory items. Further, paragraph 6.2.3 requires courts to maintain a current list of court-owned computer software. Paragraph 6.2.4 requires courts to also maintain certain information in the FAMS, such as a description of the fixed asset, date of acquisition, value, and estimated useful life. Fixed assets are defined as individual items with a value of \$5,000 or more and with an anticipated useful life of more than one year, such as vehicles, security equipment, and copiers.

To identify and control these assets, paragraph 6.3 requires the court to assign a unique identification (ID) number and affix to each inventory item, fixed asset, and software license agreement, a tag or decal showing the assigned ID number. The tags or decals should be serially numbered, and unused tags or decals should be kept in a secure place.

Although paragraph 6.6 recommends an annual inventory, it requires courts to conduct a physical inventory of all court assets and equipment no less than every three years. The court must reconcile the inventory count recorded at each location against the asset records and investigate variances. Any unexplained losses or missing items must be reported to the court Fiscal Officer or designated employee.

To protect the integrity of the FAMS, paragraph 6.7 requires that the Court maintain a record of asset transfer or disposal. Specifically, paragraph 6.7.2 outlines guidelines for the disposal of inventory items and fixed assets as established by Rule of Court 10.830. For example, these rules require courts to provide the Administrative Director of the Courts a written description of technology equipment acquired on or after July 1, 2000, that the court wishes to dispose of as surplus equipment. If the Administrative Director of the Court determines, or makes no determination within 60 days, that no court needs the technology equipment, the court may dispose of the surplus equipment following the rules required for disposing of non-technology personal property.

Issues

Our review of the Court's system for recording, controlling, and reporting on Court assets found that although well-managed in general, it can improve its process as follows:

1. The Court does not have a list of Court-owned software and a process to ensure it complies with software licensing agreements. Specifically, although the Court generated a list of the software installed on each of its computers, it does not have a list of Court-owned software and a process to periodically verify to ensure that it is in compliance with its software license agreements. In addition, the Court could not locate all of its software license agreements because it does not secure and store these agreements in a designated area.
2. Although the Court performs periodic physical inventory verifications of its assets, the individual performing these verifications are not independent of the location they are reviewing. Specifically, the individuals performing the verifications work for the location where the physical inventory is conducted. As a result, the Court does not always promptly update its asset management system to reflect items it could not locate as "missing." For example, our review of eight discrepancies from its fiscal year 2008-2009 physical inventory determined that the Court still listed five items in its asset management system that were missing during its physical inventory process. According to the Court, these missing items are still listed because the respective division has not submitted an Equipment Inventory Report form to remove the missing items from the asset management system.

Additionally, although the individuals performing the inventory verify the existence of items that are listed on the Court's inventory listing for their respective divisions, they do not always add items that are physically located in their respective divisions but that are not listed on the inventory listing. For example, of the 23 items that we selected to trace from the various Court locations to the inventory list, the Court's inventory list was missing one printer and four televisions.

3. Further, the Court overstated the value of its fixed assets in its fiscal year 2007-2008 and 2008-2009 financial reports when it included approximately \$158,250 of assets that are individually valued at less than \$5,000 per item. For example, it reported as fixed assets 14 jury chairs valued at \$7,200 in total, but that are valued at less than \$515 per chair when individually valued. Similarly, it reported as fixed assets 16 workstations valued at \$31,750 in total, but that are individually valued at less than \$2,000 each. Conversely, the Court did not report in its fiscal year-end 2008-2009 financial reports the fixed asset component of its new phone system that it purchased in June 2009, according to the vendor quote. However, we could not determine the exact value of the component because, at the time of our review, the Court did not provide us with the vendor invoice associated with this phone system purchase.

Recommendations

To ensure it properly records, controls, and reports its inventory and fixed asset items, the Court should consider the following:

1. Prepare and maintain a list of Court-owned software that is supported by software license agreements that are secured and stored in designated areas. It should establish a process to periodically compare the software installed on its computers against the terms of its license agreements to ensure that it is in compliance with its software license agreements.

2. Perform its periodic physical inventory verifications using individuals who do not work at the location where the physical inventory is conducted. These individuals should compile and report discrepancies, such as listed inventory items that are missing, to the Court fiscal officer or designee, along with Equipment Inventory Report forms completed by division managers to remove missing or lost items from the asset management system. These individuals should also affix property identification tags to items that are found at a location but that are not recorded on the inventory list. The Court should research the acquisition information associated with these items and record the tag number and pertinent item information in its asset management system.
3. Review its listing of fixed assets to ensure it lists as fixed assets only those items that are individually valued at \$5,000 or more per item with an anticipated useful life of more than one year. It should ensure it promptly tags items and records in its asset management system the description and acquisition information associated with its fixed asset items so that its year-end report of fixed assets is accurate, complete, and supported.

Superior Court Response

1. The Court agrees with the recommendation. The Asst. CEO, Denese Hurst is working with IT Innovations, the Court's third party vendor, and will prepare and maintain a list of Court owned software that is supported by software license agreements. A process will be established to periodically compare the software installed on its computers against the terms of its license agreements to ensure that it is in compliance with its software license agreements.
2. The Court agrees in part. The Court does perform annual physical inventory verifications. The Managers at each Division conduct the physical inventory and report any discrepancies to the Superior Court Secretary who is designated to compile the report for the Court. There is no requirement in the FIN Manual that individuals who do not work at the location conduct the physical inventory. We are a small, understaffed Court and employees are required to perform a wide range of duties. The process we follow has worked very well for the Court and we plan to continue conducting the annual inventory in this manner.

The Court agrees to review the process of affixing property identification tags to items that are found at a location but that are not recorded on the inventory list. The Court will conduct research associated with items acquired and ensure that these items and the tag number and pertinent item information are entered in the asset management system.

3. The Court agrees with the recommendation. Connie Holler, Deputy CEO/Budget and Revenue Manager, has completed a review of the listing of fixed assets. Only items individually valued at \$5,000.00 or more with an anticipated useful life of more than one year appear on the fixed asset list.

13. Audits

Background

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

IAS external consultants performed an Agreed Upon Procedures Review of the Court in FY 2004–2005. Specifically, the external consultants reviewed the Court’s fund account balances, cash receipt and disbursement processes and controls, and compliance with the FIN Manual, applicable Generally Accepted Accounting Principles (GAAP), and applicable Governmental Accounting Standards Board (GASB) guidance in order to assess readiness for migration onto CARS/Phoenix. The report addressed issues and recommendations in fund balance, cash collections, procurement and expenditure policies and procedures, and other fiscal and operational areas. Some of these issues were resolved due to the Court migrating away from County financial systems, while remaining issues were revisited during our current review. Issues not yet corrected or repeat issues are identified in various sections of this report.

The State Controller’s Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Tehama County for the period July 1, 2001, through June 30, 2005. There were no findings related to the Court.

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

14. Records Retention

Background

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

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

ACCOUNT	TOTAL FUNDS AS OF		\$ Inc. (Dec.)	% Change
	JUNE 30, 2009	JUNE 30, 2008		
Expenditures				
935203 STORAGE	2,700.00	399.71	2,300	575

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. Appendix A contains a minor issue associated with the retention of records in section 11.

15. Domestic Violence

Background

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

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

The following issue was considered significant enough to bring to management's attention in this report.

15.1 The Court Could More Consistently Assess 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 from state and federal sources and from the payments ordered through judicial DV case proceedings. 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 the 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:

- PC 1202.4 (b) State Restitution Fine
Courts must impose a separate and additional restitution fine of not less than \$200 for a felony conviction and not less than \$100 for a misdemeanor conviction in every case where a person is convicted of a crime. A court 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. Inability to pay may be considered only in assessing the amount of fine in excess of the minimum. When setting the fine above the minimum, the court must consider any relevant factors including, but not limited to, the defendant's inability to pay, the seriousness and circumstances of the offense, any economic gain derived by the defendant, the extent that the victim(s) suffer, and the number of victims involved in the crime.

- PC 1202.44 (or PC 1202.45) Probation (or Parole) Revocation Restitution Fine
Effective January 2005, courts must assess 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 probation revocation restitution fine shall become effective upon the revocation of probation or of a conditional sentence, and shall not be waived or reduced by the court, absent compelling and extraordinary reasons stated on record.
- PC 1465.8 (a)(1) Fee
Effective August 17, 2003, courts must impose a \$20 (\$30 effective July 28, 2009) court security fee on each criminal offense conviction.
- Penal Code (PC) 1203.097 (a)(5) Fees (also known as "DV Fees")
Effective January 1, 2004, courts must include in the terms of probation a minimum 36 months probation period and \$400 fee if a person convicted of a DV crime is granted probation. Courts may reduce or waive this DV fee if they find that the defendant does not have the ability to pay.

Issues

Our review of the case files for 13 criminal cases where the defendant was convicted of a DV charge (DV cases) from January through September 2009 found that the Court did not always assess the correct fines and fees. Specifically, our review noted the following exceptions:

- In two of the 13 DV cases, the Court did not assess the PC 1202.4(b) State Restitution Fine or state on the record a compelling or extraordinary reason why the fine was not assessed.
- In eight of the 11 DV cases that ordered probation, the Court did not assess the PC 1202.44 Probation Revocation Restitution Fine or state on the record a compelling or extraordinary reason why the fine was not assessed.
- In one of the 13 DV cases, the Court did not assess the PC 1465.8 Court Security Fee.
- In two of the 11 DV cases that ordered probation, the Court did not assess 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 assesses the statutorily required minimum fines and fees on criminal DV cases, the Court should consider the following:

1. Create a bench schedule of DV fines and fees as a tool for use by judicial officers, and insert minimum fine and fee amounts on the official order of probation forms.
2. Document in minute orders, and/or its case management system, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why the required minimum fines and fees are not assessed.

Superior Court Response

The Court will follow the recommendations.

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. 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 Manual and other documents, and observing the physical conditions of exhibit storage areas. We also validated sample exhibit record cards to actual exhibit items to determine whether all exhibit items have been accurately accounted for.

The following issue was considered significant enough to bring to management’s attention in this report. Additionally, Appendix A contains 10 minor issues associated with this area.

16.1 Improvements Can Be Made to Strengthen Accountability Over Exhibits

Background

Trial courts are responsible for properly handling, safeguarding, and transferring those exhibits that are oftentimes presented in both criminal and civil cases. Trial court and security personnel with these responsibilities should exercise varying levels of caution depending on the types and sensitivity of exhibits presented. For instance, compared to paper 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.

Issues

Our review of the Court’s control procedures over exhibit handling, observation of the exhibit storage areas, and testing of a sample of exhibit items identified the following areas where the Court could improve its safeguards and accountability over exhibits:

1. The Court does not have written procedures for handling exhibits. As a result, the Court cannot ensure that exhibits in its possession are properly handled and accounted for. For

example, at the time of our review, two Court locations did not segregate sensitive exhibits from other exhibits. Also, at the Court's Criminal/Traffic location, biological evidence is not heat-sealed in double plastic bags and latex gloves provided to it are not used when handling biological evidence.

2. Even though the case management system (CMS) has an exhibits screen, the Court does not consistently use it. Specifically, personnel at one Court location do not always enter into the CMS exhibits screen the exhibits accepted by the Court. Further, personnel at the remaining two Court locations do not use the CMS exhibits screen at all. As a result, the location of the exhibits we selected to review at the three Court locations were not noted in the CMS.

Further, although one Court location keeps a manual inventory list of exhibits in its possession, the list was not current and had not been reconciled to the CMS at the time of our review. During our review, the Court location updated the inventory listing and reconciled it to the CMS.

3. The Court also does not conduct an annual inventory of its exhibits at its three locations to ensure it can account for all exhibits submitted for safekeeping. Further, it does not perform periodic inspections of exhibit storage areas to ensure that all exhibits remain safe and secure.

Recommendations

To ensure it adequately handles, safeguards, and accounts for exhibits, the Court should consider the following:

1. Develop written procedures for the proper handling of exhibits. These procedures should include procedures for tracking, safeguarding, and transferring exhibits as well as extra precautions to be taken when handling sensitive exhibits such as weapons, drugs, money, and hazardous or biological materials.
2. Provide instruction to courtroom clerks on the proper handling of exhibits. This includes emphasizing the use of the Court's CMS to track the location of exhibits under their control and the potential consequences of losing exhibits.
3. Conduct and document a physical inventory count of all exhibit storage areas, including exhibit storage lockers and safes, at all Court locations at least annually. The inventory process should include a reconciliation of the exhibit items to the exhibit records and to the Court's CMS. Additionally, the Court should perform and document periodic inspections of the exhibit storage areas, including the exhibit storage lockers and safes. The inspection process should include a review of the documentation supporting the addition, transfer, or removal of exhibit items. Additionally, the inspections should review the physical conditions of the exhibit storage areas for adequate security and potential hazards, such as leaky pipes and mold, to ensure that the areas remain secure and safe for the continued storage of exhibits.

Superior Court Response

The Court agrees and will follow the recommendations listed as follows:

Written procedures are being developed for the proper handling of exhibits as outlined in item 1.

Instructions to courtroom clerks on the proper handling of exhibits are being developed. The use of the Court's CMS to track location of exhibits will be emphasized.

The Court will conduct and document a physical inventory count of all exhibit storage areas at all Court locations annually; reconciling exhibit items to the exhibit records and to the Court's CMS. The Court will document periodic inspections of the exhibit storage areas and review the documentation supporting addition, transfer or removal of exhibit items. The Court will perform periodic inspections of exhibit storage areas to ensure that all exhibits remain safe and secure.

17. Bail

Background

California Rules of Court (CRC) 3.1130(a) states the following:

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

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

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

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

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

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

APPENDIX A

Issue Control Log

**Superior Court of California,
County of Tehama**

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 have an ‘I’ for incomplete in the column labeled I and have an Estimated Completion Date.

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

June 2010

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1	Court Administration							
		1.1	Specific Legal Authority Allowing the Court to Receive Revenues from Vendors Providing Teleconferencing For Court Appearances Is Missing					
		10	Our review of the Court's fiscal year 2007-2008 and 2008-2009 Trial Balances revealed that, although no specific authority exists allowing it to enter into such revenue sharing agreement, the Court received \$1,900 from a private vendor that facilitates court appearances by telephone.	I		The Court agrees. The Court will consider requesting and obtaining from AOC Office of the General Counsel a determination of its authority to enter into a revenue sharing agreement with a vendor providing teleconferencing for court appearances.	Irene Rodriguez, Court Executive Officer (CEO)	December 2010
		Log	The submitted list does not specify the length of time each cause has been under submission as required by Rule of Court 10.603 (c) (3).	I		The Court disagrees. Submitted cases are tracked through CMS by Court Administration. Each month every Judge, including the Presiding Judge receives a list of all submitted cases by Judicial Officer which includes the date of submission. Since the list includes the date of submission, assuming the Judge knows the current date, the length of time each case has been under submission can easily be determined. <u>**The list specifies the date a case was taken under submission from which one can easily ascertain the number of days under submission. It is our position it provides the Judge more information than required by the Rule because the Judge can determine the exact number of days a case has been under submission as opposed to the general category of 30 through 60 days, 61 through 90 days, or over 90 days.</u>	Dennis E. Murray, Presiding Judge	N/A
		Log	The submitted list does not sort submitted cases by length of time, 30-60, 61-90, or over 90-days, under submission as required by Rule of Court 10.603 (c) (3).	I		<u>**The list specifies the date a case was taken under submission from which one can easily ascertain the number of days under submission. It is our position it provides the Judge more information than required by the Rule because the Judge can determine the exact number of days a case has been under submission as opposed to the general category of 30 through 60 days, 61 through 90 days, or over 90 days.</u>	Dennis E. Murray, Presiding Judge	N/A
		Log	The affidavits for one judge were not dated.	I		The Court Agrees. The Court will review all affidavits submitted to ensure the dates have been filled in.	Division Managers and Superior Court Secretaries.	July 2010
		Log	The back-up data storage site has never been tested.	I		The Court does not have a true backup data storage site at this time. The Court will look into obtaining a site.	Denese Hurst, Assistant CEO	December 2010
		Log	Off-site data storage is the information systems support specialist's home.	I		In the meantime, the Court will purchase a locker to store the tapes in. The locker will be located off-site from the Courthouse.	Denese Hurst, Assistant CEO	September 2010

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
2	Fiscal Management and Budgets							
	2.1		The Court Needs to Improve Its Payroll Processing Practices					
		12	Our review of the October, November, and December timesheets revealed that, contrary to its Personnel Rules, the CEO does not always submit biweekly timesheets certifying time worked or leave taken for the respective pay period. Specifically, the CEO did not submit a timesheet for the two week pay periods ending October 15, 2009; November 15, 2009; November 30, 2009; and December 15, 2009. According to the Court, the CEO did not submit timesheets because there were no time exceptions to report. Furthermore, of the timesheets the CEO did submit, none were signed as reviewed and approved by the CEO's appropriate approval level, the PJ.		C	Recommendation 1: The Court agrees and will require all exempt employees, including the CEO, to submit bi-weekly timecards certifying time worked and leave taken each pay period. Recommendation 2: The Court agrees and will follow the recommendation. Recommendation 3: The Court agrees and will revise the timesheets to reflect that managers have pre-authorized overtime before the employee works the overtime when it is feasible. Recommendation 4: The Court agrees and will follow the recommendation. All of the recommendations will be implemented immediately.	Irene Rodriguez, CEO	June 2010
		12	The Court's Personnel Rules, dated September 2003, should be periodically reviewed and updated to ensure they remain current. For example, although the rules require managers to sign non-exempt employee timesheets, the rules do not require appropriate approval levels to sign timesheets for exempt employees such as the CEO. As a result, none of the timesheets submitted by the CEO were signed as reviewed and approved by the CEO's appropriate approval level, the PJ. Similarly, although the rules require pre-authorization of approved overtime, the rules require the authorization be documented after the overtime is recorded on the timesheet and signed approved by the manager, not before the overtime is worked by use of a pre-authorized overtime form.		C	See response above.	Irene Rodriguez, CEO	June 2010
		12	The Court is not properly recording compensating overtime in the accounting GL accounts. Specifically, the Court records compensating overtime taken or paid to employees, at the end of the year when their compensating overtime balance exceeds 80 hours, to the salaries GL account rather than an overtime account.		C	See response above.	Irene Rodriguez, CEO	June 2010
		12	The Court's process for pre-authorizing overtime does not assure that the overtime is approved before the overtime is worked. Specifically, Court managers approve employee overtime by signing the timesheets that employees prepare subsequent to working the overtime, rather than signing a pre-authorized overtime form before the employee works the overtime and requiring this form be submitted with the subsequent timesheet indicating the actual overtime worked.		C	See response above.	Irene Rodriguez, CEO	June 2010
		12	Contrary to Court Personnel Rules, employees do not always sign their biweekly timesheets. In addition, also contrary to Court rules, supervisors do not always sign the employee biweekly timesheets to demonstrate their review and approval of the hours worked and leave taken for the employees they are responsible for supervising.		C	See response above.	Irene Rodriguez, CEO	June 2010

Key as of close of fieldwork:
 I = Incomplete
 C = Complete

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
3 Fund Accounting			No issues to report.					
4 Accounting Principles and Practices			No issues to report.					
5 Cash Collections								
	5.1		The Court Needs to Better Segregate Its Cash Handling Duties					
		1	Three people are capable of authorizing voids and performing the incompatible function of entering payments into CMS.	C		The Court agrees to the items listed in a through e. The following changes have been discussed with the Mgr. of the Criminal Division and have been implemented: a. Authorization of voids is now limited to the Division Mgr. b. Verifying the closeout and balancing procedures is now performed by the Division Mgr. or in the absence of the Division Mgr. by a CSA IV. c. The Account Clerk prepares the deposit. One of the CSA's will make the actual deposit. d. All bail refunds must be authorized by the Division Mgr. or the CSA IV in the absence of the Division Mgr. e. All trust account refunds must be approved by the Division Manager or the CSA IV in the absence of the Division Manager.	Irene Rodriguez, CEO	March 2010
		1	Three people are capable of performing the daily closeout and balancing procedures as well as performing the incompatible function of verifying the closeout and balancing procedures.	C		See response above.	Irene Rodriguez, CEO	March 2010
		1	Three people are capable of preparing as well as performing the incompatible function of actually making the deposit.	C		See response above.	Irene Rodriguez, CEO	March 2010
		1	Two people are capable of processing and performing the incompatible function of approving bail refunds.	C		See response above.	Irene Rodriguez, CEO	March 2010
		1	Account clerk is capable of processing and performing the incompatible function of approving trust account refunds.	C		See response above.	Irene Rodriguez, CEO	March 2010
		1	The Court does not prohibit employees assigned to set up new cases in CMS from performing the incompatible cash collection and/or accounts receivable functions as outlined in the FIN Manual.	I		The Court disagrees with the issue prohibiting employees assigned to set up new cases in CMS from performing the incompatible cash collection and/or accounts receivable function. Due to limited and reduced staffing in the Civil and Criminal Division and in the Corning location there may be as few as two clerks remaining in the business office to wait on the counter and answer the phones while Court is in session or during the lunch hour. We cannot turn away customers or delay service until the appropriate clerk becomes available. Attached is the Court's organization chart which reflects the number of clerks assigned to each division. When we are in one facility we can comply. Completion of the New Red Bluff Courthouse is scheduled for January of 2015. In the meantime, the Court will prepare an alternative procedure request form and submit it to the AOC for approval.	Irene Rodriguez, CEO	December 2010

AUDIT AREA		RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
			1	Personnel at one Court location, except manager and supervisor, as well as four people at another Court location, are capable of setting up cases and performing the incompatible function of entering payments for the same cases into CMS.	I		See response above.	Irene Rodriguez, CEO	December 2010

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
	5.2		Court Could Improve Some of Its Cash Handling Procedures					
		2	The Court performs the daily closeout process the next business day rather than at the end of the day delaying the possible discovery and investigation of out-of-balance transactions and cash receipts.	I		The Court agrees with the recommendation in item 1 as it relates to the requirement that each location perform the daily closeout process at the end of each day and requiring each supervisor to sign and date the closeout/balancing reports and with the recommendations on items 2, 3 and 5. I have met with the Managers of the Civil, Criminal and Corning Divisions and discussed each item with them. The Court is currently updating our written cash handling procedures and these recommendations will be incorporated into the procedures to be followed.	Irene Rodriguez, CEO	December 2010
		2	The Court could not demonstrate evidence of supervisory review of daily closeout process.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	Bank deposit slips are not signed by the preparer.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	Prepared bank deposits do not evidence supervisory review, such as supervisor initials or signature. One deposit we noted was 50 cents over the daily closeout report total.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	Supervisors do not maintain physical custody of manual receipts.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	Manual receipts are not always posted timely in CMS. Of the 13 payments we reviewed that are associated with manual receipts, 1 was entered 3 business days after collection.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	Not all manual receipts are completed with pertinent information. Of 13 reviewed at Civil, 1 did not indicate name from whom payment received, 1 did not indicate the case #, check #, nor amount received. Of 15 reviewed at Crim/Traffic, 4 were not dated and 1 did not contain recipient's name.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	Manual receipts are used for reasons other than when CMS is down.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	The Court could not demonstrate consistent evidence of supervisory review of void transactions.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	All cashiers share one cash till, thus making it difficult, if not impossible, to hold any one person accountable for any cash discrepancies.	I		The Court is not able to follow the recommendations as outlined in item 1 requiring each cashier to have his/her own cash drawer and in item 4, use two-person teams to open and process the mail. We are a small court with limited staff. In the past year three long term employees have retired, a fourth employee will retire in July 2010. Due to budget reductions, the Court has and will leave each of these positions vacant. Each of our three divisions will have one vacant position, there may be as few as two clerks remaining in the business office to wait on the counter and answer the phones while Court is in session or during the lunch hour. The Court will prepare alternative procedure requests and submit them to the AOC for approval.	Irene Rodriguez, CEO	December 2010
		2	The Court does not use a two-person team to open mail.	I		See response above.	Irene Rodriguez, CEO	December 2010
		2	The cash till is kept in unlocked drawer at the front counter during business hours.	I		The Court agrees, The drawer containing the cash till will be kept in a locked drawer at the front counter during business hours.	Division Managers.	September 2010
		2	Court location does not always secure unprocessed mail payments.		C	The Court agrees. All unprocessed mail is secured each day.	Lore Chrasta, Division Manager	July 2010

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		2	At the time of our review, the mail payment log was not reconciled to CMS.	I		The Court agrees. The former Division Manager did not reconcile the mail payment log to CMS. Since her appointment January 1, 2010, the current Division Manager, Lore Chrasta, reconciles the mail payment log to CMS daily.	Irene Rodriguez, CEO	January 2010
		5.3	Procedures for Addressing Dishonored Payments in Civil Actions Need Improvement					
		3	The Court does not always mail NSF deficiency notices when notified of a NSF check. Specifically, the Court did not mail a NSF deficiency notice in 3 of 8 NSF cases reviewed.		C	The court agrees and the Civil Manager has been counseled regarding NSF procedures.	Deputy Court Executive Officer	March 2010
		3	The Court waited 38 business days to mail a NSF deficiency notice in 1 of the 8 NSF cases reviewed.		C	See response above.	Deputy Court Executive Officer	March 2010
		5.4	The Court Does Not Adequately Track, Monitor, and Account for Overages					
		4	The Court does not have procedures to track and monitor overages. As a result, the Court did not know whether it had overages exceeding \$10.		C	The court disagrees in part. The court does have procedures to track and monitor overages in the court's Cash Handling Procedures. The problem was that employees were not always following the procedures.	N/A	N/A
		4	The Court does not account for overages in a separate general ledger account.		C	One miscellaneous revenue GL account is now designated for cash overages. Even though we were able back track and identify all overages having one specific GL will make it easier. This was corrected immediately.	Deputy Court Executive Officer	March 2010
		4	The Court posted the two unidentified overages exceeding \$10 it had in fiscal year 2008-2009 to its operations fund instead of to a trust fund.		C	The Division Managers will re-distribute the Cash Handling Procedures and monitor the procedures to insure all employees are following them.	Deputy Court Executive Officer	March 2010
		5.5	The Court Needs to Improve Its Procedures for Collecting Court-Ordered Monies					
		14	The Court does not refer delinquent cases to its third-party collections agency within the timeframe stated in its contract with the collections agency.	I		The Court agrees and will follow the recommendation.	Systems Support Specialist	July 2010
		14	The Court does not perform reconciliations to CMS of cases referred to the Court's third-party collections agency.	I		The Court agrees, however, our CMS system does not have the capability to track the cases referred to GCS at this time. Extensive programming is required in order to track the collection activity on accounts referred to GCS. The Court is working with other Courts using the same CMS to develop such a report. Budget reductions have resulted in delays.	Systems Support Specialist	July 2010
		14	The Court does not track cases referred to its third-party collections agency to determine amount collected and outstanding on a per-case basis.	I		See response above.	Systems Support Specialist	July 2010
		14	Out of 25 cases reviewed where a payment of fines/fees were due to the Court, 8 cases were delinquent; 7 of the 8 were between 78 and 421 days past due and had not been referred to the collections agency at the time of our review.	I		The Court agrees and will follow the recommendation.	Systems Support Specialist	July 2010
		Log	The Court does not run reports of void transactions to monitor and review the propriety of these transactions.		C	The Court agrees. A procedure has been implemented requiring the Division Managers to run a weekly void report to monitor and review the propriety of all void transactions.	Division Managers	July 2010

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court delegated broad authority to delete transactions and cases. It authorized 11 employees to delete transactions and 7 employees to delete cases.	I		The Court agrees. The authority to delete transactions and cases will be limited to the Data Base Administrator.	Denese Hurst, Assistant CEO/Data Base Administrator	September 2010
		Log	The Court delegated "Advanced Accounting" authority to too many employees; with this authority 11 employees can, among other things, void a payment prior to today, change the date of voids, refunds, or bad check reversals, delete a payment prior to today.	I		The Court agrees. The Court has contacted the CMS provider and will implement programming changes.	Denese Hurst, Assistant CEO/Data Base Administrator	September 2010
		Log	Out of 15 In Forma Pauperis fee waivers reviewed, 1 order granting the fee waiver was not dated, 1 fee waiver was granted even though the application was incomplete, and another fee waiver was granted even though the stated income exceed the income threshold stated on the Information Sheet on Waivers.	I		The Court agrees. Forma Pauperis fee waivers are individually processed, omission of dates, information will be brought to the attention of the Judicial Officer or clerk who signed the waiver.	Irene Rodriguez, CEO	July 2010
		Log	Out of 15 cases reviewed where payment was suspended, the Court incorrectly coded 4 cases as payment suspended.		C	The Court reviewed each of the cases and made corrections to the coding.	Criminal Division Manager	July 2010
		Log	Safe combination is kept in a division manager's unlocked desk drawer.	I		The Court agrees. The division manager's desk will be locked at all times.	Criminal Division Manager	July 2010
		Log	The Court does not conduct a secondary review of documents stamped with a judge's signature stamp.	I		The Court agrees. However, the stamps are used on a limited basis with the Judges' approval.	Irene Rodriguez, CEO	July 2010
		Log	At the time of our review, the Court did not post a notice to the public regarding ensuring they obtain and retain a receipt for their records.		C	The Court agrees. Notice to the Public to obtain and retain a receipt for their records are posted at each court location.	Division Managers	July 2010
		Log	Employment poster incomplete.		C	The Court agrees. Employment posters at each Court location have been fully completed.	Division Managers	July 2010
6	Information Systems							
	6.1		The Court Could Strengthen Its Procedures for Controlling Access to Sensitive Electronic Data Records					
		9	The Court does not maintain a list of all current employees with their passwords authorized to access the DMV database, as well as inactive users, as required by the MOU with DMV.		C	The Court has established a list of current and inactive users, along with their user IDs and passwords who are/or were authorized to access DMV databases as required by the MOU with DMV. This list is maintained by Denese Hurst, Asst. CEO.	Denese Hurst, Assistant CEO	April 2010
		9	Not all Court employees with access to sensitive data in the DMV databases had a signed Employee Security Statement on file. Specifically, 3 of 20 employees who have access to DMV databases did not have a signed Employee Security Statement on file and a fourth did not have the signed portion of the statement on file.		C	All employees with access to DMV data bases have renewed and signed an Information Security Statement, Form INF 1128. Renee Kennedy, Superior Court Secretary is responsible for circulating the forms annually for renewal and signatures.	Superior Court Secretary	April 2010
		9	Not all signed Employee Security Statements are current within the last 12 months. Specifically, 14 of 16 signed Employee Security Statements on file were signed between July and November 2004 while an additional Employee Security Statement was signed in October 2005.		C	See response above.	Superior Court Secretary	April 2010
	6.2		Some Improvements Are Needed in Its Calculation and Distribution of Court Collections					

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		16	The Court did not calculate and deduct the GC 68090.8 2% State Automation allocation from the PC 1202.4 State Restitution fine. We noted this exception for the 3 DUI, 1 Reckless Driving, 1 DV, and 1 Health and Safety cases we reviewed. Per GC 68090.8, the 2% State Automation allocation is applicable to criminal fines, penalties, and forfeitures.		C	The Court agrees. The PC 1202.4 distribution was corrected in May 2010.	Connie Holler, Deputy CEO	May 2010
		16	The Court incorrectly used the VC 42007 Traffic Violator School distribution instead of the VC 42007.4 Traffic Violator School distribution for Railroad Crossing violations for the 1 Railroad Traffic School case we reviewed.	I		The Court agrees. Our CMS programmers are working on this problem.	Connie Holler, Deputy CEO	September 2010
		16	The Court incorrectly included the PC 1465.7 20% State Surcharge when calculating the 30% VC 42007.3 Red Light and VC 42007.4 Railroad allocations for the 2 Red Light Traffic School and 1 Railroad Traffic School cases we reviewed. Per PC 1465.7, the 20% State Surcharge is not included in the total bail used in VC 42007.	I		The Court agrees. This problem is the same as #2, our CMS programmers are working on the problem.	Connie Holler, Deputy CEO	September 2010
		16	The Court does not always allocate its Top-Down distributions in direct proportion to the standard bail applicable to the case. We noted this exception for the 3 DUI, 1 Reckless Driving, 2 of 3 Speeding Traffic School, 2 Child Seat, 1 DV, and 1 Fish and Game cases we reviewed.	I		The Court disagrees. We were using our current CMS program during several SCO audits and they indicated the Top-Down distribution was acceptable. The Court will re-examine the Top-Down distributions to make sure distributions are appropriate.	Connie Holler, Deputy CEO	September 2010
		16	The Court incorrectly applied the 1/3 to State and 2/3 to County PC 1203.097(a)(5) Domestic Violence fee split for the 1 DV case we reviewed. The conviction date for this case was on 6/24/2009, whereas the 1/3 to State and 2/3 to County split did not change to the 2/3 to State and 1/3 to County split used by the Court until 1/1/2010.	I		The Court agrees. The matter has been referred to our CMS programmer. The programming will be completed by September 30, 2010.	Connie Holler, Deputy CEO	September 2010
		Log	The Court does not monitor employee query activity to sensitive data in the DMV system.	I		The Court agrees. At this time the Court has no way of monitoring employee query activity, but will contact the DMV for guidance.	Nan DiLouie, Support System Specialist	September 2010
		Log	The Court does not have an IT policy and procedures manual; it is in the beginning stages of developing one.	I		The Court agrees. The IT Policy and Procedures Manual is in the development stages.	Denese Hurst, Assistant CEO	December 2010
		Log	The Court personnel currently have unlimited number of concurrent logins; Court is looking into limiting concurrent logins.	I		The Court agrees. The Court has looked into limiting the number of sessions, but found it is not practical for our work environment.	Denese Hurst, Assistant CEO	N/A
		Log	The Court does not require written approval for creation or modification of user accounts due to staff limitations.	I		The Court agrees. Due to staff limitations there are no plans to change our procedures.	Denese Hurst, Assistant CEO	N/A
		Log	The Court does not have power cut-off switches or smoke detectors in place to prevent major damage to computer equipment.	I		The Court agrees. Power cut off switches would be too costly to install and smoke detectors would not be effective.	Denese Hurst, Assistant CEO	N/A
		Log	There are no fire suppression equipment inside the computer room.	I		The Court agrees. Fire suppression equipment has been ordered.	Denese Hurst, Assistant CEO	August 2010
		Log	The Court incorrectly distributed the \$400 Domestic Violence fee for 1 of the 4 domestic violence cases we reviewed during our testing of DV assessments to the Criminalistics Lab Fund instead of to the Domestic Violence Fund.	I		The Court agrees. The account on the case was setup by the clerk using the wrong accounting code. No payments have been made on the case and the account has been corrected.	Connie Holler, Deputy CEO	August 2010
7	Banking and Treasury							

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court does not have a written process in place to ensure that funds are delivered to its bank for deposit as outlined in FIN 13.01, 6.3.	I		The Court agrees. A written process will be adopted to ensure that funds are delivered to its bank for deposit as outlined in FIN 13.01.	Connie Holler, Deputy CEO	December 2010
		Log	The Court does not ensure that the monthly bank reconciliation for its Revolving bank account is prepared, and signed and dated by both the preparer and the reviewer.	I		The Court agrees. The Court will ensure that the monthly bank reconciliation for its Revolving bank account is prepared, and signed and dated by both the preparer and reviewer.	Connie Holler, Deputy CEO	December 2010
		Log	The Court could not demonstrate that it maintains a check register for its Revolving bank account, although it has a balance of \$2,000 and no activity since 2006.		C	The Court agrees. There has been no activity in this account since 2006. This account was established for emergency use. The check register has been archived.	Connie Holler, Deputy CEO	July 2010
		Log	The Deputy CEO, who is also the Finance Manager, has too much control over revolving account; she controls the check stock, prepares and signs checks, and is responsible for performing the reconciliation for the Court's Revolving bank account.	I		The Court agrees. The duties will be distributed, the CEO will control the check stock, the Systems Support Specialist will reconcile the bank statements.	Irene Rodriguez, CEO	July 2010
8	Court Security							
	8.1		The Court Needs to Strengthen Its Processes Regarding Court Security					
		6	The Court has not developed a Court Security Plan.	I		The Court agrees with Recommendation 1 and is in the process of completing the Court's comprehensive court security plan following recent meetings with the Sheriff.	Irene Rodriguez, CEO	December 2010
		6	At the time of our review, the Court had not negotiated current court security MOUs for fiscal year 2008-2009.	I		The Court agrees with Recommendation 2 and is completing the development and execution of its current MOU's with the Sheriff.	Irene Rodriguez, CEO	December 2010
		6	Neither of the Court's MOUs contains a line-item expense breakdown of the budgeted amount for bailiff and weapons screener costs that can be used to monitor the monthly costs charged for security services.	I		Although, the detailed breakdown of the budgeted bailiff and weapons screener costs, the associated staff benefits, and other agreed costs is not included in the current MOU with the Sheriff, a computer worksheet reflecting the breakdown is provided by the Auditor's Office when the amounts are determined and billed. The printout is included with the billings and is monitored by Connie Holler, Deputy CEO/Budget Mgr. to ensure that the Court is not billed for costs not included in the MOU's.	Irene Rodriguez, CEO	N/A
		6	Uniform allowances are not specified as part of the stated compensation in the MOU.	I		See response above.	Irene Rodriguez, CEO	N/A
		Log	The Court does not have an emergency manual.	I		The Court agrees. The Court is developing an emergency manual.	Denese Hurst, Assistant CEO	December 2010
		Log	The Court has not performed a building evacuation drill in the last 12 months.	I		The Court agrees. The historic Courthouse is a County Building. The matter will be referred to County Facilities Maintenance.	Irene Rodriguez, CEO	December 2010
		Log	Not all fire exit doors are alarmed at some Court locations.	I		The Court agrees. This is a facility issue and has been referred to the AOC Office of Court Construction and Management.	Irene Rodriguez, CEO	October 2010
		Log	Some Court locations do not have a fire suppression system.	I		The Court agrees. This is a facility issue. The Court will contact the County Facility Maintenance Dept., they are responsible for maintenance of this building. Ownership of another facility has been transferred to the State. This Issue has been referred to the AOC Office of Court Construction and Management,	Irene Rodriguez, CEO	December 2010
		Log	At the time of our review, one Court location could not inform us whether or not the fire sprinkler system had been tested within the last 12 months.	I		The Court agrees. Testing of the fire sprinkler system was completed by Aleut Facilities Maintenance on June 30, 2010.	Irene Rodriguez, CEO	June 2010
		Log	Some Court locations do not have smoke detectors installed.	I		The Court agrees. This is a facility issue and has been referred to the AOC Office of Court Construction and Management.	Irene Rodriguez, CEO	October 2010

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		Log	A Court location does not have fire extinguishers available.	I		The Court agrees. Facilities Maintenance has been contacted.	Denese Hurst, Assistant CEO	October 2010
		Log	Some Court locations do not have a method to quickly alert employees to evacuate the building.	I		The Court agrees. The Court is developing an emergency manual.	Denese Hurst, Assistant CEO	December 2010
		Log	A Court location does not have a fire alarm system.	I		The Court agrees. This is a facility issue and has been referred to the AOC Office of Court Construction and Management.	Irene Rodriguez, CEO	October 2010
		Log	The records storage area at one Court location does not have a door to secure and restrict entry.	I		The Court agrees. This is a facility issue and has been referred to the AOC Office of Court Construction and Management.	Irene Rodriguez, CEO	October 2010
		Log	A Court location does not use checkout procedures for court files.	I		The Court agrees in part. If a court file is transferred, it is entered in CMS and transported by the Court's bailiff. A checkout procedure will be developed.	Betty Randel, CSA IV	December 2010
		Log	Deputy radios at some locations do not always transmit out to sheriff dispatch.	I		The Court agrees. Budgetary restraints have limited the funds available to pay for items outside the current Bailiff/Security Agreements.	Irene Rodriguez, CEO	N/A
		Log	A Court location does not require that deputies open large packages received through the mail.	I		The Court agrees. The Court will require the bailiff assigned to the location to open large packages received through the mail.	Richard Scheuler, Presiding Judge	July 2010
		Log	A Court location has not established a key nest.	I		The Court agrees. The Division Manager will establish a key nest.	Division Manager	August 2010
		Log	Not all Court keys are stamped "Do Not Duplicate".	I		The Court agrees. A card access system has been installed at the locations reducing the need for keys to these buildings. Another Courthouse is a County Facility.	Irene Rodriguez, CEO	July 2010
		Log	Some Court locations do not have a burglar alarm system.	I		The Court agrees. This is a facility issue and will be referred to the AOC Office of Court Construction and Management.	Irene Rodriguez, CEO	October 2010
9 Procurement								
		Log	Although the Court electronically processes and approves requisitions within SAP, it did not follow its own written purchasing procedures and document appropriate approval of a written requisition for at least 18 of the 24 procurements we reviewed.	I		The Court agrees. The Court does not have a dedicated procurement department but will make sure to issue purchase orders for all purchase orders for all purchases of items exceeding \$500 and document sole-source justifications for those items that cannot be put out to bid due to the unavailability of multiple vendors in Tehama County.	Connie Holler, Deputy CEO	July 2010
		Log	The Court also did not follow the competitive procurement methods suggested in the FIN Manual corresponding to the value of the procurement, nor did it document a sole-source justification that explains the reason for the sole-source procurement and how it determined the costs to be reasonable for 10 of the 24 procurements we reviewed.	I		See above response.	Connie Holler, Deputy CEO	July 2010
10 Contracts								
		10.1	The Court Needs to Negotiate Agreements for County-Provided Services					
		15	At the time of our review, the Court did not have an MOU with the County for Auditor and Personnel services.	I		The Court agrees with the recommendation. The Court has been in discussions with the County regarding an MOU for Payroll and Benefits Administration Services. That MOU should be in place by January 1, 2011.	Irene Rodriguez, CEO	January 2010
		Log	Two contracts did not contain an independent contractor clause.	I		The Court agrees. When the contracts are up for renewal, the independent contractor clause will be added.	Irene Rodriguez, CEO	Upon renewal of the various contracts.

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		Log	All three contracts did not contain an availability of funds clause.	I		The Court agrees. When the contracts are up for renewal, the clause regarding availability of funds will be added.	Irene Rodriguez, CEO	Upon renewal of the various contracts.
		Log	Two contracts did not contain an insurance clause.	I		The Court agrees. When the contracts are up for renewal the insurance clause will be added.	Irene Rodriguez, CEO	Upon renewal of the various contracts.
		Log	Two contracts did not contain an indemnification clause.	I		The Court agrees. When the contracts are up for renewal an indemnification clause will be added.	Irene Rodriguez, CEO	Upon renewal of the various contracts.
		Log	Two contracts did not contain a right-to-audit clause.	I		The Court agrees. When the contracts are up for renewal the right to audit clause will be added.	Irene Rodriguez, CEO	Upon renewal of the various contracts.
		Log	One contract did not contain a dispute resolution clause.	I		The Court agrees. When the contracts are up for renewal a dispute resolution clause will be added.	Irene Rodriguez, CEO	Upon renewal of the various contracts.
		Log	One contract did not contain a remedies clause.	I		The Court agrees. When the contract is up for renewal a remedies clause will be added.	Irene Rodriguez, CEO	Upon renewal of the various contracts.
		Log	One contract did not contain a confidentiality clause.	I		The Court agrees. When the contracts are up for renewal a confidentiality clause will be added.	Irene Rodriguez, CEO	Upon renewal of the various contracts.
		Log	The Court does not use an out card system to track the location of contract files.	I		The Court agrees. An out card system will be utilized to track the location of contract files.	Irene Rodriguez, CEO	Upon renewal of the various contracts.
		Log	The Court's contract files are not organized per FIN 7.03, 6.2.2(3).	I		The Court agrees. All contract files will be organized pursuant to FIN 7.03, 6.2.2(3).	Irene Rodriguez, CEO	December 2010
		Log	The Court does not conduct annual reviews of its contract files per FIN 7.03, 6.2.2.	I		The Court agrees. Annual reviews of all contract files will be conducted pursuant to FIN 7.30, 6.2.2.	Irene Rodriguez, CEO	December 2010
		Log	The Court does not conduct evaluations of insurance companies that provide coverage to the Court's contractors.	I		The Court agrees. Evaluations of insurance companies that provide coverage to the Court's contractors will be conducted.	Irene Rodriguez, CEO	December 2010
		Log	The Court does not have procedures in place to monitor contractor performance.	I		The Court agrees. Procedures will be developed to monitor contractor performance.	Irene Rodriguez, CEO	December 2010
		Log	The crime coverage in 1 of 5 insurance certificates reviewed was not current.	I		The Court agrees. The Court will conduct reviews and ensure that crime coverage of all insurance certificates is current.	Irene Rodriguez, CEO	December 2010
		Log	The Court was not listed as the certificate holder in 2 of 5 insurance certificates reviewed.	I		The Court agrees. The Court will conduct reviews and ensure that the Court is listed as the certificate holder.	Irene Rodriguez, CEO	December 2010
		Log	None of the 5 insurance certificates reviewed contained the required 15-day written notice prior to coverage being changed or materially altered.	I		The Court agrees. The Court will conduct reviews and ensure that the required 15-day written notice prior to coverage being changed or materially altered is included.	Irene Rodriguez, CEO	July 2010
		Log	At the time of our review, the Court did not have an MOU in place with two other courts, Glenn and Butte, for the tri-county collaboration Self-Help Assistance and Referral Program (S.H.A.R.P.) As a result, the specific roles, responsibilities, and agreements reached by each court are not documented.	I		An MOU for S.H.A.R.P. is being circulated by the lead court, Butte County. The specific roles, responsibilities and agreements reached by each court will be documented	Irene Rodriguez, CEO	December 2010
11	Accounts Payable							
		11.1	The Court Could Strengthen Its Petty Cash Procedures					

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		5	The Court used its Petty Cash Fund to purchase donuts, snacks, and bottled water for non-sequestered jurors, which is not a ROC 10.810 allowable court activity.	I		The Court agrees. The Court will follow the recommendation.	Irene Rodriguez, CEO	July 2010
		5	The Court used its Petty Cash Fund to pay for lunch and soft drinks for 3 judges and 1 commissioner rather than for the FIN Manual intended purpose of the petty cash fund of purchasing low-value supplies and services.	I		See response above	Irene Rodriguez, CEO	July 2010
		5	The Court used its Petty Cash Fund to purchase a coffee pot and coffee filters, which is not a ROC 10.810 allowable court activity.	I		See response above	Irene Rodriguez, CEO	July 2010
		5	The Court used its Petty Cash Fund to purchase party supplies for its staff Christmas party, which is not a ROC 10.810 allowable court activity.	I		See response above	Irene Rodriguez, CEO	July 2010
		11.2	The Court Needs to Improve Its Travel and Business Meal Expense Reimbursement Procedures					
		11	Six TECs were not properly completed.	I		Recommendation 2 – The Court does require all employees to complete and submit a TEC when requesting reimbursement, including required supporting receipts and all information needed. The Court will ensure that all travel claims are monitored closely for the required documentation and information needed.	Irene Rodriguez, CEO	July 2010
		11	Two TECs were improperly approved and another TEC was not approved at all.	I		Recommendation 3 – The Court agrees and will require appropriate level review and signatures on all TEC forms before processing for payment.	Irene Rodriguez, CEO	July 2010
		11	One TEC contained a hotel receipt without a zero balance.	I		Recommendation 2 – The Court does require all employees to complete and submit a TEC when requesting reimbursement, including required supporting receipts and all information needed. The Court will ensure that all travel claims are monitored closely for the required documentation and information needed.	Irene Rodriguez, CEO	July 2010
		11	One TEC did not contain an Exception Request for Lodging form pre-approving lodging rates exceeding AOC guidelines.	I		Recommendation 1 – The Court does require prior approval when rates exceed AOC maximum lodging rates. The Court will ensure that all travel claims are monitored closely for the required approval for reimbursement.	Irene Rodriguez, CEO	July 2010
		11	One TEC did not contain a receipt for bridge toll expense claimed.	I		Recommendation 2 – The Court does require all employees to complete and submit a TEC when requesting reimbursement, including required supporting receipts and all information needed. The Court will ensure that all travel claims are monitored closely for the required documentation and information needed.	Irene Rodriguez, CEO	July 2010
		11	All three business meals reviewed did not contain a pre-approved business-related meal expense form. Consequently, we could not determine whether the expenses were pre-approved nor whether the meal was intended for breakfast, lunch, or dinner for two of the three business meals reviewed.	I		Recommendation 4 – The Court agrees and will adopt business-related meal expense procedures that include prior approval by the PJ or written designee to ensure business-related meal expenses are an appropriate and necessary use of public funds. The Court will follow procurement and contracting guidelines established in the FIN Manual when procuring pre-approved group business meals that exceed \$500 and prohibit the use of public court funds for meals that are non-allowable per Rules of Court, Rule 10.810.	Irene Rodriguez, CEO	July 2010
		11	One group business meal was not pre-approved by the PJ or CEO and did not follow procurement and contracting guidelines established by the FIN Manual.	I		See response above.	Irene Rodriguez, CEO	July 2010
		11	One business meal exceeded the per person reimbursement threshold for lunch.	I		See response above.	Irene Rodriguez, CEO	July 2010

Key as of close of fieldwork:
 I = Incomplete
 C = Complete

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		11	The Court used public court funds to pay for catering related to its Christmas party.	I		See response above.	Irene Rodriguez, CEO	July 2010
		Log	Five TECs did not include a statement that the hotel did not waive the occupancy tax.	I		The Court agrees. TEC's are now being monitored closely to ensure that all the required documentation is attached.	Connie Holler, Deputy CEO	July 2010
		Log	The assistant CEO posted her own reimbursement claim in Phoenix-FI.	I		The Court Executive Officer approved the reimbursement claim. Two employees work with SAP, one parks and one posts. The Asst. CEO posts the claims. To ensure that the claim amount is not changed, the individual receiving reimbursement / compensation will not post their own claim. The Court now has two employees parking and two employees posting documents.	Irene Rodriguez, CEO	September 2010
		Log	One TEC claimed incidentals on the first day of travel.	I		The Court agrees. TEC's are now being monitored closely to ensure that all the required documentation is attached.	Connie Holler, Deputy CEO	July 2010
		Log	The Court did not date stamp 18 of the 26 paid invoices we reviewed.	I		The Court agrees. All invoices will be date stamped when received.	Connie Holler, Deputy CEO	July 2010
		Log	For 7 of the 26 paid invoices we reviewed, the Court did not have corresponding procurement documents on file, such as an agreement or P.O., to confirm that it paid the appropriate amounts.	I		The Court agrees. The Court does not have a dedicated procurement department but will make sure to issue purchase orders for all purchases of items exceeding \$500 and document sole-source justifications for those items that cannot be put out to bid due to the unavailability of multiple vendors in Tehama County.	Connie Holler, Deputy CEO	July 2010
		Log	For 9 of the 26 paid invoices we reviewed, the Court did not indicate receiving the goods or services, either with a shipping or packing receipt or a court employee signature acknowledging satisfactory receipt of the goods or services, before it approved and processed the payment.	I		The Court agrees. All invoices will be monitored closely to ensure that all of the required documentation, including court employee signatures acknowledging receipt of goods or services is attached.	Connie Holler, Deputy CEO	July 2010
		Log	The Court recorded 3 of the 26 payments we reviewed to the incorrect GL account code. Microfilming services were recorded to Document Retrieval Services instead of GL 920624-Microfilm and Microfiche; computers for security cameras were recorded to IT Other instead of GL 922611-Computers; and services for new telephone system cutover and training were recorded as Major Equipment Systems instead of GL 95101-Telecommunications.	I		The Court agrees. The Court does not have a dedicated finance department, but will make sure that the correct GL's are used.	Connie Holler, Deputy CEO	July 2010
		Log	1 of the 26 payments we reviewed was for bottled water, a cost not specifically allowed by rule of court 10.810.	I		The Court agrees that bottled water was and is being purchased. The drinking fountains for each court location are in public areas, i.e., lobbies, waiting areas, shared with the general public. Not only are there sanitary concerns but security issues.,	Irene Rodriguez, CEO	N/A
		Log	The Court did not have on file supporting invoices and purchase documents for 3 of the 26 payments we reviewed. Thus, we could not assess the propriety of these payments of approximately \$1,090 to Staples, \$1,020 to the Regents of ?, and \$125 to Principle Life Group.	I		The Court agrees. Due to a lack of storage space the financial records for are kept not only in the Historic Courthouse, but in several different offices and in a storage building adjacent to the Courthouse and could not be located.	Connie Holler, Deputy CEO	N/A
		Log	For the 9 juror meal expenses we reviewed, none indicated they were for sequestered jurors, which rule of court 10.810 specifically allows.	I		The Court disagrees. The jurors were in deliberations and were sequestered through the lunch hour. The Court provided lunch.	Connie Holler, Deputy CEO	N/A
12 Fixed Assets Management								
	12.1		The Court Could Improve Its Tracking and Reporting of Court Assets					

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		13	The Court does not have a documented process to ensure it complies with software licensing agreements. Specifically, although it was able to generate a list of court-installed computer software, it does not store current software license agreements in a designated area and periodically verify that it is in compliance with these software license agreements.	I		The Court agrees with the recommendation. The Asst. CEO, Denese Hurst is working with IT Innovations, the Court's third party vendor, and will prepare and maintain a list of Court owned software that is supported by software license agreements. A process will be established to periodically compare the software installed on its computers against the terms of its license agreements to ensure that it is in compliance with its software license agreements.	Denese Hurst, Assistant CEO	December 2010
		13	The Court's physical inventory process is performed by individuals who are associated with the location where the physical inventory is conducted, rather than by individuals who are independent and neutral. Additionally, the individuals performing the inventory are asked to verify the items that the inventory listing indicates are located in their respective divisions, but are not asked to look for and add items that are located in their respective divisions but missing from the inventory listing.	I		The Court agrees in part. The Court does perform annual physical inventory verifications. The Managers at each Division conduct the physical inventory and report any discrepancies to the Superior Court Secretary who is designated to compile the report for the Court. There is no requirement in the FIN Manual that individuals who do not work at the location conduct the physical inventory. We are a small, understaffed Court and employees are required to perform a wide range of duties. The process we follow has worked very well for the Court and we plan to continue conducting the annual inventory in this manner. The Court will prepare an alternative procedure request and submit it to the AOC for approval.	Irene Rodriguez, CEO	December 2010
		13	Of the 23 asset items we selected to trace from the various Court locations to the inventory list, the inventory list had inaccurate information for 6 of the items. Moreover, the Court had not recorded in its asset management system and inventory listing 1 printer and 4 televisions.	I		The Court agrees to review the process of affixing property identification tags to items that are found at a location but that are not recorded on the inventory list. The Court will conduct research associated with items acquired and ensure that these items and the tag number and pertinent item information are entered in the asset management system.	Connie Holler, Deputy CEO	July 2010
		13	Our review of 8 discrepancies from the Court's fiscal year 2008-2009 asset inventory determined that the Court did not always update its asset management system to reflect items it could not locate as "missing." Specifically, its asset management system still has 5 items listed that it could not locate during its fiscal year 2008-2009 physical inventory process. According to the Court, the respective division has not yet submitted an Equipment Inventory Report form to remove the missing items from the asset management system.	I		See response above.	Connie Holler, Deputy CEO	July 2010
		13	The Court overstated the value of the fixed assets it reported in fiscal year 2007-2008 and 2008-2009 when it included assets that are individually valued at under \$5,000 per item. Specifically, it reported approximately \$158,250 of assets that are valued at less than \$5,000 per item. For example, it reported as fixed assets 14 jury chairs valued at \$7,200 in total, but that are valued at less than \$515 each chair. Similarly, it reported as fixed assets 16 workstations valued at \$31,750 in total, but that are valued at less than \$2,000 each.		C	The Court agrees with the recommendation. Connie Holler, Deputy CEO/Budget and Revenue Manager, has completed a review of the listing of fixed assets. Only items individually valued at \$5,000.00 or more with an anticipated useful life of more than one year appear on the fixed asset list.	Connie Holler, Deputy CEO	June 2010
		13	At the time of our review, the Court had not reported in its fiscal year-end 2008-2009 Fixed Assets Reports the fixed asset component of its new phone system that it purchased in June 2009.		C	See response above.	Connie Holler, Deputy CEO	June 2010

AUDIT AREA	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	Of the 27 inventory items we selected to trace from the inventory listing to their physical location, we found the Court recorded inaccurate information in its inventory listing for 9 items. Specifically, the items exist, but the inventory listing did not reflect the correct serial number for 7 items and did not reflect the correct location for 2 items.	I		The Court agrees. The inventory listing has been corrected to reflect accurate information for the 9 items.	Irene Rodriguez, CEO	July 2010
		Log	Of the 7 disposal items we selected to review, although the Court provided documentation of the CEO approving the transfer of one item into storage, the Court could not provide documentation of the CEO approving disposal of the item.	I		The Court agrees. The process of disposal of items will be monitored closely to ensure that the signature of the CEO is obtained prior to disposal	Irene Rodriguez, CEO	July 2010
		Log	Although the technology equipment disposal listings indicate that the Court posted its notice with the AOC, the Court could not provide copies of the CEO signed disposal notices.	I		The Court agrees. The process of disposal of items will be monitored closely to ensure that the signature of the CEO is obtained prior to disposal.	Irene Rodriguez, CEO	July 2010
13 Audits			No issues to report.					
14 Records Retention			No issues to report.					
15 Domestic Violence								
	15.1		The Court Could More Consistently Assess Statutorily Required Domestic Violence Fines and Fees					
		7	Court did not assess the Probation Revocation Restitution Fine in 8 of 13 cases reviewed or state on the record a compelling or extraordinary reason why the fine was not assessed.	I		The Court will follow the recommendations.	Irene Rodriguez, CEO	December 2010
		7	Court did not assess the State Restitution Fine in 2 of 13 cases reviewed or state on the record a compelling or extraordinary reason why the fine was not assessed.	I		See response above.	Irene Rodriguez, CEO	December 2010
		7	Court did not assess the Domestic Violence Probation Fine in 2 of 13 cases reviewed or state on the record the defendant's inability to pay the fee.	I		See response above.	Irene Rodriguez, CEO	December 2010
		7	Court did not assess the Court Security Fee in 1 of 13 cases reviewed.	I		See response above.	Irene Rodriguez, CEO	December 2010
16 Exhibits								
	16.1		Improvements Can Be Made to Strengthen Accountability Over Exhibits					
		8	Court does not have written procedures for handling exhibits.	I		Written procedures are being developed for the proper handling of exhibits as outlined in item 1.	Irene Rodriguez, CEO	December 2010
		8	At the time of our review, the Court's Criminal/Traffic and Corning locations did not segregate sensitive exhibits from other exhibits.	I		See response above.	Irene Rodriguez, CEO	December 2010
		8	Biological evidence is not heat-sealed in double plastic bags at the Court's Criminal/Traffic location.	I		See response above.	Irene Rodriguez, CEO	December 2010
		8	The Court's Criminal/Traffic location does not utilize latex gloves provided to it when handling biological evidence.	I		See response above.	Irene Rodriguez, CEO	December 2010
		8	At the time of our review, the location of exhibits was not noted in the Court locations' CMS.	I		Instructions to courtroom clerks on the proper handling of exhibits are being developed. The use of the Court's CMS to track location of exhibits will be emphasized.	Irene Rodriguez, CEO	December 2010

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		8	The Court's Civil location does not always track exhibits.	I		See response above.	Irene Rodriguez, CEO	December 2010
		8	At the time of our review, exhibits were not entered into CMS at the Court's Criminal/Traffic and Corning locations.	I		See response above.	Irene Rodriguez, CEO	December 2010
		8	At the time of our review, the exhibit inventory listing was not current at the Court's Corning location.	I		See response above.	Irene Rodriguez, CEO	December 2010
		8	At the time of our review, the Court's Corning location had not reconciled its exhibit inventory list to CMS.	I		See response above.	Irene Rodriguez, CEO	December 2010
		8	Court does not conduct an annual inventory of its exhibit storage areas.	I		The Court will conduct and document a physical inventory count of all exhibit storage areas at all Court locations annually; reconciling exhibit items to the exhibit records and to the Court's CMS. The Court will document periodic inspections of the exhibit storage areas and review the documentation supporting addition, transfer or removal of exhibit items. The Court will perform periodic inspections of exhibit storage areas to ensure that all exhibits remain safe and secure.	Irene Rodriguez, CEO	December 2010
		8	Court does not conduct periodic inspections of its exhibit storage areas.	I		See response above.	Irene Rodriguez, CEO	December 2010
		Log	The Court's Criminal/Traffic and Corning locations do not dispose of exhibits after 60 days from the date of final case disposition.	I		The Court agrees. The timeframe for disposition of exhibits will become part of written procedures.	Irene Rodriguez, CEO	December 2010
		Log	The Court's Criminal/Traffic location does not keep its manual exhibits lists in a centralized file.	I		The Court agrees. Written procedures are being developed for the proper handling and documentation of exhibits.	Irene Rodriguez, CEO	December 2010
		Log	The Court's Criminal/Traffic and Corning locations do not utilize exhibit transfer/receipt forms when transferring exhibits from the courtroom to the exhibit room.	I		The Court agrees. Written procedures are being developed for the proper handling and documentation of exhibits.	Irene Rodriguez, CEO	December 2010
		Log	The exhibit room at one Court location is not alarmed.	I		The Court agrees. This is a facility issue and will be referred to the AOC, Office of General Construction.	Irene Rodriguez, CEO	December 2010
		Log	Exhibit room keys at some Court locations are not always on the exhibit custodian's person or secured in a locked drawer.	I		The Court agrees. The keys to the exhibit room will be on the person of the Division Manager or secured in a locked drawer. The key to the exhibit locker will be on the person of the Division Manager or secured in a locked drawer.	Irene Rodriguez, CEO	July 2010
		Log	Some Court locations do not have a key locker or key nest for its exhibit locker keys.	I		The Court agrees. The Court is obtaining a key locker for both facilities.	Denese Hurst, Assistant CEO	October 2010
		Log	The exhibit locker/room at some Court locations are not covered by CCTV.	I		The Court agrees. This is a facility issue and will be referred to the AOC, Office of General Construction.	Irene Rodriguez, CEO	December 2010
		Log	Some Court locations do not maintain an exhibit room access log.	I		The Court agrees. Written procedures are being developed for the proper handling and documentation of exhibits.	Irene Rodriguez, CEO	December 2010
		Log	Exhibit locker at a Court location does not provide adequate protection from fire, water, and mold.	I		The Court agrees. This is a facility issue and will be referred to the AOC, Office of General Construction.	Irene Rodriguez, CEO	December 2010
		Log	A Court location does not have a formal incident reporting mechanism affecting the exhibit storage area.	I		The Court agrees. Written procedures are being developed to ensure proper handling and documentation of exhibits.	Irene Rodriguez, CEO	December 2010
17	Bail							
		Log	The Court could not demonstrate that its judges prepared, revised, and adopted (as required annually by statute) a Uniform Countywide Schedule of Bail for calendar year 2009.		C	The Court has adopted a Uniform Countywide Schedule of Bail for 2010.	Richard Scheuler, Presiding Judge	February 2010

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		Log	The Sheriff did not follow the Court's Uniform Countywide Schedule of Bail when accepting bail for 2 of the 18 cases we reviewed.	I		The Court agrees. It appears that the Sheriff did not follow the Court's Uniform Bail Schedule in the two cases reviewed. However, the agency arresting the individual may book them on a number of charges unrelated to the actual charges filed in Court. The files do not contain all of the documentation that the Sheriff had at the time of booking. The Court will address this issue with the Sheriff.	Richard Scheuler, Presiding Judge	December 2010
		Log	The Court does not reconcile its surety bond registers to CMS.	I		The Court agrees. Programming is needed to fully utilize the bond screen on the Courts CMS.	Denese Hurst, Assistant CEO	December 2010
		Log	The Court does not validate the surety bonds it receives.	I		The Court agrees. A process to validate surety bonds received will be implemented.	Irene Rodriguez, CEO	December 2010